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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1977

GOVERNMENT
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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1977

THURSDAY, AUGUST 26, 1976.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

WITNESSES

ELWOOD R. QUESADA, CHAIRMAN AND CHIEF EXECUTIVE OFFICER
JOHN M. WOODBRIDGE, EXECUTIVE DIRECTOR
PETER T. MESZOLY, GENERAL COUNSEL
F. DAVID HARRIS, ASSISTANT DIRECTOR

OPENING REMARKS

Mr. YATES. The hearing will come to order. We have appearing on behalf of the Pennsylvania Avenue Development Corporation, General Quesada, Chairman and Chief Executive Officer; John M. Woodbridge, Executive Director; Peter T. Meszoly, General Counsel; and F. David Harris, Assistant Director.

STATEMENT OF GENERAL QUESADA

General Quesada, you have a statement which will be made a part of the record.

[The statement follows:]

Mr. Chairman and members of the subcommittee: I am Elwood R. Quesada, Chairman of the Pennsylvania Avenue Development Corporation. I am accompanied by senior members of the Corporation's staff, including: Mr. Woodbridge, Executive Director; Mr. Meszoly, General Counsel; and Mr. Harris, Assistant Director for Finance.

We are gratified to be able to appear before this committee now that authorization legislation to begin implementation of the Pennsylvania Avenue Plan has been enacted. The committee has been very considerate of our difficulties. Particularly, we appreciate your action which provided for continuation of the Corporation during the recent period when everything was so uncertain. The Administration continues to support the appropriation of funds to begin development activities in fiscal year 1977.

We are requesting three types of appropriations for fiscal year 1977: first, an appropriation which amounts to the balance of the fiscal year 1977 budget request for "Salaries and expenses," namely, $425,000; second, $11.4 million to begin public development as described in the administration budget amendment of June 22, 1976; and third, $25 million to begin property acquisition as contained in the fiscal year 1977 budget. With regards to the first of these, the appropriations request of $425,000 is in addition to the $1 million already appropriated. The Corporation considers this request necessary to effectively make the transition from a planning to a development agency. Appropriation of these funds would be consistent with the administration's program.

The Corporation is asking for $1,425,000 for salaries and expenses for fiscal year 1977. This amount is allocated between two activities "Executive direction" and "Planning." Executive direction is the activity which is responsible for the general administration of the Corporation's affairs, including determinations of

policy and future acquisition of property for development. Meetings of the Board of Directors, legal and regulatory services, personnel administration, and budget and financing are all discharged under this activity.

The second activity funded by yearly appropriations for salaries and expenses is "Planning." This activity is staffed mostly by architects, urban planners, and engineers. They are responsible for overall planning for the development area, detailed design of public projects to be carried out by the Corporation, and review of private development projects for conformity with the plan. The most significant, new operation in this activity for fiscal year 1977 will be the implementation of public improvements in the Avenue area. Public improvements to be begun next fiscal year include: rebuilding of the Pennsylvania Avenue right-of-way, parks and open spaces, lighting and street fixtures, and historic preservation activities.

The $1,425,000 requested in fiscal year 1977 for the foregoing activities represents an increase of $601,000 over the sum appropriated for similar purposes in this fiscal year. The increase is predicated upon a reasonable expansion in staff size to enable the Corporation to undertake substantive development projects in the next fiscal year. It is fair to say that the Corporation has been, to some extent, treading water this past year, awaiting a determination of whether or not the plan was to proceed. We are hopeful that the commitment has now been made: first, by the Congress in approving the plan and in passing authorizing legislation to fund implementation; and, second, by the administration pursuant to the request for development funds in the President's budget, now at this committee's discretion.

The Corporation's work this year has been directed toward setting foundations for a prompt and efficient commencement of implementation in fiscal year 1977. Regulations were drafted, procedures coordinated with other concerned agencies, and public improvements proposals were refined. Such administrative and preparatory work will continue through the next fiscal year as well. However, the next year should bring the beginning of implementation, with additional responsibilities. Therefore, the Corporation would like to increase its staff from the present level of 20 permanent employees, to 27 by the end of this fiscal year, and to 33 during the course of fiscal year 1977. This expansion will carry with it the need for additional office space, equipment, and administrative support. The proposed expansion in size of staff and scope of operations (including consultants' contracts) accounts for the larger request for salaries and expenses. A detailed breakdown of increases by object class has been provided in the budget justification.

The second part of the Corporation's budget, recently transmitted by the administration as an amendment to the President's budget, is a request for $11.4 million in appropriations for capital improvements. This request is the first year's portion of the $130 million projected by the Corporation in the plan, as the total cost of public improvements for the development. The funds are to be used in the following general categories: (1) Public development—rebuilding of the Avenue, parks and open spaces, street fixtures and furnishings, and historic preservation; (2) site improvements—sidewalks, curbs and gutters, sewers and utility relocation and replacement; (3) relocation and property management—relocation benefits to displaced businesses under existing law, special assistance to help restart businesses in the redeveloped area, and management of acquired property; and (4) interest on the Corporation's borrowings.

More specifically, the $11.4 million requested for the above activities in fiscal year 1977 is intended for the following uses:

(1) $5 million for design, working drawings, and the beginning of reconstruction of the Pennsylvania Avenue right-of-way, particularly in the southeastern part of the development area;

(2) $600,000 for final drawings and specifications for parks and open spaces at such locations as John Marshall Place, Indiana Avenue Plaza and the Pershing Memorial Square. A like amount is intended for final design and pilot models of signs, signals, and street furniture. $500,000 is needed for design and pilot models for street lighting throughout the development area;

(3) $800,000 has been estimated as the amount necessary in the first year for renovation of historic facades, and the dismantling and preservation of valuable elements of smaller buildings to be razed;

(4) $600,000 is intended for project management. This activity sets up a general schedule of all public improvements, taking into account the pace of construction, rerouting of traffic, and utility relocation:

(5) Relocation and property management has been allocated $1,112,000. Of this, $112,000, is estimated as necessary to develop and establish a relocation program which would conform to the requirements of the law. The $1 million balance would be available to proceed with an interim business relocation facility, if final feasibility is determined; and

(6) $300,000 is intended for the temporary operation of property acquired by the Corporation, prior to its disposition for development.

(7) $1.938 million is for interest accrued on borrowings of $25 million from the Treasury, calculated at the anticipated rate of 7.75 percent;

The third part of the Corporation's request for fiscal year 1977 is for $25 million to be borrowed from the Treasury of the United States, as authorized in 40 U.S.C. 875. This money would be used for property acquisition, land preparation, and related expenses. Related expenses include appraisals and fees, and payments in lieu of property tax to the District government. The $25 million is within the $50 million borrowing limit authorized in the Corporation's enabling act. The amendments to the Corporation's authorization in the House bill, H.R. 7743, would raise this borrowing limit to $200 million. This is the amount requested by the Corporation in the approved development plan as necessary for implementation of the plan over a 14-year period. The borrowed funds are intended for land assembly and clearance. Cleared parcels would then be sold or long-term leased to private developers. (The Corporation has estimated that private entrepreneurs would invest over $350 million in redevelopment under the plan.) The proceeds from the sale or lease of land by the Corporation would be used to pay off Treasury borrowings.

During the first year of development (fiscal year 1977), the $25 million in borrowed money would be used for the acquisition of property between Seventh and Ninth Streets (the situs of the proposed housing development). and on square 225 (the situs of the Willard Hotel). Although the Board of Directors has not yet determined a precise order of acquisition of properties, the Willard has a high priority because of its vacancy and deteriorated condition, and the importance of its restoration to the success of the plan. The status of the Willard has also been the subject of litigation during the past 2 years, with the matter still pending in the courts.

Mr. Chairman, we have been before this committee for several years reporting the progress of our planning efforts. The committee and the Congress have been very patient. Owners and businessmen in the redevelopment area have also been very patient, despite the fact that the future of the Avenue has been subject to varying degrees of uncertainty for over a decade. In previous testimony before this committee I have urged Congress to accept the plan and fund it, or to repeal the plan completely. The decision to go forward appears to have been made. I am hopeful that these funds, requested in the President's budget, will indeed be made available. If they are, we will be diligent in carrying out the plan and, I hope, wise in the use of the public trust and moneys charged to us. The Pennsylvania Avenue Plan is an endeavor worthy of being undertaken by a combination of public and private investment in this Bicentennial year. I sincerely hope that next year at this time we will be able to report on substantive progress in redevelopment, not just on planning for the future.

JUSTIFICATION MATERIAL

Mr. YATES. We will also insert justifications in the record at this point.

[The justifications follow:]

SUMMARY OF JUSTIFICATION BY ACTIVITY

The Fiscal Year 1977 request for appropriations of the Pennsylvania Avenue Development Corporation reflects anticipation of a major change in operations. The request is predicated upon the commencement of implementation of the "Pennsylvania Avenue Plan - 1974," accepted by Congress effective May 19, 1975, after a statutory review period of 60 legislative days. Execution of the Plan to redevelop Pennsylvania Avenue and its northern environs between the Capitol and the White House will require the Corporation to change from a general planning agency to a government developer with ongoing planning and design, and associated administrative responsibilities. An immediate consequence of this larger function will be a moderate increase in the size of the permanent staff (presently numbering 20), to 27 by the end of this fiscal year and to 33 by the end of Fiscal Year 1977. Additional staff will enable the Corporation to accomplish assignments incident to implementation of the plan, by providing: increased capacity for executive guidance, legal services and administrative support; increased professional talent for continuation of planning and design, and review of private development activities; and, specialists to handle development economics, accounting, property acquisition and management. Despite the proposed increase in permanent staff, a number of support functions will have to be discharged through contracts or through reimbursable services provided by other agencies. In addition, a major new activity is included in this request for acquisition and preparation of property.

The money aggregating this request may be categorized in two parts:

1. Appropriations for operating and administrative costs (salaries and expenses). These were requested for the past fiscal year under three activities: Executive Direction, Project Planning and Development. However, as the first and third activities are both at an administrative level, and do not involve physical development of projects, this year they are consolidated under the activity denominated as Executive Direction. The other activity of this part, Planning, remains the same as the last year's request. The total amount requested for the two activities in this part for Fiscal Year 1977 is $1,425,000.

2. Funds to be borrowed from the United States Treasury (loan funds). This consists of money requested for land acquisition and preparation, the costs of which are to be recovered upon re-sale or lease of the properties to developers. The total amount requested for Fiscal Year 1977 is $25,000,000.

Following is a summary explanation of the use of requested funds for each activity within the two parts shown above:

1a. Executive Direction - The appropriation requested for Fiscal Year 1977 for this activity is $697,000. The activity presently has twelve permanent employees, with four vacancies to be filled by the end of the current fiscal year. The instant request contemplates the addition of three personnel in Fiscal Year 1977- a relocation officer and two secretary/stenographers. The additional manpower for the end of this fiscal year and in the next is deemed to be necessary to handle the increasing workload of internal administration, litigation (including condemnation and regulatory writing), property management, and accounting. All these factors are a result of the transition into the development phase of the Corporation's function.

1b. Planning - $728,000 is requested to be appropriated to this activity in Fiscal Year 1977 to fund the operating and administrative expenses of the section of the staff concerned with design, historic preservation and overview of private development. The activity presently has seven permanent employees, with four to be added toward the end of the current fiscal year. The request for Fiscal Year 1977 contemplates the addition of three professional employees, two managers of design and construction for public projects, and a scheduling technician.

2. Property Acquisition and Preparation - $25,000,000 is requested to be included in the Fiscal Year 1977 appropriation under this new activity to be borrowed from the United States Treasury. The funds are intended for the acquisition of real property in the development area for assembling of building sites, clearance of structures, and relocation of utility lines, as needed. Prepared parcels of land would then be sold or long-term leased to developers, for investment in projects in accordance with the Plan. As revenues from sales and leases come into the Corporation, the borrowings from the Treasury would be repaid.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

REQUEST FOR APPROPRIATIONS, FISCAL YEAR 1977

SUMMARY OF ACTIVITIES

(Sums in thousands of dollars)

	FY 75	FY 76	TQ	INCREASE OVER FY 76	FY 77
ACTIVITIES					
1. Executive Direction	824	473	124	+ 224	697
2. Planning	...	351	94	+ 377	728
3. Land Acquisition and Preparation	...	...	...	+25,000	25,000
TOTAL APPROPRIATIONS	824	824	218	+25,601	26,425
RECONCILIATION WITH OBLIGATIONS					
Unobligated balance at start of period	+33	+23	...	- 23	...
Unobligated balance at end of period	-23	...	...	...	...
Unobligated balance lapsing	- 1	...	...	...	...
TOTAL OBLIGATIONS	833	847	218	+25,573	26,425
PERMANENT POSITIONS BY ACTIVITY					
1. Executive Direction	10	16	...	+ 3	19
2. Planning	7	11	...	+ 3	14
3. Land Acquisition and Preparation	...	...	...	...	...
TOTAL PERMANENT	17	27		+ 6	33

I. APPROPRIATION JUSTIFICATION

The Pennsylvania Avenue Development Corporation was established by Public Law 92-578, (40 U.S.C. 876 et seq.), to prepare a comprehensive development plan for Pennsylvania Avenue between the Capitol and the White House, and to carry out such plan upon its final approval. The approval process in the Act was designed to require a thorough review of the plan at several levels. The Plan was formally considered by the Secretary of the Interior and the Mayor of the District of Columbia, the latter receiving comments from the National Capital Planning Commission. The views of the public were received through hearings and workshops held by the District Government, and pursuant to the environmental impact statement process. Final review was by Congress, after the plan was submitted to the Senate and the House of Representatives for consideration for 60 legislative days. The House Interior Subcommittee on National Parks and Recreation held an oversight hearing on the plan during this time. Congressional review was successfully completed on May 19, 1975, and the plan became a legally binding development program. Under the Act and the approved plan, the Corporation has the authority and obligation to review and certify any new construction proposed or being conducted in the development area.

After completion and approval of the Pennsylvania Avenue Plan, the Corporation began to prepare itself for prompt beginning of implementation upon the availability of development funds. The likelihood of changing from a general planning agency of limited duration, to a development agency with an estimated lifespan of over a decade, requires an adjustment of administrative capabilities. This past year the Corporation began to prepare to function over the long haul by promulgating certain required procedures and regulations. A new part has been designated in title 36 of the Code of Federal Regulations to contain the regulations being published by the Corporation. Regulations have been prepared in the areas of: (1) The Federal Privacy Act; (2) The Freedom of Information Act; (3) Description of Corporate Organization and Functions; and, (4) Standards of Conduct and Conflicts of Interests. Formal procedures and forms were also adopted to coordinate the Corporation's review of proposed construction work within the development area with the issuance of permits by the District of Columbia Department of Economic Development, Office of Licenses and Permits. Similar arrangements were made with the District's Department of Transportation to coordinate changes in the use of public spaces, including traffic and streets. The Corporation, with the assistance of private consultants, reviewed the requirements and programs relative to equal employment opportunity and affirmative action, as a basis for developing the Corporation's own programs for these areas. An audio-visual show was

also created to increase public awareness of the evolution and features of the Plan, and for possible use in conjunction with Bicentennial programs and exhibitions.

In preparation for implementation, the Corporation carried out additional studies related to the economics and financing of development. During the past year the Corporation's staff continuously reassessed the priorities for acquisition of key properties in response to changing expectations as to the time of availability and extent of funding. The Corporation also had to take into account the growing number of "distressed properties" in the development area -- businesses which have ceased to operate and should be acquired promptly to relieve the difficulties of their owners.1/ Although individual property appraisals have not yet been obtained, general acquisition cost analyses were upgraded for accuracy. The Corporation also prepared an extensive study of retail activity in the Pennsylvania Avenue area and of the level of activity that could be expected after redevelopment. Schematic retail design concepts were prepared for several blocks. The major proposal was for redevelopment of a multi-level retail mall between the Willard and Washington Hotels that would draw people from Pennsylvania Avenue northward into the City's downtown.

1/ A significant property in this category is the Willard Hotel, which has remained largely vacant and deteriorating since 1968. In the past year the Corporation became party to litigation regarding the preservation of the Willard, as called for in the Plan. When it appeared that the owners of the building would obtain a permit to tear down the facade, private plaintiffs brought suit in the United States District Court for the District of Columbia, citing the Corporation's enabling act and the Plan as a basis for an injunction by which they sought to prevent the owners' demolition. (Don't Tear It Down, Inc., v. Washington, 399 F. Supp. 153 (D.D.C. 1975)). Having been ordered by the Court to enter the litigation, the Corporation joined with plaintiffs in seeking the injunction. In August, 1975 the District Court ruled for plaintiffs, enjoining the defendants, owners of the Willard, from proceeding to demolish the building, absent a certification of approval by the Corporation. The certification was requested and denied. The owners have appealed the decision to the United States Court of Appeals for the District of Columbia Circuit, where the matter is pending. In October 1975, the owners of the Willard property also brought suit in the United States Court of Claims in an action for inverse condemnation, alleging the unlawful taking of their property by the United States and seeking damages of $8 million. That action is also pending.

Although the Pennsylvania Avenue Plan, as approved, proposes the general design for the area, many details remain to be filled in, particularly with respect to the public improvements to be added by the Corporation. Most of the members of the professional staff of the Corporation are planners and architects, and much of the substantive work of the past year took place in planning and design. Specific designs were created for the major public improvements scheduled in the Plan, and area-wide studies in traffic, engineering, and historic preservation were conducted. The Corporation undertook the landscape architectural design of the west end of the Avenue from Thirteenth Street to the White House grounds, and the design of the plaza areas on Indiana Avenue and Market Square, between Seventh and Ninth Streets.

An extensive redesign of the housing and mixed-use complex at Market Square (across Pennsylvania Avenue from the National Archives), was completed during this past year. This enabled the preparation of a current cost estimate for the structure, based upon typical construction costs for this area, and the drafting by the Corporation's financial staff of an income and expense projection for the development. Further study of the subsurface National Archives record storage facility was also accomplished, in conjunction with structural engineering and mechanical equipment analyses by consultants to the Corporation. The goal of the Corporation is to maintain and enhance the existing elements of the late nineteenth century commercial and residential district which at one time included most of the development area, and now exists mainly between Sixth and Ninth Streets and between Tenth and Eleventh Streets. The Corporation has researched and recorded, on a square-by-square basis, every building of historic or architectural merit, and completed its review of National Register properties, as required under the National Historic Preservation Act of 1966. This review assessed the effect of the Plan upon some 28 buildings and places with the Pennsylvania Avenue Development area, and within an adjacent impact district. The Advisory Council on Historic Preservation has concurred in the Corporation's assessment that the Plan would either not affect or would have no adverse effect upon almost all of these properties. The Council reserved judgement on two aspects of the plan pending the preparation of more detailed design analyses.

The $1,425,000 requested for FY 77 operating costs under the activities of Executive Direction and Planning is an increase of $601,000 over the sum appropriated for similar purposes in this fiscal year. The increase results largely from expanded staffing necessary to prepare for and to carry out the initial stages of implementation. The increase is based on both additional salaries, and additional costs for the greater administrative needs of a larger staff. The added personnel will be needed for: (1) architectural and design services for the public improvements to be constructed by

the Corporation; (2) continuing economic analyses of development; (3) financial and budget management; and, (4) increased administration, legal and regulatory work, and review of private development activities.

Although the Corporation is planning a moderate increase in staff size, the new level is not in contemplation of doing the entire implementation of the plan on an "in-house" basis. To do so would require an even greater staff, in view of the size of the overall proposed project. Accordingly, the staff size requested for FY 77 is sufficient to provide technical expertise and guidance for general development, as well as complete service for special aspects of the plan to be undertaken entirely by the Corporation. In lieu of additional permanent staff, the Corporation intends to rely on external contracts, reimbursable services from other agencies, and the hire of a few experts and consultants on a temporary or intermittent basis. The proposed use of funds for Executive Direction and Planning are analyzed below.

A. Executive Direction - This activity will continue to furnish guidance and supervision for all of the Corporation's programs, and assure compliance with the policies established by the Board of Directors. The legal staff will provide administrative law support, regulatory and legislative drafting and liaison, and coordination with the Department of Justice on condemnation and litigation. Legal services will also be provided for contracting, commercial transactions, and interagency services. Other support functions of this activity include: personnel administration, budget and financing, supplies and materials, and public information. The General Services Administration assists in some of these areas, on a reimbursable basis.

This activity is also responsible for the planning and use of capital development funds, property acquisition and management, real estate transactions, and relocation assistance. The relocation assistance function is to be carried out on a reimbursable basis by an appropriate Federal or District agency, but the Corporation will have to oversee and regulate the program. Similarly, operation of acquired property would be under a management contract, but supervised by the staff of this activity.

This activity currently has 12 permanent employees, but 4 additional positions may be filled before the end of the present fiscal year. The four new hires contemplated are: an attorney; an accountant; a financial analyst; and a property acquisition specialist. Three positions are included in this request for addition in FY 77. They consist of a position for a relocation assistance officer and two secretarial positions.

Estimated FY 77 costs for Executive Direction in the major object classes include:

(a) $381,000 for personnel compensation, including the private members of the Board of Directors;

(b) $42,000 for rent communications and utilities, computed at the pro rata share of the estimated total cost of this object class to the Corporation;

(c) $219,000 for other services, such as reimbursement for the mandatory (under the Government Corporation Control Act) GAO audit, payment to the General Services Administration for support services, and consultants' contracts, such as for property appraisals and economic studies; and,

(d) Other lesser object class costs, which, with the above, total an estimated $697,000 for this activity.

B. Planning - This activity will consist largely of professional staff from the fields of architecture, engineering, historic preservation and urban planning. They will be responsible for continued overall planning for the development area, detailed planning for public projects which the Corporation will carry out itself, preservation and restoration of historic structures, and review of private developers' projects to assure their conformity with the plan. The activity currently has 7 permanent employees, and four more are to be added before the end of this fiscal year (an architect, an engineer, an urban planner, and a secretary). Three additional positions would be filled in FY 77: two individuals to manage design and construction of PADC public projects; and, a scheduling technician to coordinate the flow of planning work among the staff.

Estimated FY 77 costs for Planning in the major object classes include:

(a) $361,000 for personnel compensation for permanent staff, and up to 4 experts and consultants employed temporarily or intermittently;

(b) $30,000 for the pro rata share of rent, communications, and utilities;

(c) $26,000 for printing and reproduction for technical drawings and photographic reproductions needed in this activity;

(d) $255,000 for other services. This object class incorporates the needs for contractural studies in a number of highly technical fields -- engineering, environmental impact assessment, surveying, specialized architectural design, building preservation and adaptive re-use studies;

(e) $16,000 for supplies and materials, needed primarily for drafting and design work; and

(f) other lesser object class costs, which, with the above, total an estimated $728,000 for this activity.

It should be noted that the modest increase over FY 76 costs for rent and equipment will be for the use and furnishing of an additional 3000 square feet of office space in FY 77, to accommodate the personnel added to the Corporation's staff. These costs, as detailed above, have been allocated among the three activities.

Contracts for Fiscal Year 1975 and the first half of Fiscal Year 1976 are reported in Part III of this justification.

C. Property Acquisition and Preparation - This activity involves the expenditure of public debt receipts for the acquisition and preparation of real property in the development area. A total of $25,000,000 is requested for Fiscal Year 1977 for inclusion in an appropriation act, to be borrowed from the United States Treasury pursuant to authority in the Corporation's enabling act (40 U.S.C. 875). Funds under this activity would be used to: (1) assemble building sites for development in accordance with the Plan; provide for land use changes where necessary; and provide public areas; (2) clear existing structures on acquired sites; and, relocate existing utility lines where necessary to allow for new development. (Sums in thousands of dollars)

(1)	Land Acquisition	22,688
	Land use changes	-
	Appraisals and fees	162
	in lieu property tax payments	150
(2)	Land Preparation	
	Site clearance	1,000
	Utility preparation	1,000
		25,000

(1) Land acquisition activities are planned for the first year of development. Current and anticipated future market conditions will be major factors in determining the final acquisition schedule. Developer interest in leasing particular squares scheduled for acquisition by the Corporation will also impact on the acquisition schedule. Although for analytical purposes the financial part of the Plan assumes a specific acquisition schedule, this will not constrain the Corporation

from following a different schedule based on marketing considerations. Currently, it is expected that properties in Square 225 (except for the Washington Hotel) in the west site, and Squares 406, 407, 408, and 431 in the east site will be acquired during the early years of the program.

Appraisals and fees are the project site-specific costs of land appraisals obtained from qualified professional firms, to establish values of property to be purchased or condemned. The costs of such fees and appraisals are estimated at about 2% of acquisition costs. In lieu property tax payments are mandated under Section 10(b) of Public Law 92-578 to be made to the District of Columbia Government on real property held by the Corporation.

(2) Site Clearance is the demolition of acquired structures and removal and/or salvage of material and debris. Costs have been estimated at between $1.50 and $3.00 per square foot of building, depending upon the type of building and the character of adjoining properties and uses. In addition to site clearance to prepare land for sale or lease, the relocation of underground utilities is necessary in parts of the development area to properly service new development (See Exhibit 2).

As noted above, the Corporation will acquire property within the project area primarily in two locations: 1) Square 225, the Willard Hotel; and, 2) Squares 407, 408, 431 and 432 (the area between Seventh and Ninth Streets, and Pennsylvania Avenue and Ninth Street). The Willard Hotel is among the Corporation's highest priorities because of both the importance attached to its restoration to viable hotel use, and the equitable plight of the owners of this distressed property.

The four block area in the east site is to be developed as a multi-use (residential, retail, office) superblock. Acquisition in this area during FY 77 will be of properties that are presently vacant and whose present use is incompatible with the plan - thereby preventing their owners from sale of their property. (Properties in this category include Lansburgh's and Kann's Department Stores and several smaller parcels). Site clearance will be undertaken of those structures that cannot be leased on an interim basis or which are situated so as to obstruct carrying out the plan.

Summary of FY 77 Functions - The Corporation expects that in the coming fiscal year its major functions will include: detailed property surveys, title searches, property appraisals and commencement of real property acquisition by negotiation and, if necessary, by condemnation; detailed site planning, design, and architectural conceptualization of final design specifications; analysis of underground utility networks; sub-soil and hydrostatic tests and test borings; initiation of business

relocation activities; demolition and site clearance of property needed for first phase construction activity; letting of contracts and initiation of work on major public facilities, including the rebuilding of Pennsylvania Avenue; initiation of national program to market development parcels to the broadest possible number of potential developers; execution of appropriate agreements with District of Columbia Government concerning streets, alleys, public right-of-ways and air rights, police and fire services, zoning provisions, and traffic patterns, issuance of building permits and building inspections; and similar activities related to the initiation of a major in-city development program.

EXHIBIT 1

ESTIMATED PROPERTY ACQUISITION COST
PENNSYLVANIA AVENUE DEVELOPMENT PLAN

SQUARE	SITE AREA SQUARE FEET	ESTIMATED AVERAGE COST PER SQUARE FOOT	GROUND ACQUISITION COSTS	OTHER ACQUISITION COSTS	TOTAL ACQUISITION COSTS
225	59,881	$135.00	$ 8,080,000	-	$ 8,080,000
254	100,256	120.00	12,030,000	-	12,030,000
291	51,640	125.00	6,530,000	$ 7,000,000	13,530,000
322	36,294	110.00	3,990,000	11,000,000	14,990,000
348	88,381	110.00	9,720,000	-	9,720,000
Subtotal Western Area	336,412	120.00	$40,350,000	$18,000,000	$58,350,000
406	60,000	80,00	4,800,000	-	4,800,000
407	63,150	70.00	4,420,000	500,000	4,920,000
408	46,726	100.00	4,670,000	2,000,000	6,670,000
431	86,964	70.00	6,090,000	-	6,690,000
432	50,125	100.00	5,010,000	-	5,010,000
457	94,158	80.00	7,530,000	3,000,000	10,530,000
458	15,000	70.00	1,050,000	-	1,050,000
459&460	64,000	100.00	6,400,000	-	6,400,000
491	113,000	80.00	4,030,000	-	9,030,000
Subtotal Eastern Area	593,123	83.00	$49,000,000	$5,500,000	$54,500,000
TOTALS	929,535	96.00	$89,350,000	$23,500,000	$112,850,000

EXHIBIT 2

ESTIMATED COST OF UTILITY RELOCATION
FOR PROPOSED HOUSING*

UTILITY	AMOUNT
Water and Sewer	$135,000.00
C & P Telephone	$450,000.00
Washington Gas	$312,000.00
PEPCO	$876,000.00
TOTAL	$1,773,000.00

* Figures have been rounded to the nearest thousand dollars

II. STATUS OF AUTHORIZATIONS

From the date of establishment on October 27, 1972, the Corporation has been funded under the authorization provided in Section 17 of Public Law 92-578 (86 STAT. 1266), as amended, Public Law 93-427 (88 STATS. 1170; October 1, 1974). The original language of that section authorized to be appropriated not to exceed $1,000,000 for the preparation of the development plan. This language was amended by Public Law 93-427, supra, to include "operating and administrative expenses," allowing the Corporation to continue its work after the plan itself had been drafted and forwarded to Congress for review. The same amendment also raised the ceiling for appropriations to its current level of not to exceed $1,750,000. A total of $1,674,000 had been appropriated under this ceiling through fiscal year 1975.

Prior to the final approval of the Plan by Congress in May 1975, the Corporation submitted draft proposed legislation to authorize continued appropriations for salaries and expenses. The proposed legislation was introduced as H.R. 7743 and S. 1689. By the time that the bills were considered by the legislative subcommittees the plan had been approved, and the members of the subcommittees considered amending the bills to include authorization of substantive implementation funds. S. 1689 passed the Senate on December 18, 1975, with amendments to authorize the appropriation of the full public costs for development - $130 million. The House Interior Subcommittee on National Parks and Recreation reported H.R. 7743 favorably, with amendments to authorize the first two years of appropriations for public costs of development - $36 million. House Interior Committee action is presently pending. On January 26, 1976, a bill to amend the Corporation's enabling act was submitted to Congress, the enactment of which would be in accord with the program of the President. This draft legislation would authorize all of the funds necessary for implementation of the development plan, including all requests for the Corporation in the President's 77 Budget which are presently unauthorized. The bill also proposes a number of technical amendments to the Corporation's Act.

At the present time the estimates in this budget request for Executive Direction and Planning (totaling $1,425,000) require the enactment of authorizing legislation.

The request for Property Acquisition and Preparation, $25,000,000 to be borrowed from the United States Treasury, is currently authorized. Section 6 of Pub.L. 92-578 (40 U.S.C. 875), provides for borrowings up to $50 million, in such amounts as are included in appropriation Acts.

III. CONTRACTS

A. The following contracts were executed by the Corporation during Fiscal Year 1975:

1. DESIGN ETCETERA, LTD. Graphic design and technical assistance for preparation of Plan documents for transmittal to Congress.	$ 1,500.00
2. GLADSTONE ASSOCIATES, INC. Further study of economic factors regarding proposed redevelopment, financing alternatives, and analyses for final environmental impact statement.	16,500.00
3. JOSPEH PASSONEAU Base and Isometric maps of downtown Washington	2,500.00
4. ATTIC & CELLAR STUDIOS Audio Visual presentation of Plan.	10,000.00
5. STERLING MADDOX & ASSOCIATES Comprehensive survey of PADC area including, horizontal and vertical site controls, planimetrics, location of square corners, utilities and elevations.	100,000.00
6. ECONOMIC RESEARCH ASSOCIATES and LARRY DEMAREE ASSOCIATES Survey and evaluation of all retail businesses in development area.	30,500.00
7. GLADSTONE ASSOCIATES, INC. Development Programming, Economic Impact Study, Financial Testing and Development Strategies.	30,000.00
8. LAND DESIGN RESEARCH Preliminary design plans for landscape development of Pershing Square and Western Plaza; alternative development proposals for Sherman Square.	20,000.00
9. ZION & BREEN ASSOCIATES, INC. Preliminary design for Market Square Site at 8th Street and Pennsylvania Avenue.	15,500.00
10. DESIGN INTERNATIONAL DESIGN & DEVELOPMENT CONSULTANTS, LTD. Conceptual retail design and marketing study of ground floor retail activity including economic data, relocation strategy and zoning.	35,000.00

11. JEROME MICHAL & ASSOCIATES — 9,000.00
Retail study of west site, to include market support for projects, categories of retail space to achieve balanced and marketable retail mix, potential square footage of space and rent levels.

12. WILBUR SMITH & ASSOCIATES — 10,000.00
Traffic planning and circulation in consultation with Pennsylvania Avenue Development Corporation, Federal and local agencies, to include policy guidance, detailed traffic engineering analysis, and cost estimates.

13. URBAN BUSINESS EDUCATION ASSOCIATION — 30,000.00
Lansburgh's interim business relocation center/ proposed retail mall, to include relocation capabilities of potential displacees, preparation of a plan showing interior layout of mall, estimated construction costs and elements of management assistance program for displaced business.

14. TIPPETS-ABBETT-McCARTHY-STRATTON — 6,500.00
Expanded study of construction costs for addition to National Archives, to include cost estimates of revised program requested by GSA.

15. COMPUTER SCIENCE CORPORATION — 5,000.00
Under GSA contract for Data Processing Services, Documentation Training and Support Services.

16. THOMAS N. EICHBAUM — 1,500.00
Models of proposed building at 7th and Pennsylvania Avenue, central housing block; existing buildings: Washington and Willard Hotels, National Press, Muncie buildings; National Theatre, Loew's theater.

TOTAL FISCAL YEAR 1975 CONTRACTS — $323,500.00

B. The Corporation executed the following contracts in the first half of Fiscal Year 1976 (through December 31, 1975):

1. MARK BATTLE ASSOCIATES — 15,000.00
Preparation of affirmative action program for Pennsylvania Avenue Development Corporation, which meet requirements of applicable laws and regulations and expands entrepreneurial opportunities for minority individuals and businesses.

2. LAND DESIGN RESEARCH, INC. Alternative landscape design plans for Pershing Square to include pedestrian areas, final color renderings and model inserts.	14,000.00
3. ZION AND BREEN ASSOCIATES, INC. Phase II Landscape Planning and conceptual design of Market Square and Indiana Avenue sites, to include cost estimates.	18,500.00
4. DISTRICT OF COLUMBIA SURVEYOR Mark 69 points of property corners within project area, to include preparation of a plat indicating the points in relation to required corners.	13,000.00
TOTAL FISCAL YEAR 1976 CONTRACTS (as of Dec. 31, 1975)	$60,500.00

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

SALARIES AND EXPENSES

For necessary expenses, as authorized by section 17 of Public Law 92-578 as amended [$824,000] $1,425,000.

The Pennsylvania Avenue Development Corporation is authorized to borrow from the Treasury of the United States $25,000,000 pursuant to the terms and conditions specified in paragraph 10, section 6, of Public Law 92-578.

[For "Salaries and expenses" for the period July 1, 1976, through September 30, 1976, $218,000.] (Department of the Interior and Related Agencies Appropriation Act, 1976, and the period ending September 30, 1976; additional authorizing legislation to be proposed.)

SALARIES AND EXPENSES

PROGRAM AND FINANCING (in thousands of dollars)

Identification code 32-08-0100-0-1-451	19 75 actual	19 76 Estimate	T.Q. 19 76 estimate	19 77 estimate
Program by activities:				
Operating costs, funded:				
1. Executive direction	894	414	141	627
2. Planning	...	308	107	658
Total operating costs..	894	722	248	1,285
Capital outlay funded:				
3. Property acquisition and preparation	...	...	...	25,000
Total program cost, funded	894	722	248	26,285
Change in selected resources (undelivered orders)	-61	125	-30	140
10. Total obligations [1]	833	847	218	26,425
Financing:				
21.40 Unobligated balance available, start of period (appropriation)	-33	-23	...	...
24.40 Unobligated balance available, end of period (appropriation)	23	...	...	...
25.40 Unobligated balance lapsing (appropriation)...	1	...	...	...
Budget authority	824	824	218	26,425
Budget authority:				
40 Appropriation	824	824	218	1,425
47 Authority to spend public debt receipts	...	...	...	25,000
Relation of obligations to outlays:				
71 Obligations incurred net ...	833	847	218	26,425
72.40 Obligated balance, start of period (appropriation).	258	250	192	145
Obligated balance, end of period:				
74.40 Appropriation	-250	-192	-145	-374
74.47 Authority to spend public debt receipts	...	...	...	-5,000
90 Outlays	841	905	265	21,196

[1] Includes capital outlay funded as follows: 1975, $1 thousand; 1976, $17 thousand; TQ, $1 thousand; 1977, $25,014 thousand.

(Memo cost: 22.13) (Memo cost: 5.9) (Memo cost: 5.5) (Memo cost: 5.5) (Memo cost: 5)

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 32-08-0100-0-1-451		FY 75 actual	FY 76 Estimate	T.Q. FY 76 estimate	FY 77 estimate
	Personnel compensation:				
11.1	Permanent positions	286	430	105	615
11.3	Positions other than permanent	25	27	3	89
11.5	Other personnel compensation	2	...	...	...
11.8	Special personal services payments	...	...	...	38
	Total personnel compensation	313	457	108	742
	Personnel benefits:				
12.1	Civilian	26	35	9	52
13.0	Benefits for former personnel				
21.0	Travel and transportation of persons	11	22	5	23
22.0	Transportation of things	1	3	...	3
23.0	Rent, communications, and utilities	40	40	12	72
24.0	Printing and reproduction	21	45	12	43
25.0	Other services	400	215	65	450
26.0	Supplies and materials	20	22	5	26
31.0	Equipment	1	8	2	14
32.0	Lands and structures	...	...	...	25,000
33.0	Investments and loans				
41.0	Grants, subsidies, and contributions				
42.0	Insurance claims and indemnities				
43.0	Interest and dividends				
44.0	Refunds				
99.0	Total obligations	833	847	218	26,425
		(Man-years: 22.5)	(Man-years: 30)	(Man-years: 30)	(Man-years: 50)

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

SALARIES AND EXPENSES

PERSONNEL SUMMARY

Identification code 32-08-0100-0-1-451	FY 75 actual	FY 76 Estimate	T.Q. FY 76 estimate	FY 77 estimate
Total number of permanent positions	17	30	...	33
Full-time equivalent of other positions	1	3	...	4
Average paid employment	15	24	...	32
Average GS grade	11.41	11.07	...	11.61
Average GS salary	$20,192	$20,360	...	$21,197

DETAIL OF PERMANENT POSITIONS (By Grade)

Identification code 32-08-0100-0-1-451	FY 75 actual	FY 76 Estimate	T.Q. FY 76 estimate	FY 77 estimate
GS-17	1	1		1
GS-16	---	2		3
GS-15	3	2		1
GS-14	---	2		4
GS-13	4	6		7
GS-12	6	5		6
GS-11	1	2		1
GS-9	2	4		4
GS-8	0	1		1
GS-7	2	3		3
GS-4	1	2		2
Total permanent positions	20	30		33
Unfilled positions, end of year	-3	-3		---
Total permanent employment end of year	17	27		33

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

Identification code		1976 actual	1977	1977 estimate	1977 estimate
Budget Appendix Page	Pennsylvania Avenue Development Corporation		Request Pending	Proposed Amendments	1977 Revised Request
808	Pennsylvania Avenue Development Fund		- - -	$11,450,000	$11,450,000
	For public development activities and projects in accordance with the development plan approved under section 5 of Public Law 92-578, as amended, $11,450,000; Provided, That this appropriation shall be available only upon enactment of authorizing legislation.				

STANDARD FORM 300—T
June, 1975, Office of Management and Budget
Circular No. A-11, Revised.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION
PENNSYLVANIA AVENUE DEVELOPMENT FUND
Program and Financing (in thousands of dollars)

Identification code 32-08-4084-2-3-451	19 actual	19 77 Request Pending	19 77 estimate Proposed Amendments	19 77 estimate 1977 Revised Request
Program by activities:				
Capital Outlay, funded:				
1. Public development, site improvements, and preservation:				
(a) Public Development...	---	---	7,500	7,500
(b) Project Management ...	---	---	600	600
Total Capital Outlay, funded:	---	---	8,100	8,100
Operating Costs, funded:				
2. Relocation and Property Management	---	---	1,112	1,112
3. Temporary Operation of Acquired Property	---	---	300	300
4. Interest on Short-Term Financing	---	---	1,938	1,938
Total Operating Costs funded:		---	3,350	3,350
10. Total Obligations	---	---	11,450	11,450
Financing:				
40 Budget Authority (appropriation)	---	---	11,450	11,450
Relation of Obligations to Outlays:				
71. Obligations incurred, net....	---	---	11,450	11,450
74. Obligated balance, end of period	---	---	- 7,811	- 7,811
90. Outlays	---	---	3,639	3,639
(Mono cost: 22.13)	(Mono cost: 5.9)	(Mono cost: 5.9)	(Mono cost: 5.9)	(Mono cost: 2)

OTHER INDEPENDENT AGENCIES
PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION
PENNSYLVANIA AVENUE DEVELOPMENT FUND

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 32-08-4084-2-3-451	FY 75 actual	FY 76 estimate	FY TQ estimate	FY 77 estimate
Personnel compensation:				
11.1 Permanent positions				
11.3 Positions other than permanent				
11.5 Other personnel compensation				
11.8 Special personal services payments				
Total personnel compensation				
Personnel benefits:				
12.1 Civilian				
13.0 Benefits for former personnel				
21.0 Travel and transportation of persons				
22.0 Transportation of things				
23.0 Rent, communications, and utilities				
24.0 Printing and reproduction				
25.0 Other services				
Relocation & Operation of Acquired Property	...	...	...	1,412
Project Management	...	...	...	600
26.0 Supplies and materials				
31.0 Equipment				
32.0 Lands and structures	...	...	...	7,500
33.0 Investments and loans				
41.0 Grants, subsidies, and contributions				
42.0 Insurance claims and indemnities				
43.0 Interest and dividends	...	...	...	1,938
44.0 Refunds				
99.0 Total obligations	...	...	...	11,450
(Memo cost: 27.13)	(Memo cost: 3.5)	(Memo cost: 5.8)	(Memo cost: 8.9)	(Memo cost: 8)

JUSTIFICATION

General Statement

The purposes of the program for which this budget authority is being requested are: (1) public improvements in the form of the streets, sidewalks, parks and other public spaces lying within the geographic area identified in the Pennsylvania Avenue Development Plan; and (2) the relocation and/or assisting of existing businesses located on property to be acquired by the Corporation.

The activities which will be carried on throughout the implementation period of the Plan --- commencing in FY 1977 --- will include the rebuilding of Pennsylvania Avenue itself; the creation of new parks and open spaces, and improvements to existing facilities; the imposition of signs, signals, street furniture and lighting; landscaping; sub-surface improvements; street and sidewalk construction and reconstruction off Pennsylvania Avenue; historic building preservation and rehabilitation; project oversight and management; property management; and relocation. The majority of these activities will be accomplished by engaging private sector contractors, rather than through staff increases.

Only a portion of these activities will be commenced in FY 1977. However, a full description of the activities is presented in the sections which follow, so that the scope of each major activity can be made known.

The total appropriation requested for FY 1977 is $11,450,000. These funds will be obligated in the manner described in the sections which follow:

DESCRIPTION OF MAJOR ACTIVITIES

1. Public Development, Site Improvements and Preservation.

This activity has as its objective the following purposes:

(1) A program to rebuild Pennsylvania Avenue and its northern adjacent squares from 15th Street to the foot of Capitol Hill in a significant and formal manner utilizing attractive and distinctive material; widening and rebuilding the sidewalks with coordinated paving, curbs and gutters;

landscaping with three rows of mature trees on the north and two rows on the south sides of Pennsylvania Avenue; and, the planting of shrubs and flower beds throughout the area.

(2) The creation of parks and open spaces in public plazas and in squares adjacent to the Avenue along the new broader sidewalks on both north and south sides of the Avenue. To accomplish the foregoing, the relocation, modification, and reinstallation of several existing monuments in the area will be required.

(3) Installation of coordinated and distinctive signs, signals and street furniture (benches, kiosks, bike racks, children's play areas and related improvements), throughout the Pennsylvania Avenue development area.

(4) The installation of a new lighting system along the Avenue, and elsewhere in the area.

(5) Historic preservation. This program insures the maintenance and restoration of the exceptionally significant historic and architectural features of the development area, including: (a) rehabilitation and preservation of designated historic landmark structures in the area, including the Willard Hotel, the Evening Star Building, Central National Bank, the F Street facade between 8th and 9th Streets and the Atlantic Coastline Hotel; (b) restoration or adaptive reuse of many significant building facades in conjunction with planned new development; (c) acquisition of unused development rights of private owners of significant structures, in return for preservation and maintenance of such structures in a historically faithful manner.

Each of these programs will require architectural and design consulting contracts as well as labor and material contracts.

The requested $7,500,000 for FY 1977 for Public Development purposes will be spend in the following manner (tables show figures in thousands of dollars):

1 (a) Public Development	1977
Rebuild Pennsylvania Avenue	$5,000
Parks and Open Spaces	600
Signs, Signals and Street Furniture	600
Lighting	500
Historic Preservation	800
Total	$7,500

The rebuilding of Pennsylvania Avenue will require $5,000,000 in FY 1977 for funding of design and construction contracts. Specifically, contracts will be awarded for final landscaping and engineering designs, as well as for working drawings for initial construction in the 10th to 3rd Street area. Construction contracts will be awarded for the construction of the south sidewalk area between 10th and 3rd Streets and for sections of the street itself, from 10th Street to 3rd Street. Additional contracts for design and working drawings of sections of the Avenue, such as from 13th Street to 15th Street, are anticipated.

The amount necessary to meet the plans of the Corporation in FY 1977 for parks and open spaces is estimated to be $600,000, to be spent on final landscape and engineering design contracts, and on working drawings and specifications for the construction of Avenue open spaces, such as John Marshall Place, Indiana Avenue Plaza and Sherman Memorial Park.

Signs, signals and street furniture planned throughout the area will require that contracts be awarded in FY 1977 for the final design of typical signage, traffic signals and street furniture, and for working drawings and specifications for pilot models. Total estimated contract cost for this program is $600,000.

Lighting contracts will be awarded in FY 1977 for final lighting design and electrical engineering design for Avenue lighting, working drawings and specifications for areas of proposed construction, and for the building of pilot lighting fixture models. Estimates of contract costs total $500,000.

An estimated $800,000 will be needed in FY 1977 for the renovation of existing building facades, the dismantling of building

facades which are to be relocated, and for the salvage and storage of building elements of structures being razed.

Site Improvements

This sub-activity has the following objectives:

(1) The landscaping of public areas other than along Pennsylvania Avenue (e.g., central squares and plazas in the interior of blocks), including street furniture and signs.

(2) Improvements to streets, sidewalks, curbs and gutters in portions of the development area other than along the Avenue.

(3) Selected replacement of publicly-owned utilities throughout the plan area, including, where necessary, separation of storm and sanitary sewers.

Each of the above programs will require professional design consulting contracts, as well as labor and material contracts.

No allocation of budget authority to this activity is anticipated in FY 1977.

Site Improvements	1977
Landscaping	-0-
Streets, sidewalks, curbs and gutter	-0-
Sewer	-0-
Other	0

1 (b) Project Management

The Corporation expects to retain private construction management firms to perform project supervision and field surveillance for all public development activities. This will include affirmative action programs in the area of construction employment. The Corporation's staff will supervise and coordinate the work of construction managers. It is expected that $600,000 will be needed for management contracts in FY-77.

Project Management	1977
	600

Project managers hired will devise a general schedule for the construction of all public improvements along Pennsylvania Avenue. This task will involve the scheduling and monitoring of construction, traffic re-routing, and utility relocations.

2. Relocation and Property Management

This activity has the following objectives:

(1) The payment of relocation benefits required by the Uniform Relocation Act.

(2) Interim relocation assistance to displaced businesses to prepare them to become participants in the completed new development.

(3) Temporary rent abatement to assist displaced businesses in adjusting to use of redeveloped space after relocation within development area, and,

(4) Administration of the Relocation and Property Management Program.

The paragraphs which follow detail the elements of the programs involved:

(1) Relocation Payment. These payments to cover moving expenses, actual direct losses, and related costs incurred by businesses or residents displaced by Corporation acquisitions, and which are required by the Uniform Relocation Act.

(2) Interim Assistance. At this point in the Corporation's planning, interim assistance consists of the possible development of a temporary relocation center in the vacant Lansburgh's Department Store structure, or on another site, for businesses which intend to stay in the area, but which are displaced prior to the availability of permanent sites in completed new development. The Lansburgh's building will have to be acquired for subsequent development at any rate, and an early acquisition of the building may serve to provide the Corporation with such an interim relocation center. If Lansburgh's is chosen as a feasible relocation center, budget authority is necessary to cover the cost of modifying the structure for its operation as a vertical mall shopping center. Minimum renovation of the buildings' electrical, mechanical, elevator, escalator, air conditioning and fire sprinkler systems are needed. Modifications to the structure itself will involve some selective demolition and interior partitioning to create an interior mall with spaces for individual stores, and an overhead skylight.

Since relocated businesses are not expected to utilize all of the space which will be available in the center, the Corporation will actively market the balance of the building with the objectives of: (a) affirmatively aiding minority firms, (b) preserving the Seventh Street commercial corridor, and, (c) optimizing cash flow from rental revenues. Upper floor space in Lansburgh's not suitable for retail use may continue to be rented to the National Archives.

The center is planned to operate for a period of eight to ten years, and will be demolished when all tenants have been relocated to permanent space. The Corporation anticipates entereing into a management and operations contract with an experienced retail shopping center manager for operation of the center.

(3) Rental Assistance. This is aid to be provided to businesses displaced by the Corporation and relocated in new developed space in the area. Because of the cost of new construction, redeveloped space will require substantially higher rentes than those experienced in old, marginal structures now characterizing the area. Aside from aiding relocated businesses, rent abatement will help to achieve Corporation objectives in obtaining a desirable mix of commercial uses in the development area, most vitally along Pennsylvania Avenue frontages. Many retail shops that will service tourists, local and metropolitan area residents and which will generate "people" traffic after work hours (restaurants, shops, botiques, galleries, theater), cannot, in the beginning, afford prevailing rents for new construction in the business core of the region. To aid relocated businesses and encourage desired uses, the Corporation for a limited number of years and on a declining basis will subsidize rental costs (such as by lease guarantees, overages, lease-back arrangements, and other means), to bring rent levels within the reach of businesses which will contribute to vitality along the Avenue.

(4) Relocation Administration. This is the management of the business relocation assistance program and properties involved in displacement and replacement. Experience of the District of Columbia Redevelopment Land Agnecy and the Metro Subway project indicates that administration for the relocation process itself and the making of payments under the Uniform Relocation Act comes to 20 - 30% of the total payments actually made.

The appropriation request of $1,112,000 for FY 1977 is anticipated to be obligated in the following manner:

	1977
Relocation and Property Management	1,112

The Corporation estimates that $1,112 million in FY 1977 funds will be required to cover relocation-related expenses and contingencies. Of this amount it is estimated that $112,000 will be requried to develop administrative procedures, to perform the replacement housing studies required by Public Law 91-646, and to provide contingencies for unanticipated first year relocation needs.

With regard to the need to find suitable facilities to resettle retail merchants and other tenants displaced by redevelopment activities by the Corporation in future years, the Lansburgh building has been under study as a business site for such relocatees. A private group in the local community has been conducting economic and architectural studies on the use of this building as an income-producing entity. The possibility exists that, should this use of Lansburgh's prove financially sound, PADC would be prepared to invest $1 million in funds available in FY 1977 in order to prepare this building for occupancy by displaced firms. These funds would be required for extensive renovation and construction of the interior of the building, to convert a department store into an interior-mall retail setting. Should such Corporation funds be insufficient for these improvement expenses, the Corporation would enter into joint venture discussions with any private groups which express a willingness to explore such an equity partner relationship with Pennsylvania Avenue Development Corporation.

3. Temporary Operation of Acquired Property

This activity has the following objectives:

(1) The funding of the maintenance, operating and mortgage costs that accrue on property acquired by the Corporation throughout the development period. The property would be acquired either for a temporary holding period --- until the site was cleared for redevelopment in accordance with the Plan --- or, for a long term period if its present use conforms to the Plan.

(2) The funding of the maintenance, operating and mortgage costs that accrue on property developed by the Corporation.

It is expected that in the early years of the Plan's implementation the Corporation will be acquiring many improved properties in the eastern portion of the development area that will be demolished shortly thereafter, in order to allow new land uses in conformity with the Plan. Hence, much operation of acquired property by the Corporation will be of a temporary nature.

The appropriation request for $300,000 in FY 1977 relates to the anticipated maintenance costs associated with the Willard Hotel property, as well as to any properties acquired by the Corporation on squares 407, 408, 431 and 431.

	1977
Temporary Operation of Acquired Property	300

4. Interest on Short Term Financing.

At an anticipated interest rate of 7.75% per year on Treasury Borrowings of $25 million, the Corporation will incur a financing cost of $1,938,000.

	1977
Interest on Short Term Financing	1,938

BUDGET REQUEST

Mr. YATES. I note that the Senate has allowed the Corporation $25 million for land acquisition and preparation and $11,450,000 for public development activities.

Mr. QUESADA. That is correct.

Mr. YATES. Are these the amounts that you are requesting from the House as well?

Mr. QUESADA. That is correct.

MEMBERS OF THE BOARD

Mr. YATES. Would you place in the record the names of the members of the Board of Directors of the Pennsylvania Avenue Development Corporation, when their terms expire, what compensation the Board members receive, and how often the Board met last year?

Mr. QUESADA. We are required to meet four times a year and we did meet four times last year.

[The information follows:]

Members of the Board of Directors, Pennsylvania Avenue Development Corporation, for terms indicated:

For a term expiring October 26, 1980

Orlando W. Darden, of the District of Columbia, president of the Community Federal Savings & Loan Association of Washington, succeeding Willie L. Leftwich, whose term has expired.

Mitchell I. Kafarski, of Bloomfield Hills, Mich., chairman of the board, Aactron, Inc., of Madison Heights, Mich., reappoinnted.

For a term expiring October 26, 1978

Elwood R. Quesada, of Washington, D.C.; president and chairman of the board, L'Enfant Plaza Properties, Inc., Washington, D.C., Chairman.

Donald J. Bruckmann, of Oldwick, N.J.; president, Dean Witter International, Inc., New York, N.Y., Vice Chairman.

Joseph B. Danzansky, of Washington, D.C.; president, Giant Food, Inc., Washington, D.C.

Nathaniel A. Owings, of Big Sur, Calif.; architect, retired from Skidmore, Owings & Merrill, San Francisco, Calif.

For a term expiring October 26, 1976

Leonard A. Haft, of the District of Columbia, a partner in the firm of Cohen, Haft, Holtz Kerxton Karabekir & Associates of Washington, D.C., succeeding Mrs. Jouett Shouse, who has resigned.

Thomas F. Murphy of Potomac, Md., President of the International Union of Bricklayers and Allied Craftsmen, AFL–CIO, Washington, D.C., succeeding John T. Connor, who has resigned.

The above Presidential appointees receive compensation at the daily equivalent of the rate of GS–18 of the General Schedule, currently $145.36.

CORPORATION POWERS

Mr. YATES. The Corporation has a broad range of powers which include the authority to (1) sue and be sued in its own name, (2) acquire property through eminent domain proceedings, (3) construct and renovate buildings, (4) manage property, and (5) establish restrictions, standards, and other requirements that will make sure that those participating adhere to your plan.

Have you been able to draft regulations for standards of conduct and conflicts of interest so that those powers are not abused by the Corporation or its employees?

Mr. MESZOLY. Yes, sir, we have drafted those regulations. They have not yet been published. They went to the CSC for comment and they are undergoing revision.

Mr. YATES. When will they be issued?

Mr. MESZOLY. I would say within the next 30 days.

ACQUISITION OF PROPERTIES

Mr. YATES. How do you propose to proceed?

Mr. QUESADA. Well, in the case of the acquisition of property that we might indulge in and probably——

Mr. YATES. The two examples that come to my mind are those I have heard about most—the Willard Hotel and Kann's.

Mr. QUESADA. As an example, we would have them appraised by appraisers to obtain an estimate of fair market value. We would then approach the owners and try to negotiate a purchase price. From our point of view we would use the appraisal as a base from which we would try to negotiate.

Mr. YATES. How will you proceed with appraisals? Will you undertake a general appraisal of all of Pennsylvania Avenue or will you appraise target buildings?

Mr. QUESADA. In this case we would have an appraisal made of the specific property that Congress has authorized and directed us to acquire with the money that is in this bill. We would not delay the action until we made appraisals of all the properties.

If our effort to acquire by negotiation fails, which we hope it won't, we would then use our power of condemnation.

LAND USES

Mr. YATES. Can you tell us what the proposed land uses are to be as provided in your plan? Is the document entitled "The Pennsylvania Avenue Plan, 1974" the format you intend to use?

Mr. QUESADA. The land uses are quite broadly described in that plan and that is the uses to which we are now confined. We have no alternative but to follow the plan—not that we want one because it is our plan and Congress has approved it.

Mr. YATES. What will be the main focus of the western and eastern portions of the avenue?

Mr. QUESADA. The main focus along the eastern portion of the avenue is residential use, east of the FBI Building. The plan provides for a rather large residential complex of small family dwellings.

Mr. YATES. Did the Pennsylvania Avenue Development Corporation approve the location of the FBI Building?

Mr. QUESADA. No, sir, the FBI Building was approved long before we came into existence.

Mr. YATES. There is no place to move that building, is there?

Mr. QUESADA. That would be very hard to do. Even if we had the desire, it would be very difficult.

Mr. YATES. You indicated what the main focus of the eastern portion of Pennsylvania Avenue would be. How about the western portion?

Mr. QUESADA. The main focus of the western portion is for commercial uses. We are hoping and planning to permit residential above

certain elevations. To be more explicit, the elevation of the buildings on the south side of Pennsylvania Avenue range from 90 to 110 feet. By law, buildings on the north side can be 160 feet. If we—

Mr. YATES. Is that within the present height limitation?

Mr. QUESADA. That is the present law. We don't anticipate going that high because it would create an out-of-scale balance between one side and the other side.

Mr. YATES. There is still enormous pressure to increase the height limitation, isn't there?

Mr. QUESADA. Yes, and we would resist it. So what we have in mind is having the southern facade of the commercial buildings on the north side of Pennsylvania Avenue correspond in elevation to the buildings opposite on the south side of Pennsylvania Avenue. Then if the developer wishes, we will allow him extra elevation if he terraces back and landscapes the front of the terrace.

Mr. YATES. I think the record should show the subsequently undulating movement of the gentleman's hands as he shows the terraces.

Mr. QUESADA. The terracing is not an uncommon technique.

Mr. YATES. The undulations seem to resemble the terraces made famous by Mr. Olmstead. What kind of buildings are excluded?

Mr. QUESADA. I guess Mr. Woodbridge had better answer that because there are many types of buildings excluded. Factories and things like that are excluded.

Mr. YATES. Industrial buildings?

Mr. WOODBRIDGE. Yes.

Mr. YATES. You are going to limit it to residential and commercial?

Mr. WOODBRIDGE. Basically we are limiting it to what is presently permitted in the C–4 zone of downtown which is the maximum commercial zone under the present zoning.

Mr. YATES. Does that exclude industrial?

Mr. WOODBRIDGE. It excludes industrial and relatively few other things. We would add a few things to that list such as filling stations which we would only allow within a parking garage, for example. As a permanent use we would not have any open parking lots.

LOCATION OF GOVERNMENT BUILDINGS

Mr. YATES. Is it contemplated that Government buildings will be included within the area?

Mr. WOODBRIDGE. We have made provisions for a possibility of a Government building.

Mr. YATES. One Government building?

Mr. WOODBRIDGE. Actually it is a complex which is related to our housing program which would include below-grade space for the National Archives to use for their expansion.

Mr. YATES. Is that the Government building you are talking about?

Mr. WOODBRIDGE. Yes.

Mr. YATES. Would the expansion of the National Archives be the only Government building included?

Mr. WOODBRIDGE. That is the only one we contemplate. Private developers would build private office space in the area that would be available for lease to the Government.

APPEAL RIGHTS OF OWNERS

Mr. YATES. I am sure they will be looking to the Government to rent that space to be sure they have good tenants.

After you have completed your appraisals and negotiated with the owners of the properties, if no agreement is reached, what is the next procedure? Is there a method of appeal?

Mr. QUESADA. No, sir; it is a simple procedure.

Mr. MESZOLY. We have to follow the Federal Real Property Acquisitions Policies Act of 1970. After the period of negotiation, if the results are unsatisfactory, we go to the Justice Department to initiate a condemnation suit and we are required to put up the fair market value at the beginning of that suit. The procedures are spelled out in the law and we follow the Justice Department procedures.

Mr. YATES. You take the property and ultimately pay what the court decides is a fair amount?

Mr. MESZOLY. Yes, sir.

LAND AREA IN PLAN

Mr. YATES. What is the total acreage included in the plan?

Mr. MESZOLY. 111 acres.

Mr. YATES. Do you have a map or chart with you showing the broad general outlines of your jurisdiction?

Mr. QUESADA. We just happen to have that.

FEDERAL SUBSIDIES

Mr. REGULA. General, do you contemplate a continuing subsidy of any of the buildings involved here, such as the Willard Hotel?

Mr. QUESADA. In the case of the Willard Hotel there is a provision in the appropriation that you are now considering for what could be called, and perhaps should be called, a subsidy. We do not anticipate a repetition of any request for a similar subsidy.

Mr. REGULA. Would this be an operational subsidy or just a rehabilitation subsidy?

Mr. QUESADA. It is a rehabilitation subsidy. The rehabilitation of that building will be so costly that it would be noncompensatory to a hotel operator and that is the justification.

Mr. YATES. How large is it?

Mr. QUESADA. About $4 million.

Mr. REGULA. Would the lessor be the Pennsylvania Avenue Development Corporation, which would continue to be the lessor, or would they lease to some operation company for the hotel?

Mr. QUESADA. That is exactly what we have in mind, leasing to a private entrepreneur who would rehabilitate it, operate it, and pay us an annual rent for it.

Mr. REGULA. In the case of the land, would you acquire it such as is the case with urban renewal land and then sell it to a developer, or would you lease the land itself?

Mr. QUESADA. It is our intention to confine ourselves to leasing the land, and it would take an unusual situation to sell it. We are authorized to sell it, but it isn't our intention to sell it. We have in mind a 99-

year lease, the terms of which will pay for the cost of the money and amortize our borrowing.

Mr. REGULA. Then the role of the Federal Government would be the initial capital required to obtain title to the land. From that point on you would contemplate it as a self-sustaining operation.

Mr. QUESADA. Not only self-sustaining, but self-liquidating. The terms of the lease would liquidate the amount of borrowed money that the acquisition of that land used.

Mr. REGULA. Thank you, Mr. Chairman.

Mr. YATES. Is that a possibility?

Mr. QUESADA. Yes, sir.

Mr. REGULA. You are saying the money you would borrow, which would be a Government-guaranteed loan to acquire the land, would be paid back by the leases?

Mr. QUESADA. That is right.

Mr. REGULA. Ultimately the Government's cost would be minimal, in theory at least. It would largely be the rehabilitation of the Willard Hotel plus some additional land cost possibly beyond what the leases would retire in income.

Mr. QUESADA. And the improvement of facilities. We will be paying for the improvement of certain facilities, such as the repaving of Pennsylvania Avenue, treating the north side and putting a new entrance on some buildings on the south side to make the whole avenue compatible architecturally.

RECOVERY OF INVESTMENT

Mr. YATES. Over what period of time will the Government recover its investments?

Mr. QUESADA. At the moment, we are anticipating an amortization of about a 75-year period.

Mr. MCKAY. The next centennial.

Mr. QUESADA. I would be deceiving the committee if I didn't say it might be longer.

COST TO TAXPAYER

Mr. REGULA. I have one last question. What do you contemplate as the total cost to the taxpayer in the next 100 years?

Mr. HARRIS. $130 million is our estimate of the total public nonreturnable cost of the plan over the 15-year life of the Corporation. As General Quesada has indicated, we believe that the leases on the land would recover the borrowing within some period of time, and we don't know what it is. The loans would be fully repaid.

Mr. MCDADE. What do you mean by "borrowing" the $25 million?

Mr. HARRIS. We anticipate we would need $150 million initial credit for a revolving fund by the Treasury, and we would buy land with that. The lease returns on the land would amortize the borrowing except for those loss items such as the Willard, which would be paid in one shot, and on the residential site, which is equally a loss item. However, we provided for that in the financing plan. The borrowing that was not written down off the top by those capital payments at the beginning would be repaid with interest to the Treasury over the loan from the lease returns.

Mr. MCDADE. At what rate of interest?

Mr. HARRIS. We would have to borrow at what the Treasury calls the going Federal rate plus an eighth, which is a charge of the Federal financing bank.

Mr. MCDADE. What would it be today?

Mr. HARIS. Approximately 7⅞ percent.

Mr. MCDADE. Do you have a list for the committee showing a breakout of these costs, what is returnable, what is not?

Mr. HARRIS. Yes, in chapter 3 of this document, and we can furnish additional information if you need it.

Mr. QUESADA. We can give to the committee a complete financial plan for the execution of the entire program.

Mr. MCDADE. I think you should do that.

Mr. QUESADA. Your staff has it, but we will give you another one.

FINANCIAL PLAN

Mr. MCDADE. I think you should tell us about it. You are asking us to make a substantial investment of the taxpayers' dollars, and I don't feel I have the full picture of what you intend to do.

Mr. QUESADA. Why don't you describe the plan and ask them to turn to the page to which you are referring?

Mr. HARRIS. I am on chapter 3 on page 63. We have estimated the acquisition costs in accordance with the law. Those are not appraised figures, but based on consultants' analysis. However, we will appraise each property individually prior to any acquisition proceedings.

Mr. MCDADE. Is that the figures I see on the bottom of page 64?

Mr. HARRIS. Yes, sir.

Mr. MCDADE. In other words, you are referring to the total estimated acquisition costs of $112,850,000?

Mr. HARRIS. Yes, sir.

Mr. MCDADE. And does that represent every single penny of outlay?

Mr. HARRIS. That is the outlays for property acquisition.

Mr. MCDADE. What other outlay have you?

Mr. HARRIS. On page 66, on table 5, starting with the $112 million for property acquisition at the top, all other items have been specified there. The items that would be in this 1-year appropriation and the 2-year authorization are broken down in detail in our justification to you.

Mr. MCDADE. We now see a figure of $223 million, is that right?

Mr. HARRIS. That is correct. But we anticipate we will pay back some $92 million, so that the total Federal investment is estimated to be $130 million.

Mr. MCDADE. So you are talking about a total outlay of taxpayers' dollars of about $223 million and an estimated pay back of $92 million?

Mr. HARRIS. Yes, we estimate that is the amount of borrowing that can be amortized from the leaseholds.

Mr. MCDADE. So the net cost is $130 million?

Mr. HARRIS. Yes, sir.

Mr. MCDADE. Is that represented by a combination of public improvements and nonreimbursable costs because the leases cannot recapture those costs?

Mr. HARRIS. Yes. Most of that is in things that no private party would do, such as rebuild and landscape Pennsylvania Avenue as a public avenue. Another item is historic preservation, which is a public

objective that is in the plan. Also included are relocation and related activities, and land write-down, in a manner of speaking, which is the cost of changing land uses in the present C–4 zone area east of the FBI. A large portion of that area would be reused for multifamily residential use. That and a few other spots would result in a $20-million land write-down.

LAND WRITE-DOWN COSTS

Mr. DUNCAN. By land write-down you mean the difference between the acquisition and disposition costs?

Mr. HARRIS. Yes, arising from the change of use from a C–4 zone.

Mr. DUNCAN. Is another portion of that accounted for by property that will remain in public ownership for public purposes, your historic preservation?

Mr. HARRIS. Yes, sir; we have not decided how to do it. The staff has approached the problem of how to accomplish historic preservation in a number of ways.

Mr. DUNCAN. I am interested in the difference between your acquisition cost and your disposition cost.

Mr. HARRIS. Yes, sir; those were accounted for in that fashion.

Mr. MCDADE. Can you show me what area you are talking about when you say you have a $20-million loss in land write-downs because of the change apparently in the commercial uses of the property?

Mr. HARRIS. Yes, sir. This area here, this is Ninth Street and Pennsylvania Avenue; this is presently C–4 and also——

Mr. MCDADE. What does C–4 mean?

Mr. HARRIS. It is the highest commercial zone category in the city with the result that land costs will average in that area probably $70 or $75 a square foot.

Mr. MCDADE. For acquisition?

Mr. HARRIS. Yes, sir.

VALUE OF PROPERTY

Mr. MCDADE. What is the most valuable property, according to the District of Columbia assessed tax valuation?

Mr. QUESADA. It would be the property that is up around 14th and F and 14th and Pennsylvania Avenue.

Mr. HARRIS. In this area the highest square foot value looking at tax records and recent transactions, in the area set by the District of Columbia tax assessor is $112.90 per square foot on square 408. This compares with an estimated value for acquisition purposes of $143 per square foot by this corporation.

Mr. MCDADE. In a free market system if we looked at that tract of land in the city, what would be the most profitable commercial venture today?

Mr. HARRIS. It is a declining area. It has had two major department stores close down.

Mr. MCDADE. Why do you need a $20 million subsidy if you are moving from a zoning provision which may not be effective to one which says we are going to go to multifamily unit housing?

Mr. HARRIS. We probably will have to because in the efforts to negotiate agreements on the property value, a speculator holding a parking lot as an interim use for future development doesn't value it on present

use, but looks at possibly 5 or 8 years down the pike. Certainly the condemnation court would look at that, and the owner could make a compelling case to a jury.

We have conservatively estimated the land acquisition cost at the maximum usable zone. We may not have to pay that much if an owner wants to get out or we can convince a jury there was no market for that property and that if it was worth that much, it would have had a building on it.

LAND AREA INCLUDED IN PLAN

Mr. McDade. Why are you going so deeply back off Pennsylvania Avenue? The map indicates you are going off Pennsylvania Avenue.

Mr. Harris. This was the boundary decided on in the act.

Mr. McDade. Why do you have to go all the way back? You are talking about a subsidized area you anticipate will not result in a return of the dollars the taxpayers are investing because of a change in zoning. Why should we appropriate dollars to go back 3 or 4 squares?

Mr. Woodbridge. The Congress in its enabling legislation found the entire area covered by the tone there to be a blighted area in need——

Mr. McDade. Did you testify in support of that?

Mr. Woodbridge. I did not.

Mr. McDade. Did the Pennsylvania Avenue Development Corporation request that boundary?

Mr. Quesada. The enabling legislation did request that boundary and that boundary is the historic area as described by Congress in another act.

Mr. McDade. Did you request it?

Mr. Quesada. We requested it.

Mr. McDade. Why did you request it? Why did you have to go back that deeply, General, into that area?

Mr. Quesada. Because it was a much larger area before, a much larger area.

Mr. McDade. I am sure if you just wanted to look at blight, you could cover an enoromous part of the city, but we are talking about the revitalization of Pennsylvania Avenue, and my question is why are we so deeply into this area?

Mr. Quesada. One of the reasons is that you can't revitalize Pennsylvania Avenue by revitalizing it just for the first block back. It would not encourage entrepreneurs to come in.

Mr. McDade. You don't think so?

Mr. Quesada. No, sir.

Mr. McDade. An address on Pennsylvania Avenue in a federally subsidized, federally renovated area with new public improvements, park and lighting would not attract a tenant?

Mr. Quesada. I think not.

Mr. McDade. Why not?

Mr. Quesada. Because an entrepreneur looks at what is next to him just as much as he looks at what he, himself, wishes to develop.

Mr. McDade. He is a leaseholder and not an owner of title in fee?

Mr. Quesada. He is a leaseholder; he does not own the fee, but I can assure you that it is very important to a redeveloper to know what is going to be contiguous to him. I don't think there would be any hope——

Mr. McDade. When you requested the boundary, you requested it on the fact that the area in your judgment is blighted and what you want to do really is to get into these additional areas back from Pennsylvania Avenue, acquire them as blighted areas in order to protect the investment that you want us to help you make in the revitalization of the Pennsylvania Avenue area.

Mr. Quesada. That is correct.

SELECTION OF AREAS TO BE INCLUDED IN PLAN

Mr. Yates. Mr. McDade, will you yield for a question?

Mr. Quesada, why did you not similarly ask for the areas below 322, 291, and 348, so that you had an enclosed area, as it were?

Mr. Quesada. Primarily because of the things that are there now. Of course, the FBI Building is there.

Mr. Yates. I am speaking of the area above the FBI Building on the chart and immediately to the left. Isn't that a blighted area, also?

Mr. Quesada. Maybe you can answer that better.

Mr. Woodbridge. Actually, sir, that area is relatively unblighted. There are several major office buildings along the north side, one quite new one in that block, and the north side of these blocks is perhaps the main shopping strip of downtown, the most lively retail portion.

Mr. Yates. Is that F Street?

Mr. Woodbridge. Yes.

Mr. McDade. Is that the enclosed mall?

Mr. Quesada. That is what the RLA refers to as "Streets for People."

Mr. Woodbridge. There are two sections on that street improvement program, one over here [indicating] and one in front of the Martin Luther King Library on G Street.

Not having been present at the decision to draw these boundaries, I can only speculate at what the intent of Congress was. But I think one explanation for the choice of this area is that it was a particularly blighted area, and also that there are two major monuments at either end of what is known as the Eighth Street axis.

There is a recently renovated Federal building, the National Portrait Gallery and the National Collection of Fine Arts, and there was concern, as part of the L'Enfant plan, that this axis down to the National Archives on Pennsylvania Avenue was important to renovate.

Mr. Quesada. And isn't the Trade Commission in there already, a rather attractive building?

Mr. Woodbridge. The Tariff Commission, which is in Government ownership.

Mr. Yates. Mr. Duncan, did you want to ask a question?

STATUS OF PENNSYLVANIA AVENUE

Mr. Duncan. Yes, in connection with Mr. McDade's questions about the difference in acquisition costs, isn't some of that deterioration at least due in part to the passage of this law, the existence of this corporation and the comparative stagnation as far as progress is concerned? Haven't they been handicapped and held back in the development of their property, coupled with an inability to dispose of it because of the pendency of this project?

Is that a fair statement or not?

Mr. QUESADA. Let me try to answer that. I think what you are saying in general terms is a very fair statement. The life of this particular corporation is relatively short. There was before it a Pennsylvania Avenue Commission. I guess that was 10 years old. There were two commissions in fact. And, sir, I think there is no doubt whatsoever that the very existence of the Pennsylvania Avenue Commission and their announced and publicized uses for the area created a situation where willing buyers and willing sellers could not get together. There was a definite cloud, so to speak, over the properties in the area which was created by an anticipated Government taking.

Mr. DUNCAN. Yes; this has been my impression. I have seen it happen before, and my impression is that a number of those property owners down there have suffered, at least, a severe hardship and are actually maintaining their properties in whatever state of deterioration at a considerable personal loss because of the inability of that property to produce any revenues. Is that a fair statement?

Mr. QUESADA. I think it is a fair statement and a statement that needs to be said and emphasized. It is not the proper role of the Government, so I think, to engage in such endeavor.

Mr. DUNCAN. That was a major inducement to me, at least, to support the authorization bill, because I think we have to do something, either abandon it and get out, or go in, make the investments, and acquire the property.

Mr. QUESADA. I couldn't agree with you more. I think the time has come when we should make up our minds.

PROPERTY TRANSACTIONS

Mr. DUNCAN. One more question: I detected one word in your testimony, and that was the word "speculators." Can you advise me of the property turnovers during the period of the pendency of this project that, in your judgment, have resulted in these properties that I have suggested are legitimate businessmen who are suffering a loss? How much of that property is now in the hands of speculators about whom we would have much less concern.

Mr. HARRIS. I can't give you that now, Mr. Duncan, but I can furnish you with a detailed breakdown of property ownership in the area and recent transactions.

Mr. DUNCAN. I think those recent transactions should be 4 or 5 years or longer.

Mr. HARRIS. Yes, sir.

[The information follows:]

BASE DATA ON PROPERTY ASSESSMENT, SALES PRICE, OWNERSHIP, AND OTHER PROPERTY CHARACTERISTICS WASHINGTON'S MARBLE MILE AREA

Block	Lot	Date of Sale	Zoning	Use	Ownership	Address	Land Area	Tax Rate	Assessment Land	Assessment Improvement	Sale Price	Year Built
225	48(5)	1974	C-4	Y-TAX	Virginia Hotel, Ltd.Ptrnshp.	Pa. Ave.	5,480	$ 98.43	$ 296,667	--	$ 150,000 1/	--
	(4)&5	1975	C-4	C-PG	Elizabeth E. Evans	1415 Pa. Ave.	4,892	$ 98.43	$ 264,836	$ 422	$ 50,000 1/	1953
	801	1974	C-4	S-MIS	Oliver T. Carr Jr.	1413 Pa. Ave.	2,747	$ 89.97	$ 135,931	$ 422	$ 256,266	1890
253	56	1972	C-4	S-MIS	G. & C. Klein	1327-29 F St.	6,274	$ 99.97	$ 344,966	$ 8,459	$ 550,000	--
	812	1974	C-4	S-MIS	B. & M.L. Kruglak	1331 F St.	3,168	$ 99.97	$ 174,187	$ 33,836	$ 400,000	1875
254	804	1972	C-4	O-LAR	E. W. Dreyfuss Etal	1325 E St.	17,212	$ 84.59	$ 800,779	$ 422	$2,697,500 2/	--
	805		C-4	O-LAR	E. W. Dreyfuss Etal	1327-35 E St.	20,739	$ 84.59	$ 964,871	$1,015,080		1917
	809	1973	C-4	O-SML	1345 Venture	1345 E St.	3,354	$ 76.90	$ 141,857	$ 422	$ 225,000	1949
290	23	1973	C-4	S-LMS	Northeast Morlen Corp.	1214 F St.	4,452	$ 90.00	$ 220,374	$ 38,634	$2,700,000 3/	1940
	812	1974	C-4	V-TAX	Young & Simon Inc.	517 13th St.	2,117	$ 49.22	$ 57,309	--	$ 169,436	1870
	813		C-4	S-MIS	Young & Simon Inc.	519 13th St.	1,700	$ 49.22	$ 46,020	$ 10,150		1860
322	20	1974	C-4	O-LAR	Laszlo N. Tauber	430 11th St.	29,724	$112.31	$1,836,066	$2,771,116	$7,520,194	--
	802	1975	C-4	S-I-S	Otis Beall Kent	1109 Pa. Ave.	3,050	$ 90.74	$ 152,216	$ 422	$ 225,000	1925
347	826	1974	C-4	S-MIS	Dave Tzamars	504 10th St.	2,124	$ 43.06	$ 50,302	$ 2,537	$ 125,000	1895
376	63	1975	C-4	S-MIS	K & E Kalu	917 F St.	2,611	$ 44.60	$ 64,048	$ 3,383	--	1890
	814	1975	C-4	V-TAX	900 G St. Ltd. Ptrnshp.	900 G St.	26,567	$ 48.89	$ 714,373	--	$1,275,000	--
377	848	1974	C-4	S-I-S	H. & G. Sprentser	912 F St.	3,354	$ 41.53	$ 76,610	$ 422	$ 150,000 4/	--
	801	1975	C-4	S-I-S	Lewjack Inc.	903 E St.	3,543	$ 52.29	$ 101,894	$ 253	$ 770,000	1890
	840		C-4	S-I-S	Lewjack Inc.	504 9th St.	1,924	$ 52.29	$ 55,333	$ 422		1890
	845		C-4	S-I-S	Lewjack Inc.	500 9th St.	3,756	$ 52.29	$ 108,020	$ 422		1890
403	811	1975	C3B	S-MIS	O. & T. Jackson	941-43 9th St.	1,239	$ 19.99	$ 13,622	$ 671	$ 15,823	1890
406	800	1974	C-4	V-TAX	Julius Goldstein	513 9th St.	11,480	$ 36.91	$ 233,049	--	$ 900,000	--
	803		C-4	V-TAX	Julius Goldstein	515-19 9th St.	4,990	$ 36.91	$ 101,482	--		--
	812		C-4	V-TAX	Julius Goldstein	812 F St.	501	$ 36.91	$ 10,170	--		--
407	17	1974	C-4	C-WHS	Joseph Miller	412-16 8th St.	5,100	$ 34.61	$ 97,001	$ 16,918	$ 300,000	1908
	810		C-4	C-WHS	Joseph Miller	410 8th St.	2,600	$ 34.61	$ 49,492	$ 8,459		1906
	811	1974	C-4	S-MIS	Greyhound Assn. Ltd.Ptrnshp.	408 8th St.	1,250	$ 37.68	$ 25,905	$ 422	$ 105,000 5/	1890
	801	1974	C-4	C-PG	Pension Benefit Fund Inc.	403 9th St.	12,600	$ 47.68	$ 330,422	$ 131,114	$ 340,000 5/	1953
427	813	1975	C3B	S-DET	Prime Land Bank, Ltd.	900 7th St.	5,225	$ 23.84	$ 68,510	$ 83,117	$ 330,000	1933
429	20	1975	C-4	S-I-S	Saul I. Stern, Etal	728-30 7th St.	3,563	$ 22.30	$ 43,700	$ 16,918	$ 120,000	1890

BASE DATA ON PROPERTY ASSESSMENT, SALES PRICE, OWNERSHIP, (Cont'd)
AND OTHER PROPERTY CHARACTERISTICS
WASHINGTON'S MARBLE MILE AREA

Block	Lot	Date of Sale	Zoning	Use	Ownership	Address	Land Area	Tax Rate	Assessment Land	Assessment Improvement	Sale Price	Year Built
432	800	1972	C-4	S-LMS	L. S. Good & Co.	711 Mkt. Sp.	6,782	$ 76.90	$ 286,844	$ 120,456	$ 227,272	--
	806	1973	C-4	S-LMS	L. S. Good & Co.	315-17 8th St.	2,542	$ 29.22	$ 40,852	$ 40,180	$ 145,000	--
	18	1974	C-4	S-LMS	L. S. Good & Co.	710 D St.	1,596	$ 26.15	$ 46,926	$ 26,138	$ 98,000	--
	13		C-4	S-LMS	L. S. Good & Co.	711 Mkt. Sp.	2,767	$ 36.14	$ 54,999	$ 49,654		--
	14		C-4	S-LMS	L. S. Good & Co.	713 Mkt. Sp.	2,783	$ 36.14	$ 55,317	$ 44,240		--
	15		C-4	S-LMS	L. S. Good & Co.	719 Mkt. Sp.	2,327	$ 61.52	$ 78,736	$ 36,035		--
	16		C-4	S-LMS	L. S. Good & Co.	309 8th St.	1,854	$ 29.22	$ 29,795	$ 29,691		--
	17		C-4	S-LMS	L. S. Good & Co.	712 D St.	1,596	$ 26.15	$ 22,954	$ 25,630		--
	18		C-4	S-LMS	L. S. Good & Co.	710 D St.	1,596	$ 26.15	$ 46,926	$ 25,630		--
	19		C-4	S-LMS	L. S. Good & Co.	313 8th St.	2,719	$ 23.07	$ 34,499	$ 40,180		--
	20		C-4	S-LMS	L. S. Good & Co.	705 Mkt. Sp.	1,585	$ 53.83	$ 46,926	$ 26,138		--
	800	1974	C-4	S-LMS	L. S. Good & Co.	703 Mkt. Sp.	6,782	$ 76.90	$ 286,844	$ 120,456	$2,000,000	--
	801		C-4	S-LMS	L. S. Good & Co.	707 Mkt. Sp.	1,591	$ 46.14	$ 40,374	$ 26,138		--
	802		C-4	S-LMS	L. S. Good & Co.	709 Mkt. Sp.	1,582	$ 40.76	$ 35,465	$ 26,138		--
	803		C-4	S-LMS	L. S. Good & Co.	715 Mkt. Sp.	2,140	$ 41.53	$ 48,080	$ 34,258		--
	804		C-4	S-LMS	L. S. Good & Co.	717 Mkt. Sp.	1,382	$ 41.53	$ 31,566	$ 22,585		--
	805		C-4	S-LMS	L. S. Good & Co.	311 8th St.	2,010	$ 23.07	$ 25,504	$ 29,691		--
	806		C-4	S-LMS	L. S. Good & Co.	315-17 8th St.	2,542	$ 29.22	$ 40,852	$ 40,180		--
	807		C-4	S-LMS	Minchar Corp.	307 8th St.	2,347	$ 33.84	$ 43,682	$ 36,627		--
456	810	1974	C-4	S-I-S	H. B. Ferree	511 7th St.	2,969	$ 35.76	$ 58,394	$ 8,459	$ 267,000	--
	829	1975	C-4	O-LAR	C. E. Haven Jr., Etal	600 F St.	2,496	$ 34.61	$ 47,512	$ 67,502	--	1910
457	815		C-4	S-DET	Seventh St. Ltd. Ptrnshp.	401 7th St.	1,350	$ 53.83	$ 39,969	$ 7,647		1860
	816		C-4	V-TAX	Seventh St. Ltd. Ptrnshp.	7th St.	147	$ 53.83	$ 4,352	--		--
	817		C-4	S-I-S	The Seventh Street	403-07 7th St.	2,994	$ 39.22	$ 64,583	$ 422	$ 785,000	1890
	818	1974	C-4	S-I-S	Seventh St. Ltd. Ptrnshp.	409 7th St.	1,527	$ 39.22	$ 32,936	$ 845		1890
	819		C-4	S-I-S	Seventh St. Ltd. Ptrnshp.	415 7th St.	2,416	$ 35.76	$ 47,517	$ 16,072		1860
	820		C-4	S-I-S	Seventh St. Ltd. Ptrnshp.	417 7th St.	3,054	$ 35.76	$ 60,066	$ 422		1890
	38	1975	C-4	O-LAR	Virginia Corp.	601 D St.	53,650	$ 38.46	$1,134,858	$6,587,353	$1,700,000 5/	--
460	807	1975	C3B	S-MIS	Westminster Inv. Corp.	605 Pa. Ave.	976	$ 38.45	$ 20,639	$ 3,214	$ 85,000	1953

1/ 1974, sale of lots 485, $150,00 mortgage. 1975, lots 485, leasehold interest $50,000.

2/ Land only equaled $2,650,000; improvements valued at $47,500.

3/ Includes other property not specified.

4/ $150,000 mortgage.

5/ Improvements only.

6/ Land only.

Source: Lusk Directory.

LAND TRANSACTIONS
COMPARABLE SALES-WBR FILE
PADC AND VICINITY

Block	Date of Sale	Lot Number	Address	Zoning	Land Area (Sq. Ft.)	Price	Price/ Sq. Ft.	Comments
225	6/74	801	1413 Pa. Ave.	C-4	2,747	$ 256,266	$ 93.24	Card indicates probable land sale-no building value.
	5/69	32	1401 Pa. Ave.	C-4	33,489	$3,500,000	$104.10	Willard Hotel. Sale at closing of operation.
253	10/68	808	1328 F. St.	C-4	2,728	--	$128.29	Value in land, small store.
	7/67	808	1328 F. St.	C-4	2,278	--	$128.00	Value in land, small store.
254	4/73	809	1345 E. St.	C-4	3,148	$ 225,000	$ 71.47	Possible land sale, small brick structure land sale only.
	7/72	804 &805	1315 E. St.	C-4	16,449 20,739	--	$ 71.26	Land sale only.
		804 &805	1315 E. St.	C-4	16,449 20,739	--	$ 88.73	Land only. Improvements.
		809	1345 E. St.	C-4	3,354	--	$131.18	4-1/2 story brick building.
290	3/70	821	1210 F. St.	C-4	1,947	--	$168.46	Land only.
	5/68	817 &818	1222-24 F. St.	C-4	3,416	--	$143.44	Small store on each lot.
	5/67	35	1212 F. St.	C-4	3,532	--	$107.59	Florist Shop
291	10/66	818	425 13th St.	C-4	18,796	$6,600,000	$351.14	Pa. Avenue building: 162,577 net rentable square feet, 12,000 square feet commercial and 234 parking spaces. Gross income at 1,008,000.
322	4/75	804	1109 Pa. Ave.	C-4	3,050	$ 225,000	$ 73.74	Possible land sale improvements of little value, indicated by card.
	9/74	20	415 12th St.	C-4	--	$7,520,194	--	Improvements only, purchased by LTN. Corp.
	12/66	811	1101 Pa. Ave.	C-4	16,219	$3,551,338	$218.96	Sale of land and building. Evening Star building transferred back to Ian Woodner.
348	8/68	822 &804	1013 D. St.	C-4	1,955		$102.30	Value in land.
	12/67	805 &821	1015 D. St. & 403 11th	C-4	3,594		$100.17	
	7/67	802	1009 D. St.	C-4	2,910		$ 39.86	Purchaser-Brylawsky since 1962 has acquired 805, 821, 806, 808, 809, 810, 802, 822, & 804.

LAND TRANSACTIONS (Cont'd)
COMPARABLE SALES -- WDR FILE
PADC AND VICINITY

Block	Date of Sale	Lot Number	Address	Zoning	Land Area (Sq. Ft.)	Price	Price/ Sq. Ft.	Comments
406	4/74	800,803 & 812	513-19 9th St.	C-4	16,980	--	$53.00	Vacant Land
	11/67	801	809 E St.	C-4	2,587	--	$48.31	Value in Land
	7/67	802	811 E St.	C-4	2,310	--	$64.94	Value in Land
407	8/74	811	408 8th St.	C-4	1,250	--	$84.00	Small Mis. Stone, Brick
	2/69	804	419-21 9th St.	C-4	3,530	--	$56.52	Land Sale
	1/69	800	801 D St.	C-4	8,750	--	--	Vacant Land
	11/74	801	403-409 9th St.	C-4	12,600	$ 340,000	$26.98	(Commercial Parking Garage)
408	1/74	805	821 Pa. Ave.	C-4	2,813	$ 3,250	$115.54	Small Brick Bldg.
432	4/74	800-807	301-19 8th St.	C-4	30,116	$2,000,000	$66.41	Large Multi-Story Bldg. (S. Kann & Son, Inc.)
	1/73	806	315-17 8th St.	C-4	2,542	$ 145,000	$57.04	Small Office Bldg., Brick
	1/73	802,804 & 807	709-717 Market Sq.	C-4	5,311	$ 375,000	$70.61	Large Multi-Story Store
	12/72	13	711 Market Sq.	C-4	2,767	$ 130,000	$46.98	S. Kann & Son, Inc.
	9/72	14 & 805	311 8th St. 713 Market Sq.	C-4	4,793	$ 359,474	$75.00	Small Misc. Brick Stores
	6/72	18	710 D St.	C-4	1,596	$ 98,000	$61.40	Multi-Story Brick Bldg.
457	11/74	809	633 D St.	C-4	1,788	$ 75,000	$41.95	Possible Land Sale. Little Improvement Value
	3/74	21, 835 & 834	600-4 E St.	C-4	13,853	--	$76.33	Vacant Land
	3/74	831,833, 847 4848	608-10 E St.	C-4	8,270	--	$73.88	Vacant Land
	2/72	829,849 & 850	620 E St.	C-4	13,483	--	$43.71	Vacant Land
	10/70	38	601 D St.	C-4	53,650	--	$80.00	Vacant, intend for an Office Bldg.
458	9/25/74	816	639 Indiana	C-4	1,409	$ 80,000	$56.78	Possible Land Sale, Improvement of Little Value
459	7/71	17	607-609 ?	C-3-B	1,300	$ 301,945	$232.27	Small Office Bldg.
460	12/70	808	621 Pa. Ave.	C-3-B	2,162	$ 150,000	$69.38	Misc. Structures.

Source: Washington Board of Realtors; Gladstone Associates.

SUMMARY OF ASSESSMENT AND SALES PRICE PER SQUARE FOOT

Block/Lot		Date of Sale	Zoning	Use	Land Area	Assessment/Square Foot Land	Improvements	Total	Sales Price Per Square Foot	Ratio of Assessment/ Sq. Ft. to Sales Price/ Sq. Ft.	Year Built
225	4 & 5	1974	C-4	V-TAX, C-PG	10,372	$54.14	$ 0.04	$54.18	$14.46[1]	--	1953
	4 & 5	1975	C-4	V-TAX, C-PG	10,372	$54.14	$ 0.04	$54.18	$ 4.82[2]	--	
	801	1974	C-4	S-MIS	2,747	$49.48	$ 0.16	$49.64	$93.29	0.53	1890
253	56	1972	C-4	S-MIS	6,274	$54.98	$ 1.35	$56.33	$87.66	0.64	--
	812	1974	C-4	S-MIS	3,168	$54.98	$10.68	$65.66	$126.76	0.52	1875
254	804-805	1972	C-4	O-LAR	37,951	$46.52	$26.76	$73.28	$71.08[3]	1.03	1917
	809	1973	C-4	O-SML	3,354	$42.29	$ 0.13	$42.42	$76.03	0.56	1949
290	23	1973	C-4	S-LMS	4,452	$49.50	$ 8.68	$58.18	$606.47[5]	0.10	1940
	812-813	1974	C-4	V-TAX & S-MIS	3,817	$27.07	$ 2.66	$29.73	$44.39	0.67	1860-1870
322	20	1974	C-4	O-LAR	29,724	$61.77	$93.23	$155.00	$253.00	0.61	--
	802	1975	C-4	S-I-S	3,050	$49.91	$ 0.14	$50.15	$73.77	0.68	1925
347	826	1974	C-4	S-MIS	2,124	$23.68	$ 1.19	$24.87	$58.85	0.42	1895
376	63	1975	C-4	S-MIS	2,611	$24.53	$ 1.30	$25.83	--	--	1890
	814	1975	C-4	V-TAX	26,567	$26.89	--	$26.89	$47.99	0.56	--
377	848	1974	C-4	S-I-S	3,354	$22.84	$ 0.13	$22.97	$44.72	0.51	--
	801,840 & 845	1975	C-4	S-I-S	9,223	$28.76	$ 0.16	$28.94	$83.49	0.34	1890
403	811	1975	C3B	S-MIS	1,239	$10.99	$ 0.54	$11.53	$12.77	0.90	1890
406	800,803,812	1974	C-4	V-TAX	16,971	$20.84	--	$20.84	$53.03	0.39	--
407	17, 810	1974	C-4	C-MHS	7,700	$19.04	$ 3.30	$22.34	$38.96	0.57	1906
	811	1974	C-4	S-MIS	1,250	$20.72	$ 0.34	$21.06	$84.00	0.25	1890
	801	1974	C-4	C-PG	12,600	$26.22	$10.41	$36.63	$26.98[5]	--	1953
427	813	1975	C3B	S-DET	5,225	$13.11	$15.91	$29.02	$63.16	0.46	1933
429	20	1975	C-4	S-I-S	3,563	$12.26	$ 4.75	$17.01	$33.68	0.51	1890
432	800	1972	C-4	S-LMS	6,782	$42.29	$17.76	$60.05	$33.51[6]	1.79	--
	806	1973	C-4	S-LMS	2,542	$16.07	$15.80	$31.87	$57.04	0.56	--
	18	1974	C-4	S-LMS	1,596	$29.40	$16.38	$45.78	$61.40	0.75	--
	13-20,800-807	1974	C-4	S-LMS	37,603	$24.55	$16.31	$40.86	$53.19	0.77	--
456	810	1974	C-4	S-I-S	2,969	$19.67	$ 2.85	$22.52	$89.92	0.25	--
	829	1975	C-4	O-LAR	2,496	$19.04	$27.04	$46.08	--	--	1910
457	815,846,853, 818-820	1974	C-4	S-DET, V-TAX, S-I-S	11,488	$21.71	$ 2.21	$23.92	$68.33	0.35	1860-1890
	38	1975	C-4	O-LAR	53,650	$21.15	$122.78	$143.93	$31.69[7]	--	--
460	807	1975	C3B	S-MIS	976	$20.87	$ 3.29	$24.16	$87.09	0.28	1953

1/ Mortgage.

2/ Leasehold interest.

3/ Land price equal to $69.81/sq. ft.; improvements equal to $1.25/sq. ft.

4/ Includes other property not specified.

5/ Sale of improvements only.

6/ No indication if sale for land only or improvements only.

7/ Land only.

Mr. QUESADA. I would doubt there was much speculation, because there wasn't much inducement for a speculator to speculate, but we will give you the accurate figures.

Mr. DUNCAN. That is why the word, when it crept in here this morning, surprised me a little, and I thought perhaps undermined my logic.

Mr. WOODBRIDGE. If I might speak to that, I think generally speaking when you see a parking lot in a high density commercial zone, that is a speculative move.

Mr. DUNCAN. I am thinking particularly of one department store that didn't look to me to be in too bad a condition, and it has been closed for months at least, if not years. I don't know whether you know the one I am talking about.

Mr. WOODBRIDGE. Lansburgh's.

Mr. DUNCAN. I wouldn't imagine that was a speculative situation, but maybe it was. Maybe they sold it to someone that was——

Mr. WOODBRIDGE. No; in that case they went out of business.

I think in reality not particularly because Pennsylvania Avenue planning held a cloud over that area, but because that particular area of downtown was declining in business generally.

Mr. DUNCAN. Did Metro tear it up?

Mr. WOODBRIDGE. Metro certainly did not help them because it went right up Seventh Street here.

LAND ACQUISITION COSTS

Mr. YATES. Let's turn to your request of $112,850,000 for land acquisition. How realistic is that? Are your appraisals likely to be higher than that? When was that figure prepared?

Mr. HARRIS. That was prepared in 1974, Mr. Chairman.

Mr. YATES. Is it still realistic?

Mr. HARRIS. We have kept track of it helped by a local very prominent economic consulting firm in the real estate consulting business. We have updated that from time to time since this printed document. We believe that it is substantially accurate at the present time and appraisals should not come in higher.

Mr. YATES. Can the committee hold you to it?

Mr. QUESADA. You can; yes, sir.

Mr. HARRIS. I think we will have to abide by the judicial branch in many cases.

Mr. QUESADA. I certainly wouldn't say the committee can't.

DISPOSITION OF CORPORATION PROPERTIES

Mr. YATES. You are a 15-year corporation. What will happen to the properties that you own after 15 years when you go out of business?

Mr. MESZOLY. We do turn over our fee interest to any of a number of Federal agencies. We have speculated on how that could be done, but decided it would be premature to determine it.

Mr. YATES. Does that make you a speculator?

Mr. MESZOLY. I hope not. But the Corporation's assets could naturally go to GSA or the Park Service, or the District of Columbia government. I think it would require some sort of legislation to neatly terminate whatever the Corporation owns at the end of its existence.

Mr. YATES. In the absence of additional legislation, what happens 15 years from now?

Mr. MESZOLY. In the absence of additional legislation our act simply requires the Corporation to terminate itself upon the completion of redevelopment, with assets remaining vesting in the United States. If the Corporation itself did not reach some type of acceptable agreement with the proper agencies and the Congress, presumably a court would be left to decide. Or existing law may require it to go to GSA automatically perhaps.

At the time we thought that it would not be necessary to outline definitively how our remaining assets would vest. Because of future changes, including the special enclave areas and things like that, it is premature.

Mr. QUESADA. But I think you do have a good point and a point we should pursue, and that is amending legislation to specifically indicate who our successor would be.

VALUE OF CORPORATION PROPERTY

Mr. YATES. What is the value of your property going to be in 15 years?

Mr. QUESADA. I would say the value of the land——

Mr. YATES. And the buildings.

Mr. QUESADA. The value of the land doesn't increase; the fair market value does not increase.

Mr. YATES. Would it not increase with all the improvement?

Mr. QUESADA. Because it is encumbered by the lease, and the fair market value is what a willing buyer will pay a willing seller with no duress on either.

Mr. YATES. You will have some beautiful buildings. Pennsylvania Avenue will be completely renovated and rehabilitated, and it will be one of the most beautiful areas in the country.

Mr. QUESADA. I am commenting on the land.

Mr. YATES. Who owns the buildings?

Mr. QUESADA. Private entrepeneurs. I can't conceive of anybody buying the fee at a price higher than that which would yield to him a 10-percent return on his investment, whereas the man who is leasing it is going to lease it for something less than 10 percent. Now, at the end of the lease, the Government owns the improvements.

Mr. YATES. That is the Tricentennial?

Mr. QUESADA. At the end of the lease the Government owns not only the land, which it owns all the time, but it owns the buildings.

Mr. YATES. In 100 years what is the condition of the buildings?

Mr. WOODBRIDGE. Some of them are pretty good.

Mr. YATES. Are they using them for public schools?

Mr. QUESADA. No, sir; we have been very deliberate about this and have a declared intent. We have indicated that it is our intent to lease the land and not sell it. At the end of 100 years, the Government will not only own the land, which it already owns, but it will own the buildings.

Nobody knows how the Government will want to use this north side of Pennsylvania Avenue 100 years from now, and one of our purposes is to get title of that land into the Government's hands.

MAINTENANCE OF BUILDINGS

Mr. YATES. Is there a requirement for maintenance of those buildings during all of this period?

Mr. QUESADA. Codes require the maintenance of buildings. Yes, sir, there is a requirement, plus self-interest.

Mr. YATES. Codes require it now and look at the condition of some of the buildings.

Mr. QUESADA. The codes are not enforced.

Mr. YATES. I see.

General, the point I am making is that the Government is proposing a huge investment to develop Pennsylvania Avenue; you are proposing to make Pennsylvania Avenue one of the showcases of the country. Over a period of years, what assurance is there that the showcase will be maintained?

Mr. QUESADA. One of the things that would give the type of insurance to which you refer is the cost of the land. An entrepreneur paying that amount for his land will naturally want to build a building that has good longevity. On all of our buildings the architectural design will have to be approved by the Fine Arts Commission; that is our declared intention, plus the fact that there is an Executive order to that effect. By that process we should expect, and all of us do expect, that the buildings that are constructed there will be built in such a manner that they will have longevity.

I am the principal owner of L'Enfant Plaza. You can't convince me that L'Enfant Plaza is going to be anything other than what it is today 100 years from now.

Mr. YATES. Mr. McKay.

LONGEVITY OF BUILDINGS

Mr. MCKAY. What is the average longevity of buildings?

Mr. QUESADA. As a general rule for tax purposes, it is 60 years.

Mr. MCKAY. I am on a military construction subcommittee and anytime a building is over 25 years old, they want to replace it. They figure that it is old and dilapidated. Maybe when your properties are 100 years old, like the Willard Hotel, you will have to redo them?

Mr. QUESADA. That is possible, but I would anticipate that the buildings on the north side of Pennsylvania Avenue will have a longevity comparable to the longevity of the Government building across the street.

Mr. MCKAY. How do you guarantee that?

Mr. QUESADA. I can't guarantee it.

Mr. MCKAY. Because you leave it in the hands, other than architectural design, to the entrepreneur.

Mr. QUESADA. The architectural design is approved by the Fine Arts Commission.

Mr. MCKAY. That may be a facade, not a structural design.

Mr. QUESADA. That is true; that is why we can't guarantee it. But you can't guarantee that a building will have a 99-year longevity.

TERMINATION OF CORPORATION RESPONSIBILITY

Mr. MCKAY. That brings the next question, then. You indicated that your charter indicates that you go out of business at the end of your function, but this would indicate that your function will never end.

Mr. YATES. Theirs will.

Mr. MCKAY. No, because the purpose is to rehabilitate and by the time they get to 50 or 60 years they have to start rehabilitating and refixing, so there is a potential for unlimited obligation.

Mr. MESZOLY. I don't think so, sir. In our consideration of the future termination of the corporation, we have preliminarily addressed the problem of not only turning over the corporation's assets but also of assigning certain architectural and use controls to the entity that takes those assets, be it GSA or whomever.

Mr. MCKAY. Do you have a maximum time period for the culmination of this work?

Mr. QUESADA. No, sir.

Mr. MCKAY. It is open-ended, how far it takes you?

Mr. QUESADA. In the final analysis the completion of the plan will be dependent upon our ability to instill confidence in the private sector to come into this area and develop under the plan.

Mr. MCKAY. You are looking at 15 years as that time?

Mr. QUESADA. Yes, sir; that is correct.

Mr. MCKAY. That is the anticipated plan, but there is nothing in contract or authority which terminates you until you get to it, if it takes 25 or 50 years.

Mr. MESZOLY. That is correct, according to the legislation; yes, sir.

Mr. QUESADA. The whole ability to develop the area is going to be dependent upon the degree to which we can instill confidence in private developers to come in and risk their capital.

Mr. MCKAY. Do you have any evidence which would substantiate your 15-year period?

Mr. QUESADA. No, sir. The interest on the part of private capital to come into this area has been adversely affected by the long-standing Pennsylvania Avenue Commission, which existed without tangible results, and the doubts that have crept in awaiting the legislation that is now before the committee.

Mr. MCKAY. Have you made any search or inquiry among the business community and entrepreneurs as to whether they would be interested?

Mr. QUESADA. I think it is fair to say that the entrepreneurs that I have talked to have demonstrated a positive interest. However, I don't anticipate any action on their part until there is a demonstration of a positive interest on the part of the Government to fund the project in its entirety.

Mr. MCKAY. But you have an affirmative interest from people today?

Mr. QUESADA. We actually have one offer to develop the land contiguous to the Willard. We have a formal application.

Mr. WOODBRIDGE. And we have several developers who are showing a very strong interest in the Willard.

PRIVATE VERSUS PUBLIC OWNERSHIP

Mr. YATES. What portion of your area is private as opposed to public?

Mr. WOODBRIDGE. This area bounded by 15th at this end and 10th Street here is all privately owned with the exception of this triangle, which is a Federal reservation. To the east of 9th Street everything is privately owned except for this block, which is the Tariff Commission Building, and this block, square 491, which is owned in part by the

Federal Government and in part by the District of Columbia government, and this block, which is the Federal district court, and the FBI Building here [indicating].

Mr. YATES. Where is the National Gallery?

Mr. WOODBRIDGE. That is right here [indicating].

Mr. YATES. I don't see the Pei Building.

Mr. QUESADA. It is not on there, but it is on the triangle he outlined.

ASSESSED VALUE OF LAND

Mr. YATES. Do you have a table showing the assessed value of the land?

Mr. WOODBRIDGE. No, we do not, but we can provide one.

Mr. YATES. We would appreciate it.

[The information follows:]

Comparison of the Pennsylvania Avenue Development Corporation's Estimated Market Values with Values Set by the District Tax Assessor for 1977

Square Number	Site Area Square Feet	Assessors Average Value for Site Area	PADC's Estimated Value for Site Area	Assessors Average Value Per Sq. Foot	PADC Average Value Per Sq. Foot
225	59,881	7,335,809	8,080,000	123	135
254	100,256	12,762,589	12,030,000	127	120
291	51,640	7,802,479	13,530,000	151	262
322	36,294	7,502,061	14,990,000	207	413
348	88,381	5,447,892	9,720,000	62	110
Subtotal West Site	336,452	40,850,829	58,350,000	121	173
406	60,000	2,718,191	4,800,000	45	80
407	63,150	3,689,992	4,920,000	58	78
408	46,726	5,276,677	6,670,000	113	143
431	86,964	4,121,376	6,090,000	47	70
432	50,125	2,904,010	5,010,000	58	100
457	94,158	14,154,058	10,530,000	150	112
458	15,000	1,874,468	1,050,000	125	70
459 & 460	64,000	3,849,052	6,400,000	60	100
491	113,000	10,802,176	9,030,000	96	80
Sub total East Site	593,123	49,390,000	54,500,000	83	92
GRAND TOTAL	929,575	90,240,829	112,850,000	97	121

Mr. McDade. Also include with the table their estimate of the market value.

Mr. Woodbridge. Yes, sir.

RELOCATION OF PRESENT OWNERS

Mr. Yates. Is there any indication as to how many of the present land owners intend to stay? We know the Willard owners and the owners of Lansburgh's do not wish to remain. How many others do not want to remain?

Mr. Woodbridge. We have been individually in touch with virtually every owner in the area. We don't, in every case, know his intentions, of course. But, we do have indications, for example, that there is a group of owners in the area between Sixth and Seventh, many of whom occupy older buildings of architectural and historic interest who do intend to stay in the area. Some intend to renovate their own buildings.

Mr. Yates. How do you determine who to give preference to on proposals? How do you decide which proposal to accept? Does the present owner have a preference, or does it all depend upon which person makes the best deal for the Government?

Mr. Quesada. We would give preference to present owners who wish to rehabilitate their property, providing it is historic property——

PRIVATE DEVELOPMENT

Mr. Yates. How do you decide whether to accept one of two competing offers?

Mr. Quesada. If one of two competing offers is a present owner and his offer is comparable to another, we would give him preference.

Mr. Yates. Suppose one offers you more money, is this the test? How do you decide whose application to approve? Is it dependent upon the submission of a greater amount of money to you, or a particular kind of enterprise for the area? I know in a certain area it is residential. Suppose you have competition between a haberdasher and some other kind of store? What factors do you take into consideration?

Mr. Quesada. Let's assume that the competition does not involve a current owner. Under those circumstances we would evaluate among the competitors their financial reliability, their track record. We would evaluate it like any other private corporation would evaluate a person who wishes to lease their property, their financial stability, their ability to do what they say they are going to do, but more importantly, or just as important, how they intend to develop the land.

RESIDENTIAL DEVELOPMENT

Mr. Yates. Would you place in the record a description of the development of the residential community, what type and the number of units to be constructed, how these units will be sold or leased, at what cost, and whether they will be self-sustaining once they are leased or sold?

You have indicated that portion of Pennsylvania Avenue east of the FBI Building is to be residential; is that correct?

Mr. Quesada. Yes.

Mr. WOODBRIDGE. This is an overlay on the proposed development plan that appears in the book. It would be this area where you see the small-scale indication of buildings that is all proposed for residential use.

Mr. YATES. Will you provide that information for the record?

[The information follows:]

The housing development, which would be concentrated in the area east of the new F.B.I. Building, is designed to provide a unique and model in-town living environment. This area today is a mixture of vacant lots, a few new high rise office buildings erected during the 1960's and leased to the government, and a large number of low-scale commercial buildings erected during the 19th and early 20 Centuries. This streach of the Avenue was once the City's commercial center, but it has long since been eclipsed by the retail concentration along F and G Streets.

The Corporation recognized that successful residential development would require the creation of a substantial and unique community that could attract people long accustomed to thinking of downtown Washington as a place to work and shop, not as a place to live. In order to achieve this objective, the plan, prepared with the assistance of the Corporation's housing consultant, Hugh Newell Jacobsen, proposes a special configuration of high density residential and mixed uses, presenting a downtown city scale on the perimeter and an intimate, town-house scale on the interior. The high structures on the perimeter would not only relate in scale to the surrounding area, but would serve to buffer the residential units, lifting them up and away from street noise and providing good views for a maximum number of dwellings.

The major housing development would be concentrated in a four-block area between 7th and 9th Street, E Street and Pennsylvania Avenue. Viewed from the Avenue, the structure would rise 110 feet, with arcaded ground floor retail space, several stories of office space and at least four stories of housing. Inside the block, the housing would be arranged in two-to-four-story tiers flanking interior open air walkways and stepping down to ground level at the center of the block. Parking would be provided under the stepped housing within the structure. Thus, from the outside, a person would see a building in scale with its surroundings, with lively street activity in front of shops, restaurants, and offices. Inside, wherever a person stood, he would see a low-scale residential neighborhood, with landscaped walkways giving direct access to apartments and townhouses, with parking out of sight but only a short walk of elevator ride away.

Although the housing units would be grouped in low-rise structures, the overall density would be high - about 130 units per acre, which is double the average residential density of the Southwest Urban Renewal Area. Despite the density, the housing would have a quality of spaciousness that is not available in standard elevator apartment buildings.

Most of the units would have private patios, and all would have direct access to landscaped walkways, providing strolling and play areas free from automobile traffic.

Additional residential development would be provided in the area east of 7th Street. Because of substantial number of existing buildings - both new office structures and older buildings with architectural merit - are proposed for retnetion in this area, the basic housing development pattern would vary. In instances where a sufficient land area is available, the same basic pattern would be employed. In other instances, constricted sites will dictate more conventional high rise housing patterns that would be filled in between existing sturctures.

Proposed Housing Program

Rental:	%	No.	Size	Monthly Rent*
Efficiency	50%	250	550 sq. ft.	$275.00
1-Bedroom	39%	195	750 sq. ft.	$325.00
2-Bedroom	11%	55	1,000 sq. ft.	$500.00
Total	100%	500		

Sales:	%	No.	Size	Sales Price*
Efficiency	14%	140	650 sq. ft.	$32,500
1-Bedroom	55%	550	850 sq. ft.	$41,560
2-Bedroom	21%	210	1,200 sq. ft.	$56,400
3-Bedroom	10%	100	1,350 sq. ft.	$62,100

* Prices Reflect January, 1974 dollars

In all, approximately 1500 residential units would be provided, about a third of which would be rental and two-thirds for sale. Most of the units would be small (efficiencies and one-bedrooms), with rental and purchase prices aimed at households with annual incomes ranging from $15,000 to $35,000. These prices reflect current costs for private high density residential development at close-in locations. In order to provide an opportunity for lower income households to live in the project, the Corporation will request Federal subsidy funds for up to 250 units. These units would be made available to households meeting the eligibility criteria of Sections 235 and 236 of the National Housing Act or successor acts. The Corporation will consult with the District of Columbia government on the administration of these low and moderate income units.

LAND ACQUISITION PROGRAM

Mr. YATES. Will you place in the record how you propose to operate the land acquisition program for which you are requesting $25 million? We would also like to know what your plans are for marketing the parcels to reach the broadest number of potential developers.

[The information follows:]

PROPOSED ENTREPRENEUER SELECTION POLICY

I. For Property to be Acquired by Pennsylvania Avenue Development Corporation:

A. The Chairman will appoint an Executive Committee of five Board Members to oversee the developer selection process, and to make recommendations to the full Board for final selections of entrepreneurs.

B. Promotion: The availability of land to be leased (or sold) by the Corporation will be advertised in local and national print media as well as the Commerce Business Daily. In addition, the Corporation will inform known, interested entrepreneurs of available opportunities.

C. Solicitation Prospectus: Upon inquiry, the Corporation will provide, at no charge, a prospectus which gives a complete and accurate description of the land to be leased, a summary of the development requirements, and other related preliminary information.

D. Detailed Prospectus: Entrepreneurs interested in pursuing negotiations with the Corporation will be informed in the solicitation prospectus that for a reasonable fee, a detailed prospectus can be purchased. The latter will prescribe in detail relevant data, including allowed square footage by use, minimum upset price, architectural and design controls, legal information, lease or sale terms, etc. The detailed prospectus will also contain specific descriptions of documentation to be submitted by an applicant, including his legal incorporated documentation, financial qualification, credit references, graphic presentation of relevant past projects and identification of all participants on his developer team (architects, source of financing).

E. Deposits: Each firm proposal must include a substantial deposit which would be refunded with interest to each applicant not selected. In the case of a selected entrepreneur, the deposit will be credited toward his lease payments.

F. Selection Criteria: The basic qualification criteria for initial review of proposals submitted by entrepreneurs are: (1) financial capability; (2) a demonstrated record that he can produce in a timely manner, development of a scale and quality desired; (3) quality of architectural and design elements of the proposal; and (4) the sale or lease proceeds which the entrepreneur is willing to offer.

G. Selection: Initial screening of all proposals will be carried out by the Corporation staff. The purpose of initial screening will be to remove from consideration those proposals determined to be marginal in terms of entrepreneur capability, quality, or seriousness of intent. Those considered to be qualified will be reviewed by the Executive Committee of the Board. Following the reviews, the Executive Committee will recommend to the Board one or more proposals which it considers superior. The Board will make the final determination based upon such further interviews as it considers necessary.

H. Right to Negotiate: The entrepreneur finally approved by the Board will be offered an agreement by the Corporation conferring an exclusive right to negotiate for the purpose of arriving at an approved agreement. Initially this exclusive right will be for a period of 90 days, subject to extension at the will of the Corporation. It is expected that during this period the entrepreneur will prepare renderings, plans, elevations and preliminary schematics. In addition, he must prepare documentation establishing financial capability in such form as the Corporation may desire. The selected entrepreneur will be expected to make an additional, nonrefundable deposit, which will be credited against lease payments.

II. For Sites not Acquired by Pennsylvania Avenue Development Corp.:

If the owner of a privately assembled site seeks the Corporation's approval of a proposed development on his site, the staff will work closely with the owner to establish conformity with the plan. Reviews of the owner's proposal will be made by the Executive Committee, which will in turn recommend final approval or rejection to the full Board, after a design review by the Commission of Fine Arts.

The Corporation will request submission of adequate documentation by the property owner that he possesses the necessary financial capability and experience to carry out the proposed development in a timely fashion.

ROLE OF FINE ARTS COMMISSION

Mr. YATES. What role is the Fine Arts Commission playing in this? Do you have sole jurisdiction, or do you have to obtain the consent of the District for your plans? Whose consent do you have to obtain for design and layout, and so forth?

Mr. WOODBRIDGE. The buildings which are facing on or visible from Pennsylvania Avenue are presently covered by the Fine Arts Commission approvals under the Shipstead-Luce Act. That includes, for example, buildings facing on this block here [indicating] which isn't directly on Pennsylvania Avenue. The act has been construed, for example, to include this building at this corner [indicating], to cover anything that faces on the Avenue even though it may front on a park.

It is our intent to have the Commission of Fine Arts design review extend to everything in our boundary since it seems ridiculous that one should fall under their jurisdiction and one right next to it may not.

Mr. QUESADA. In addition, there is an Executive order that says we shall. Government agencies by Executive Order—and we will get a copy for you—are required to use the Fine Arts Commission as their——

Mr. WOODBRIDGE. That would be for anything we did. We need to reach an agreement to include a private developer's building that doesn't front directly on the Avenue.

DISTRESSED AREAS

Mr. YATES. Do you have any specific plans for the use of the $25 million? What are your distressed areas? Is this something you want to tell us, or is this something you want to keep secret?

Mr. QUESADA. Not at all.

Mr. YATES. Tell us, then.

Mr. QUESADA. We have in mind to use the $25 million for the acquisition of those properties that have suffered the most by virtue of this cloud. Of course, the most glaring example is the Willard, and there is Lansburgh's, and there is Kann's. They are the three principal ones.

Mr. YATES. Does that utilize the whole $25 million?

Mr. QUESADA. No, sir. There are some others that will certainly come forward, I assure you.

Mr. YATES. Would you list for the record how you think you will be distributing the rest of the funds.

Mr. QUESADA. Yes, sir.

[The information follows:]

During fiscal year 1977, the Corporation plans to engage in acquisition in the following areas:

Square 225:
Willard Hotel.
Interior of Square.

Square 408	various properties.
Square 431	Lansburgh's.
Square 432	Kann's.
Square 459-60	various properties.

Mr. YATES. Do you think you will obligate the full $25 million during the next fiscal year?

Mr. QUESADA. I would imagine so. All or nearly all. Yes, sir. Wouldn't you think so, John?

Mr. WOODBRIDGE. I think we would come very close.

Mr. QUESADA. There are some other owners of small property that I would consider distressed, and I think they will come forward, too.

Mr. WOODBRIDGE. And if we do not have other distressed properties, there will be other properties adjacent to the distressed ones which we know we will have to acquire so we can develop a full parcel.

SELLING VERSUS LEASING OF PROPERTY

Mr. YATES. Are you given the power to sell, as well as lease?

Mr. QUESADA. Yes, sir.

Mr. YATES. What determines whether you will sell or lease?

Mr. QUESADA. The thing that will determine that most would be the desire of an entrepreneur to buy and there would have to exist a good reason for us to permit an entrepreneur to buy. We would prefer to lease for the reasons that I have repeated before these various committees, particularly when the legislation was being considered.

There might be some extenuating circumstances that would cause us to sell. There is one extenuating circumstance that we are having discussions about now that might entail a purchase, which I would like to mention to you privately if you would permit me to.

Mr. YATES. Once you sell property, do you have any control over it?

Mr. QUESADA. It has to be used in accordance with the plan.

Mr. YATES. When it is leased, I suppose the controlling factor is the terms of the lease?

Mr. QUESADA. The terms of the lease would require it to be used in conformance with the plan during the entire term of the lease.

Mr. YATES. I assume that if they failed to make the required payments you would undertake to protect the interest of the Government?

Mr. QUESADA. We would be required to, and it would be in the lease.

IN LIEU PROPERTY TAX

Mr. YATES. You are requesting $150,000 for in lieu property tax payments to be made to the District of Columbia government. Is that an annual payment?

Mr. HARRIS. Mr. Chairman, that is for those properties during the fiscal year that we would own, not for the entire area. Our law requires us during the period of ownership to make in-lieu payment to the District.

Mr. YATES. How did you arrive at $150,000?

Mr. HARRIS. Estimates based on current tax payments.

Mr. YATES. Is that going to be an annual payment?

Mr. HARRIS. Yes, sir. We would have to assume payments during the period we owned it. Under the terms of the lease, when sold, the tenant would make that payment either to us or directly to the District.

Mr. YATES. Suppose you lease the property, will the lessee pay it?

Mr. HARRIS. He will be required to make the payment on the tax bill.

SITE CLEARANCE

Mr. YATES. You are requesting $1 million for site clearance. Will you salvage any part of the structures?

Mr. HARRIS. That is the net cost, we believe, after deduction of salvage value. We had a Baltimore demolition firm estimate that for us.

UTILITY PREPARATION

Mr. YATES. You are requesting $1 million for utility preparation. I suppose the utility companies estimated this cost for you?

Mr. HARRIS. Our engineering staff did that.

Mr. YATES. How can you estimate what your utility requirements are likely to be until you know what the structures will be?

Mr. HARRIS. I am speaking only as the person who prepared the financing plan, but we arranged to have our professional engineering and architectural staff make these estimates based on actual plans.

Mr. WOODBRIDGE. The private utilities for a development would be provided by the developer, of course. We are talking about relocation of utilities in public space and the possible increases in capacity required for new development.

Mr. YATES. In connection with the financing, are you likely to issue securities?

Mr. MESZOLY. We have no authority to do so.

Mr. YATES. Your money will come all from appropriations?

Mr. MESZOLY. Appropriations and direct borrowings from the Treasury.

COST OF PROPERTY

Mr. YATES. We note that there are some properties where there is a square-foot cost of $135.

Mr. HARRIS. Yes, sir.

Mr. YATES. Where is block 225 on the chart?

Mr. HARRIS. It is shown on the blocks.

Mr. YATES. Why is that so high?

Mr. HARRIS. We estimated it based on values in 1974 and current transactions in the area. In the interim it is true that a property has been bought in the space between the Willard and the Washington for between $93 and $94 a foot. We have every reason to think that our estimates are conservative, that is to say, slightly on the high side. We don't expect to exceed them. They are quite prudent, I believe.

REBUILDING OF PENNSYLVANIA AVENUE

Mr. YATES. You are requesting $5 million to rebuild Pennsylvania Avenue. What will that be for?

Mr. WOODBRIDGE. It would be spent primarily in the area adjacent to the Willard here.

Mr. YATES. To do what?

Mr. WOODBRIDGE. For repaving, landscaping, rerouting of streets to simplify the traffic circulation in that area.

Mr. YATES. Are you talking about 14th and 15th Streets?

Mr. WOODBRIDGE. Between 13th and 15th, this area covered by the blue here. We are proposing rather substantial rearrangement of the present street system to decrease the amount of paving and improve the traffic flow at the same time. We have worked this out in considerable detail with the D.C. Department of Transportation. Mr. Chairman, I want to make it clear that the $5 million you are referring to is for improving the part of Pennsylvania Avenue we are referring to.

Mr. YATES. That little portion requires a $5 million investment?

Mr. WOODBRIDGE. That is quite a substantial portion of the total area we will be relandscaping. The rest is just a band down the street except for one section down here.

Mr. QUESADA. I wanted to make sure that that was understood, sir.

PUBLIC DEVELOPMENT

Mr. YATES. You are requesting $7.5 million for public development, site improvements, and preservation. Will there be any additional costs beyond this in future years?

Mr. WOODBRIDGE. Yes.

Mr. YATES. What is the total amount likely to be?

Mr. HARRIS. The total amount is approximately $55 million of the $130 million for public works.

Mr. YATES. That is for public development, site improvements, and preservation. What will you be preserving? You have certain buildings that have been designated as historical sites and landmarks, et cetera?

Mr. HARRIS. For example, $5 million will be required to make the Willard an adequate or compensatory investment. We will have to put that in. That will assure the preservation of the Willard. We will be doing similar things with other landmark properties in the area.

Mr. YATES. What is the future cost likely to be for this?

Mr. WOODBRIDGE. For historic preservation we budgeted a total of $11.1 million.

Mr. YATES. Do you know what the additional cost for public development and site improvements are likely to be?

Mr. WOODBRIDGE. Yes. The total would be $47 million.

Mr. YATES. Is that indicated in your brochure?

Mr. WOODBRIDGE. That is indicated on page 66 of the brochure. That is the $58.1 million for public improvements less $11.1 million for historic preservation.

MANAGEMENT OF PROPERTY

Mr. YATES. You are requesting $600,000 for parks and open spaces; $600,000 for signs, signals, and street furniture; $500,000 for lighting; $800,000 for historic preservation; $600,000 for project management; and $1,112,000 for relocation and property management.

Who is going to manage the property? Are you going to have a private company do the property management or GSA?

Mr. HARRIS. We have been negotiating with the agencies in Washington that do that, Metro, the District agency for development, and the GSA. We will attempt to obtain a businesslike arrangement with them rather than staff up to do it ourselves.

RELOCATION PROGRAM

Mr. YATES. Who qualifies for assistance under your relocation program?

Mr. HARRIS. Every business displaced by virtue of our property acquisition.

Mr. YATES. Every business refugee?

Mr. HARRIS. Yes, sir.

Mr. QUESADA. If he is displaced only.

Mr. YATES. How are the benefits computed?

Mr. HARRIS. He is entitled under the relocation law to payments for moving expenses and for losses of personal property which may ensue. Those are estimated by professional firms that we would hire to do that.

VERTICAL MALL SHOPPING CENTER

Mr. YATES. Why do you want to make Lansburgh's a vertical mall shopping center? What exactly is it?

Mr. WOODBRIDGE. It really implies more than one level. The idea——

Mr. YATES. Is that another name for a department store?

Mr. WOODBRIDGE. It would have multiple tenants. The initial idea, that we have been refining as we go along, was that we were seeking a temporary site for businesses that were dislocated and wanted to stay in the area. Lansburgh's, being a sound physical building, could be adapted to house them temporarily.

Mr. YATES. Would you be the landlord of that property?

Mr. WOODBRIDGE. We would be the owner of the building but we would seek an operator to operate it.

Mr. QUESADA. We would be the landlord.

Mr. YATES. Would you lease the entire property or would you be leasing to individual applicants in accordance with the plan of the vertical mall?

Mr. WOODBRIDGE. It is our proposal to have an operator to control the mall itself. Part of the building, the upper floors, is leased to the National Archives at the present time and we would expect to continue that.

Mr. YATES. Are you going to subsidize the rental of newly developed space? Who will be rehabilitating the Lansburgh's vertical mall, the Pennsylvania Avenue Development Corporation, or will you be leasing it out to somebody else?

Mr. WOODBRIDGE. We would expect the latter. Now there is a subsidy provision in our relocation plan which is in addition to what is presently required under the Uniform Relocation Act. It was arrived at through consultation with such organizations as "Downtown Progress" and our economic consultants as a means of providing a transition for a business which is presently occupying low rent space in our area and wishes to remain in the area and would have difficulty in immediately adjusting to a new higher rent level.

What it is intended to provide is a descending level of rent subsidy, starting out by keeping their present rent, whatever that may be, and declining over a period of years to nothing.

Mr. YATES. It is kind of a hidden time bomb, isn't it, your right to subsidize? I can see you being subjected to a great deal of criticism if you subsidize incorrectly, don't you think so?

Mr. QUESADA. I don't quite understand the point.

Mr. YATES. You are going to give benefits to various tenants.

Mr. QUESADA. Only to those who are displaced and only for a reasonable period of time. You can't subsidize a displaced person forever. A displaced person would be entitled to assistance only for a reasonable period of time which would give him an opportunity to locate elsewhere.

Mr. WOODBRIDGE. The relocation law provides for such subsidies to residential dislocatees and it has been the feeling among many people for some time that such similar provision ought to be in the Relocation Act for businesses. That is our intent in the provision here.

OPERATION OF ACQUIRED PROPERTY

Mr. YATES. You are requesting $300,000 for the temporary operation of acquired property, most of which is associated with the Willard Hotel. How does that compare with the annual maintenance costs that are now being incurred by the present owners of the Willard?

Mr. HARRIS. That number was arrived at in conjunction with discussions with the Office of Management and Budget. They decided that, since we intended to take in $300,000 on property we acquired, by lease—back to the existent tenant or owner, we should not assume we are more competent in managing properties than anyone else; and we would probably have $300,000 in expenses. In other words, that we should not count on making a profit where there is no profit now.

INTEREST PAYMENTS

Mr. YATES. You are requesting $1,938,000 for interest on short-term financing. How was this calculated?

Mr. HARRIS. Using the present property rate.

APPROVAL PROCESS

Mr. QUESADA. Mr. Chairman, before going to the quorum call, we were discussing various architectural approvals and other approvals. There is some ambiguity in the law. We would like to bring to your attention some of these ambiguities and indicate that we have in mind coming forward with perhaps an amendment to the act.

Mr. YATES. To do what?

Mr. QUESADA. We will tell you. I want to assure you that there is nothing as discouraging to an entrepreneur than to go through mul-

tiple approvals and go through numerous delays that are necessary because of the various levels of approval required.

Will you pick that up?

Mr. MESZOLY. This covers two concepts, one Mr. McKay was concerned about, of how you control or maintain the quality of development over a long period of time, and how do you select developers and get their projects approved.

The reason we have had difficulty giving a clear answer to this question is that we have not resolved all the problems. Part of the problem stems from the fact that there are so many existent Federal and District agencies that have authority to control Federal space and streets and approve building projects and the like.

Our act, at 40 USC 876, states that:

> Nothing in this chapter shall preclude other agencies or instrumentalities of the Federal Government or of the District of Columbia from exercising any lawful powers in the development area consistent with the development plan or the provisions and purposes of this chapter; but no such agency or instrumentality shall release, modify, or depart from any feature or detail of the development plan, without the prior approval of the Corporation.

This has a kind of circularity. It means that the other agencies cannot do anything that conflicts with the plan, and yet we cannot do anything that conflicts with their existing authority.

Mr. YATES. So you have to get their approval before you lease the property?

Mr. MESZOLY. We are not entirely certain of that. There is some reason to believe that we might have to get advisory review by the National Capital Planning Commission. Certainly as Chairman Quesada has stated, the Commission on Fine Arts has statutory review authority over most of the development area. The District of Columbia controls streets that we would like to see closed, that the plan requires to be closed. So far we have been working amicably with all these agencies trying to simplify the procedures, with the possibility that we may request some legislative amendments to clarify any built-in confusion. But, we don't yet know the exact nature of that legislative amendment.

Mr. YATES. You don't have to worry about that yet. Do you have to worry about that in connection with the funds that you seek?

Mr. QUESADA. No, sir, we do not. But it is a problem that eventually will have to be solved because it has already reared its ugly head.

Mr. YATES. It is like requiring committee approval?

Mr. QUESADA. I wish it were.

Mr. YATES. I think I have covered all the questions that I have. I think you are now going to be launched on your enterprise.

I have no further questions, gentlemen. Thank you for coming in and giving us the benefit of your wisdom.

Mr. QUESADA. Thank you very much.

TUESDAY, AUGUST 31, 1976.

NATIONAL VISITORS' CENTER

WITNESSES

NATHANIEL P. REED, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS
MANUS J. FISH, REGIONAL DIRECTOR, NATIONAL CAPITAL PARKS
ALBERT C. ZAPANTA, ASSISTANT SECRETARY—MANAGEMENT
RICHARD R. HITE, DEPUTY ASSISTANT SECRETARY—MANAGEMENT
LARS HANSLIN, OFFICE OF THE SOLICITOR

OPENING REMARKS

Mr. YATES. The committee will be in order.

Mr. Reed, I think you have some idea as to why we are meeting here today. Wasn't the National Visitors' Center one of your favorite projects?

Mr. REED. It was passed and authorized prior to my ascendancy to my present and esteemed office, Mr. Chairman.

Mr. YATES. Do you have a statement?

Mr. REED. I have a short position statement which I can put in the record.

Mr. YATES. What do you mean by position statement?

Mr. REED. It just gives you a history of the Act and its funding and difficulties.

Mr. YATES. We know the history of the Act and the funding. What is the status of it?

Mr. REED. Before I begin I don't know whether you have met our Assistant Secretary, Mr. Albert C. Zapanta; and James Gross, Superintendent of the National Visitors' Center. Frank Wiles, our Budget Director, is also with us.

Deputy Assistant Secretary Hite and National Capitol Parks Director Fish you have met.

Mr. YATES. Thank you, Mr. Reed. We will insert your statement in the record at this point.

[The statement follows:]

JULY 1976.

BACKGROUND DATA, NATIONAL VISITORS' CENTER PROJECT

November 7, 1966

Public Law 89-790 established the National Visitors' Center Study Commission to study site, program, and costs.

September 15, 1967

Study Commission report recommending Union Station submitted to Congress. Plans in Study Commission report prepared by Cooper and Auerbach (now under contract with the railroads to do the final plans).

March 12, 1968

Public Law 90-264 authorizing Union Station for National Visitors' Center approved. It provides:

"* * * railroads * * * to make such alterations to Union Station Building as the Secretary determines necessary to provide adequate facilities for visitors * * * (cost not to exceed $15 million).

"* * * railroads * * * in consultation with the Secretary, shall construct a parking facility * * * to accommodate as nearly as possible four-thousand motor vehicles in the airspace northerly of and adjacent to * * * Union Station Building * * * (cost not to exceed $11 million).

"* * * lease of the Union Station Building shall commence on a date to be mutually agreed upon contingent upon when such facilities are available for public use * * * for a term of not more than 25 years.

"* * * annual cost to the United States of all leases shall not exceed $3,500,000.

December 18, 1968

Department and railroads signed agreement providing:

Annual lease payment is $3,276,000 plus tax escalation. Money to be borrowed by railroads at not to exceed 7 percent per annum.

Option to buy upon 1-year's notice for unamortized balance of two mortgages. ($16 million construction; $27 million appraised fair market value for rental purposes.)

If the lease runs full 25-year term, property deeded to United States in fee simple.

June 5, 1969

Railroads not able to borrow $16 million at 7 percent—but advanced $500,000 at 7 percent for planning; architectural/engineering contract with Cooper and Auerbach signed by railroads June 26.

June 23, 1970

Penn Central Transportation Co. announces bankruptcy.

September 28, 1970

Railroads report to National Visitors' Facilities Advisory Commission that funds are not available; request removal of 7 percent ceiling on long-term interest rate provided for in December 28, 1968 agreement. Commission declines to change rate until railroads report money is available at a specified rate. Commission recesses pending such a report.

April 9, 1971

Agreement reached with WMATA providing additional access and egress for Metro station as well as moving sidewalk to serve H Street and transportation terminal.

June 23, 1971

H Street overpass design public hearings conducted by the D.C. Department of Highways and Traffic.

September 20, 1971

Secretary Morton expressed concern to owners that the project is being unreasonably delayed. Requested a specific program from the railroad owners.

November 8, 1971

Interior and National Park Service staff, meeting with railroad representatives, learn that the two railroad companies are not in accord on developing the required financing. Meeting unproductive.

November 23, 1971

Secretary Morton requests Mr. Watkins and Mr. Moore, railroad presidents, to meet with him within 10 days and arrive at a final determination on the project.

December 13, 1971

Railroad representatives, meeting with congressmen and NPS staff, introduce signed copy of an agreement between B&O/C&O and Penn Central providing for B&O to assume management responsibility for the project.

Intensive negotiations continued throughout December and January, culminating in proposed amendments to the agreement and lease supplied the railroads February 23, 1972.

February 4, 1972

President Nixon, in his Bicentennial message to Congress, instructs Secretaries Morton and Volpe to move the National Visitors' Center project out of the talk stage.

January 23, 1972

The railroads authorized A. Barton Lewis & Co. to seek construction and long-term financing under the conditions proposed in the amendments to the agreement and lease.

March 15, 1972

The Secretary, upon the advice of the National Visitors' Facilities Advisory Commission, approved the terms of the loans and notified the B&O Railroad of this acceptance. The B&O Railroad made formal application for the construction and mortgage loans accompanied by a $160,000 nonrefundable fee.

March 23, 1972

Chemical Bank, New York City, issued a loan commitment letter to the owners for the $16 million loan; contingent upon complete working drawings and firm contract bids prior to closing the loan.

April 10, 1972

The railroad owners accepted and modified the commitment letter.

August 15, 1972

The trustees of the property of Penn Central Transportation Co. petitioned the reorganization court to obtain consent and agreement for the National Visitors' Center project. The court set the hearing date for September 11, 1972.

September 11, 1972

The U.S. District Court, Philadelphia, Pa., with jurisdiction over the Penn Central Railroad estate, conducted a hearing on the petition of the trustees of Penn Central. On September 13, the court authorized the management agreement between the railroads, and the lease and agreement between the railroads and the lease and agreement between the railroads and the U.S. Government.

September 21, 1972

The amended lease and agreement were signed at ceremonies in the office of Interior Secretary Morton, helping to clear the way for the railroads to finalize the bank loans and initiate the construction.

October 27, 1972

Meeting in New York City with bank representatives concerning loan commitment requirements; which activated an exchange of correspondence on the subject.

November 21, 1972 and January 12, 1973

Bank issued a letter on the advance of $3.4 million to enable construction to begin on foundation and first deck of parking garage subject to the conditions that final plans, specifications and confirmed costs would be approved by all concerned; for the garage within 4 months from closing; for the National Visitor Center within 8 months from closing.

February 7, 1973

Railroad owners (B&O-Penn Central) accepted bank's January 18, 1973 letter commitment.

February 21, 1973

Chemical Bank informally submitted loan closing documents to the railroad's attorney.

March 20, 1973

Congressman Gray introduced H.R. 5857, to amend Public Law 90–264, seeking authorization of $8,680,000 to be appropriated to complete construction and visitor programs for the National Visitors' Center. Authorization also provides for tourmobile service to Capitol Hill and the Visitor Center. Referred to Public Works Committee.

March 30, 1973

H.R. 5857 passed by House of Representatives.

April 17, 1973

Banks closed the $16 million loan with the railroad owners, enabling construction to begin.

April 23, 1973

The first solicited bids were received by George Hyman Construction Co., the railroad's contractor agent.

May 31, 1973

Without previous indication of cost overruns, the railroads reported to the National Park Service that the pricing of the parking facility obtained by Hyman company, contractor agent for the railroads (that is, the 2,015 space garage at the architect's $11 million cost estimate) came in at more than $17 million. Railroads were requested to develop scaled down alternative plans within $11 million cost limitation.

July 6, 1973

Public Law 93-62 (H.R. 5857) increasing authorization by $8.6 million, approved by the President. Included in 1974 fiscal year Interior Appropriations Act is $8.6 million.

July 20, 1973

The National Park Service undertook an independent cost analysis using expert consultants in the fields of cost estimating, structural engineering and construction management. On July 20, the independent cost analysis confirmed the pricing level report by the contracting agent on May 31.

(Summer/Fall 1973)

Long-term negotiations continued with Chessie System, Amtrak, Greyhound and Trailways Bus Companies, Federal/D.C. Bicentennial Coordination Center, Department of Transportation and Department of the Interior to fund and implement plans for the Intermodal Transportation Terminal. The Urban Mass Transportation Administration (DOT) considered proposals for an UMTA grant (to be combined with commitments of $2.3 million by railroads: $3.4 million Amtrak; $3 million Greyhound and Trailways Bus Companies) to construct the intermodal facility.

On November 5, UMTA's Administrator Frank C. Herringer advised National Capital Parks Director Manus J. Fish that $8 million of the 1974 fiscal year Capital Grant funds had been earmarked for this project. Drafts of an environmental impact assessment and preliminary application required for this grant were prepared; tentative agreement was reached for the District of Columbia to serve as applicant. On December 20, 1973 the Department of Interior was advised that UMTA was considering a $3 million grant for this purpose, and the earmarked grant funds had been revised to this level.

November 13, 1973

Hearings were held, before the Senate Subcommittee on Public Buildings and Grounds on H.R. 11763 to authorize the inclusion of intercity bus terminal in the project complex and to clarify language in Public Law 90-264 regarding capacity of the garage.

November 15, 1973

Assistant Secretary of the Interior Jim Clark, National Capital Parks Director Manus J. Fish, National Visitor Center General Manager Jim Gross and others met with Congressman Kenneth Gray to discuss the phasing of construction. It was agreed that $22.5 million of the available funds ($24.7 million) should be programed to construct a 1,200 capacity garage, and that additional public money should be sought to complete the conversion of Union Station to the National Visitor Center.

December 12, 1973

Hearings on H.R. 11763 before House Subcommittee on Public Buildings and Grounds. Committee voted unanimously to recommend enactment of legislation to the full Public Works Committee.

December 21, 1973

Interior Secretary Morton and Assistant Secretary Clark approved a first phase construction program providing for the erection of a 1,200 space parking facility at a cost of about $22.5 million. Work on the garage will resume when the owners and the Department of the Interior approve agreements prepared jointly and now awaiting signature. These agreements place the major management responsibility for construction with the Department.

This leaves approximately $2.2 million of the $24.7 million now committed to the project ($16 million railroad funding; $8.6 million 1974 fiscal year Interior appropriation) for the conversion of Union Station into the National Visitor Center. The Urban Mass Transportation Administration has earmarked $3 million for the project which will be programed for the National Visitor Center (a reimbursement of NVC funds allotted to the garage). There have been assurances from the highest levels of the executive and legislative branches that additional funds will be sought to complete the National Visitor Center. While a professionally prepared cost analysis of the Center has not yet been completed, it appears these cost will be in the area of $14 million.

January 16, 1974

The George Hyman Construction Co., contractor agent, was notified to resume construction on the National Visitor Center garage (some reimbursable construction had already been performed by WMATA where the projects overlap).

January 31, 1974

A tripartite agreement between the Department of the Interior, Chessie System and George Hyman Construction Co. was executed. This agreement defines the working relationship between the parties involved, and places major management responsibility with the Department of the Interior.

March 13, 1974

Official groundbreaking ceremonies were held for the National Visitor Center in the main waiting room of Union Station.

April 4, 1974

Officials of the Department of Transportation and the Department of the Interior agree upon the east wing of Union Station as the location for the interim railroad passenger station pending the completion of the intermodal terminal. This decision made it possible to initiate construction of the orientation well in the main waiting room. It is the major exhibit feature of the National Visitor Center, and is essential to the Bicentennial opening.

May 28, 1974

Renovation of main hall in Union Station is begun.

June 29, 1974

Public announcement of Amtrak suit against the Washington Terminal Co. is made.

July 9, 1974

Public hearing is held at Union Station for $3 million UMTA grant.

August 31, 1974

The Chessie System issues "stop work" order to the George Hyman Construction Co., effective August 31, 1974, at midnight. The Department of the Interior continues to fund project through midnight, September 5, 1974.

September 5, 1974

The Chessie System issues another "stop work" order to the George Hyman Construction Co., to be effective September 5, 1974, at midnight. Department of the Interior agrees to continue to fund project for a limited time period.

September 5, 1794

The Department of the Interior seeks temporary restraining order from the U.S. district court to bar the Chessie System's "stop work" order to the George Hyman Construction Co. The request was rejected, but payment of continued construction costs by the Federal Government for a period of 10 working days was approved.

September 19, 1974

Hearings before the House Public Works Subcommittee on Public Buildings and Grounds with Department of the Interior, Amtrak, and Chessie System representatives were held. The parties developed a stipulation allowing the Chemical and Emigrant Banks prior position in any resolution of the Amtrak suit to enable the banks to proceed with funding loans. Providing the banks were satisfied with this stipulation, the parties in attendance agreed to thus continue the project.

September 20, 1974

Department of the Interior, at a hearing before the U.S. district court, requested the court to ask Chessie System to continue funding the project. The request was denied.

September 26, 1974

At a press conference, the Department of the Interior announced it would no longer fund construction costs effective 12 noon this date. George Hyman Construction Co. was issued a "stop work" order and construction work ceased.

October 3, 1974

Hearings on the National Visitors' Center by the House Public Works Committee approved $12.9 million for the project along with other technical changes to the National Visitor Center Act of 1968.

October 10, 1974

House of Representatives approved H.R. 17027 increasing authorization ceiling by $12.9 million.

October 11, 1974

U.S. Senate approved H.R. 17027 increasing authorization ceiling by $12.9 million.

October 26, 1974

President Gerald R. Ford signed Public Law 93–478 increasing authorization ceiling by $12.9 million.

December 18, 1974

Amtrak lawsuit was withdrawn with prejudice; enabling the Secretary of the Interior to announce resumption of construction of the National Visitor Center.

January 5, 1975

The National Visitor Facilities Advisory Commission was abolished effective January 5, 1975, in accordance with Federal Advisory Committee Act, Public Law 92–463.

March 4, 1957.

'Secretary of the Interior rejected submission of a $5.4 million supplemental in the national economic interest which amount was part of the $12.9 million additional authorization approved by Congress in October 1974.

April 4–August 1, 1975

During this period, several trade union strikes occurred, curtailing certain aspects of construction at the National Visitors' Center. The strikes ended August 1, enabling a full complement of the construction work force to return to work at the National Visitors' Center.

August 5, 1975

Mr. Frank C. Herringer, Administrator, Urban Mass Transportation Administration approved an UMTA Grant of $8,155,700. enabling the construction of transit related activities at the National Visitors' Center.

December 22, 1975

Letter of authorization, from Federal Highway Administration to District of Columbia Department of Transportation identifying funds ($1,586,673) for construction of a northwest ramp to connect "H" Street with the National Visitors' Center garage.

December 24, 1975

The Office of Management and Budget apportioned for use $1 million from the deferred, unprogramed $5.4 million Federal-Aid Highway Act Contract Authority (Public Law 93–478, approved October 1975). These funds will be applied to construction costs of the fourth level of the parking facility for the National Visitors' Center.

March 24, 1976

WMATA advises the National Visitors' Center that they intend to fund the west closure wall—not in excess of $520,000. Funding to commence shortly after WMATA appropriations become available after July 1, 1976.

April 20, 1976

Urban mass transportation capital grant contract signed, project No. D.C.–03–0003, between the District of Columbia and the Department of Transportation. Construction work to be performed at the National Visitors' Center for transit-related activities, including a main level bus terminal. Grant provides a maximum of $8,155,700. Fund flow to be from Transportation to the District to a reimbursable account.

May 11, 1976

Hyman Construction Co. identified cost overruns for projects 2A and 2B in the amount of $4.9 million. Letter indicated a need for immediate additional funding, or construction on project 2B would have to be suspended. Hyman agreed to continue working on a week-to-week basis at the request of the Interior Department. Based on factors used in the Hyman overruns, the projected deficit for the garage and ramp structures escalated to approximately $6 million.

June 3, 1976

The Secretary of the Interior announced that since funds were not available to meet overrun costs ($4.9 million) on project 2B; the construction would be suspended for 30 days. The Secretary said that negotiations with Amtrak and the Department of Transportation would continue to see if additional funding needed to complete the garage could be obtained through these agencies. Construction on projects 1, 2A, and the ramp structures, would continue on schedule.

July 4, 1976

The National Visitors' Center opened unofficially to the general public. The first day attracted over 10,000 visitors. The 55 State and territorial flags were permanently in place in the perimeter of Columbus Plaza.

July 13, 1976

At the Department of the Interior's request, the George Hyman Construction Co. submitted a lump-sum fixed price proposal on projects 2A, 2B, and 4th level parking deck. This latest price submission increased potential costs overruns to a total of $6.4 million. The Department launched an extensive audit and review of these figures.

July 22, 1976

Secretary of the Interior Thomas Kleppe, District of Columbia Mayor Walter Washington, Director Gary Everhardt, Milt Mittler, special assistant to the President, Senators Randolph and Morgan, Congressman Bo Ginn were principal speakers at the official dedication of the National Visitors' Center.

Mr. YATES. Let me ask you a question. I understand there has been appropriated for the National Visitors' Center something in the order of $44 million so far.

Mr. REED. That is correct. That is the total available funds.

Mr. YATES. I looked at the Center yesterday and I don't know where you spent $44 million.

Mr. REED. Let me read two and a half pages to you which will bring us all up to date.

FUNDING HISTORY

Construction of the National Visitors Center with a related parking facility, was authorized by the National Visitor Center Facilities Act of 1968 (Public Law 90–264) and contemplated an expenditure of not more than $16 million by the Washington Terminal Co. (owners). This was expected to refurbish the terminal building as a National Visitors' Center and erect an adjacent 4,000 car parking facility. Upon satisfactory completion of the project, the premises would be leased

to the Secretary of the Interior (NPS). The act further provided that the Washington Terminal Co. would build a replacement rail terminal at its own expense to provide passenger service, which would be displaced by the conversion of Union Station.

Despite difficulties experienced in obtaining construction financing, facility redesigns necessitated by rapidly rising costs of labor and materials, the creation of Amtrak and the bankruptcy of the Penn Central Railroad, construction was commenced early in 1973 with completion scheduled for January 1, 1976.

After a long period of multiparty negotiations, the B. & O. Railroad Co. was notified (March 15, 1972) by the Secretary, and upon the advice of the National Visitor Center Facilities Advisory Commission, that the proposed loan terms were acceptable. On March 23, 1972, the Chemical Bank, New York City, issued a loan commitment letter to the owners for the $16 million.

In March 1973, Public Law 90–264 was amended to authorize $8.68 million to complete construction of the National Visitors' Center and related visitor programs. Shortly thereafter the $16 million loan with the owners was closed, enabling construction to begin.

Another crisis was precipitated in the fall of 1974 by a suit in which Amtrak charged the Washington Terminal Co. with failure to provide an adequate replacement terminal, as required by the act, and which challenged disposal of certain assets which might otherwise be available to assure construction of the replacement terminal, which lawsuit was withdrawn with prejudice in late 1974 when construction was again resumed. In October 1974 the authorized ceiling was increased by $12.9 million, of which $3.5 million remains unappropriated and agreement reached to build a 1,200-car parking facility.

Mr. YATES. What was the original estimated amount of cars?

Mr. REED. 4,000.

Mr. YATES. And in 1974 it was reduced to 1,200?

Mr. REED. Correct. Despite the increase in ceiling we dropped the number of cars.

UMTA GRANT

The Urban Mass Transit Authority approved grant of $8.15 million to construct transit-related activities. The Federal Highway Administration, through the District of Columbia Department of Transportation, authorized $1.6 million to construct a northwest ramp to H Street. The Washington Metropolitan Transit Authority is required, as part of their station work to replace the west concourse wall at a cost of $520,000.

At the Department of the Interior's request, the George Hyman Construction Co. on July 13 submitted a lump-sum fixed price for projects 2A, 2B; fourth parking deck. The current existing contract with the George F. Hyman Construction Co., the railroad owners (Chessie) and the Department calls for Hyman to notify the owners of any cost overruns above funds under contract with them. A copy of a letter to Chessie from George Hyman Construction Co. was received May 12, 1976, which indicated a cost overrun of $4.9 million on the parking—garage designated as project 11—and further stated if this additional funding was not assured to Hyman by May 14, 1976,

they would terminate construction of this phase of the National Visitors' Center project on this date.

The Department has launched an extensive audit and review of the construction data. At an oral interview with the consulting engineer hired to work with the auditors it was indicated that there had been no improper building.

It would be our proposal to complete the rehabilitation of the Union Station as a Visitor Center and the ramps and main bus terminal level with existing funds and the $3.5 million authorized but not appropriated and to terminate the construction of the four private car parking levels.

NOTIFICATION OF COST OVERRUN

Mr. REGULA. Mr. Chairman; the requirement for a notice on a cost overrun would be after the fact or before the fact?

Mr. REED. It was supposed to be before the fact. We were supposed to receive notification but problems beyond the control of the contractor were occurring.

Mr. YATES. Such as what?

Mr. REED. Escalation of cost of steel, concrete, labor.

Mr. REGULA. As a practical matter did you get notice after the fact?

Mr. FISH. It was actually a few days prior, Mr. Regula.

Mr. EVANS. Prior to what?

Mr. HITE. To an overrun situation.

Mr. REGULA. But weren't you in fact locked in by the stage the construction was in so there was either a choice of having a half-done job or acquiescing to the overrun?

Mr. REED. I doubt that the Department of the Interior would seriously consider, I hope for quite a while, the cost-plus contract.

Mr. YATES. What kind of contract do you now have?

Mr. REED. We have a cost-plus contract.

Mr. YATES. Entered into as of what time?

Mr. HITE. At the time of the original negotiations, Mr. Chairman.

Mr. FISH. That would have been with the railroad and the Hyman Co. when the $16 million was to include the whole project, when it was to be private money. That would have been 1972–73.

Mr. YATES. How did the Hyman Co. get the job?

Mr. FISH. That was through the railroad. The Terminal Co. selected the Hyman Co.

Mr. YATES. Did you have to take that selection then?

Mr. FISH. No; we didn't have to take that arrangement. We could have stopped the job I suppose back in 1973. However, we were pushing to get it ready for the Bicentennial, and actually all the plans were not complete. We had to work with the contractor that was already there.

Mr. YATES. Are you saying the railroad entered into a cost-plus contract with the Hyman Co.?

Mr. REED. Yes, sir.

Mr. YATES. How did Interior get into the picture? How did the Government become liable under that contract? As I understand it from what you are saying—and it comes as kind of a surprise to me—the railroad negotiated a cost-plus contract with the George Hyman Co. around the beginning of 1973.

Mr. HITE. First of all, Mr. Chairman, the agreement was that the railroad in consultation with the Secretary of Interior would construct a parking facility and accomplish the conversion of the Union Station to the Visitors' Center.

Mr. YATES. Are you saying the Secretary of Interior agreed to a cost-plus contract?

Mr. HITE. Yes, sir.

Mr. YATES. Was that Mr. Morton?

Mr. HITE. Yes, sir.

May I then more directly answer the question by pointing out in 1974, $8.68 million of direct Federal money was appropriated to the project, and this was the commencement of the Government's direct activity.

When the railroad's $16 million were exhausted we were going into Federal funds.

Mr. YATES. Did you enter into a new contract with Hyman?

Mr. HITE. No. This was an amendment.

Mr. YATES. An amendment under which the Government became the direct contractor?

Mr. FISH. No, sir. It was still an arrangement, but we had more management authority on the project when we entered into this agreement, I believe, in December of 1973.

NATIONAL VISITOR CENTER CONTRACT

Mr. YATES. What does the original contract look like? Was it a contract between the Terminal Co. and the George Hyman Co.? Is there a Government signature on it? Is the Secretary's signature on it?

Mr. REED. No.

Mr. YATES. Was there a letter by the Secretary agreeing to this contract?

Mr. FISH. There was in December of 1973, I believe it was.

Mr. YATES. I thought it was late 1972 or early 1973.

Mr. FISH. That is when the first contract would have been entered into without the public involvement.

Mr. YATES. As I understand what you have told the committee, it was at that time that the Government agreed to the contract; isn't that right?

Mr. FISH. Yes, sir. We were involved as far as the approval of the plans ever since the Visitors' Center Act.

Mr. YATES. In 1968?

Mr. FISH. Yes, sir.

Mr. YATES. When the 1968 act was approved, how did the Government get into the picture? Did you negotiate to buy the Visitors' Center from the railroad? What were the first steps?

Mr. HITE. The first steps were an agreement that the Hyman Construction Co. would construct this facililty and upon completion of the facility the Department of the Interior would lease the facility from the Washington Terminal Co.

Mr. YATES. When did you agree to this?

Mr. HITE. This was in the parameters of the 1968 act.

Mr. YATES. This was laid out in the act itself?

Mr. HITE. Yes, sir. The payments were to be $3.5 million a year for 25 years, at which time the Department could then purchase the facility for $1.

Mr. YATES. Was there an agreement made pursuant to that legislation?

Mr. FISH. Yes, sir, there was.

Mr. YATES. When was that entered into?

Mr. FISH. I believe that took a few years, Mr. Chairman.

Mr. REED. March 15, 1972.

Mr. FISH. March 1, 1972.

Mr. YATES. There was an agreement entered into by the Secretary of the Interior and the Terminal Co.?

Mr. FISH. Yes, sir.

Mr. YATES. What did it do, incorporate the terms specified in the legislation?

Mr. FISH. Yes, sir.

Mr. YATES. Mr. Regula.

Mr. REGULA. I am curious. You mentioned that the Federal Government was going to pay, through the National Park Service, $3.5 million as a lease rental on a lease purchase agreement. As I understand it, this was for a period of 25 years, at which time they would gain possession of the facility.

Mr. HITE. Of the option to purchase.

Mr. REGULA. That totals $87 million over a 25-year period, give or take a few dollars.

The railroad company was only putting in $16 million. I assume the basis on which Chemical made the loan was the fact that this agreement was the security for repayment of the loan. The agreement provided $3.5 million cash flow to the railroad company, which in turn could be used to retire the debt.

My question is: Why would you commit the Government to $87 million in payments, in return for which they were only investing $16 million?

VALUE OF PROPERTY

Mr. FISH. It was not the $16 million alone, Mr. Regula; it was the $16 million of the construction loan but the cost of the property was, as I recall, estimated at $20 or $25 million, I believe—$27.

Mr. REGULA. By whom?

Mr. FISH. By appraisers from the Park Service.

Mr. YATES. Why then are you paying $87 million?

Mr. FISH. That is because it is on time payment, I guess, about like buying your house. You buy it over 25 years and then get a construction loan of $16 million.

Mr. YATES. That is a sizable amount of interest if you are comparing it to a mortgage on a house.

Mr. FISH. Part of the probelm in delay was that it was stipulated early on it would be 7 percent interest, but they couldn't get any money at 7 percent. I think they finally settled on 7½ or 7¾.

The property, the $27 million is at 5 percent, I have been told, but the construction loan was at 7½.

Mr. REGULA. In addition to the $3.5 million annual rental would the National Park Service also pay all the operating costs?

Mr. FISH. Yes, sir.

Mr. REGULA. I am still curious as to how you arrive at a $27 million value on that property. I suspect this had little value in the event the Government had not been willing to take it over.

Mr. FISH. I can't answer that. I don't know how it was arrived at other than it was certainly looked at by the National Park Service.

Mr. REGULA. Who finally decided that it was worth $27 million?

In the hearings here in 1976 Mr. Clark provided the following information: The current tax assessed value of Union Station is $5,272,601, and extending that out as it is in the case of the District to be 55 percent of actual value, we result in a full value of $9,586,547. If this were true, how did you arrive at $27 million as being the value?

Mr. FISH. Again I can't say.

Mr. REGULA. Do the records indicate who made this judgment?

Mr. FISH. I am sure they do. Whether it was a private appraiser working with the National Park Service, I don't know.

Mr. REGULA. Would you supply for the record the data which backs up that $27 million valuation?

Mr. REED. Yes.

[The information follows:]

DATA TO SUPPORT $27 MILLION APPRAISAL

Appraisal of $27 million was concurred in by GSA and NPS appraisers as representing fair value. Annual rental of not to exceed $3,500,000 representing payment of principal and interest of both $27,050,000 value and $16 million loan, over 25-year period concurred in by Mr. Lawson Knott in GSA.

Mr. YATES. But you must know what an appraisal showed?

Mr. REED. $27 million, Mr. Chairman.

Mr. YATES. It was appraised by whom?

Mr. FISH. That is what I said I do not know. I do know the Park Service was involved in it at that time. Whether they made the actual appraisal or not I don't know.

Mr. YATES. Mr. McKay had a question.

TERMS OF CONTRACT

Mr. MCKAY. You had a cost plus 10 contract. Was there any clause demanding a time performance or penalties for noncompletion in time or just open ended cost plus 10?

Mr. FISH. No, sir, there wasn't. Actually the project was delayed a considerable amount of time due to strikes, due to the lawsuit by Amtrak against Chessie, because of the question of adequacy of the replacement rail station, and so it was down the first 2 years from 1973 to 1975. It was closed down more than it was open, more than we were actually out there working.

Mr. MCKAY. So you had no deadline to which a penalty could be assessed?

Mr. FISH. Not for which a penalty could be assessed. We were working for the Bicentennial, working for January 1 of 1976.

Mr. MCKAY. It seems to me you would have arrived at that point sooner if you had a penalty clause.

Mr. FISH. The project itself was fast tracked, and by that I mean the designer did not have complete plans to begin with, and that as he

would work on a plan and take it off the drawing board so to speak, it would be built and he would continue to work on other plans. So there was not a complete set of plans to begin with.

Mr. McKay. Is it a practice in the Department not to include a time penalty clause?

Mr. Fish. On this type of contract it is not typical to put in a termination or a set date.

Mr. McKay. Why don't we do that?

Mr. Fish. On most contracts we do, Mr. McKay. They are fixed price. We have the plans ready before the project gets started so that the contractors can bid on them, but this was a different situation.

Mr. McKay. When did we begin to lay out the plans for this center?

Mr. Fish. I would think back in 1971 or 1972.

Mr. McKay. When was the act passed?

Mr. Reed. 1968.

Mr. McKay. It seems to me from 1968 to 1973 somebody, if they had any urgency at all, could have had the plans laid out.

Mr. Fish. There was sufficient time, there is no question about that.

Mr. Hite. Didn't we have a great deal of negotiating problems with the Fine Arts Commission and the National Capital Planning Commission?

Mr. Fish. Right.

As I said, it was difficult to get the money to begin with so that you could hire the architect. There was a question about the 7-percent money, and they couldn't get it at 7 percent, and so that took quite a while to negotiate.

Mr. Reed. My chronology of events on that question shows that on September 28, 1970, following the June 23, 1970, announcement that Penn Central had gone bankrupt, by that time the railroads knew that the 7-percent money was going to be very difficult if not impossible to get.

On September 29, 1971, Secretary Morton expressed concern to the owners that the project was being unreasonably delayed and requested a specific program from the owners.

Mr. Yates. Let me just stop you there. That is very important. The legal structure here is something that is very confusing. You look at page 2 of this agreement between the United States of America and Terminal Realty Baltimore and Terminal Realty Penn Co. Coupled with what Mr. Reed has just said about the Secretary's concern, you see on page 2 of the agreement that the company will arrange for alterations of the Union Station building as a facility to visitors to the Nation's Capital and a parking facility, and that the Secretary will lease the premises from the owners for a period of 25 years.

Is it up to the owners to furnish this facility?

Mr. Reed. At that time it was entirely up to them.

Mr. Yates. You entered into a lease-purchase contract, the owners are going to construct it and lease it. What happened to that? The owners are the ones who are supposed to do this, aren't they?

Mr. Fish. To a degree.

Mr. Yates. Why is the Secretary in the middle of this? Why aren't the owners responsible for completing this building and turning it over to the Secretary at what can only be described as a very reasonable profit?

Mr. FISH. It was not intended by the act that there would be any public involvement.

AMENDMENT TO NVC ACT

Mr. YATES. What happened when the funds became insufficient?

Mr. REED. On March 20, 1973, Congressman Grey introduced H.R. 5857 to amend Public Law 92-64 seeking authorization of $8.680 million to be appropriated to complete construction for the National Visitors Center.

Mr. MCKAY. Which hadn't really gotten started?

Mr. REED. That is correct. Authorization also provides tourmobile service to Capitol Hill.

Mr. YATES. Did that legislation change the original format of the contract which required the owners to furnish the facility?

Mr. FISH. I would say that it did.

Mr. YATES. How? Did it require the Government to put up $8 million? Did the legislation delete or subtract from the liability of the owners, to furnish that facility?

Mr. FISH. They couldn't furnish the whole facility at $16 million because at that time it would have been $24.868 million and the 16.

Mr. REED. Let me ask Mr. Hanslin.

Mr. HANSLIN. I think what needs to be explained and which is underlying the whole problem we have here is that the original legislation the Congress passed said that the railroads shall build this for $16 million and it authorized the Department to pay that, plus to purchase the property at a certain price.

LEGISLATIVE REQUIREMENTS

Mr. REGULA. Excuse me, Mr. Chairman. Did the legislation provide the amount of the purchase price?

Mr. HANSLIN. Yes.

Mr. REGULA. At $27 million?

Mr. HANSLIN. It said we would be able to pay $3.5 million a year for 25 years, and that was premised on the $27 million. In other words, it was understood that was what we were doing.

Legislation dictated how much money was to be spent on the building and how much rent was to be paid. So when that legislation was passed we had this problem, the building wasn't designed, which meant no one could get a price on it. The railroad said we are only to be paid back $16 million for building this structure, so we are only going to put out $16 million.

To get an agreement to reflect that, what we did was to have an agreement that you referred to that says the railroad shall build the building for $16 million, and when they get a price on it if there is not enough money to build it, it shall be cut back. The railroad never agreed to do anything but build a building for $16 million. That is all we expected them to do. But if they couldn't furnish it for $16 million, they were allowed to cut it back to where it would cost $16 million.

Mr. YATES. What changed that?

Mr. HANSLIN. When the prices came in May of 1973. The building we thought we could build for $16 million couldn't be built for $18 or $30 million. It was cut back in the size of the structure and the Govern-

ment to supplement that, to get the building back to more or less what it was supposed to be, came in with its funds.

Mr. YATES. With the $8 million?

Mr. HANSLIN. That is right. We wrote a letter which in effect said that the railroads with their $16 million will build a certain portion of the so-called project and the Government with its appropriated funds will build the balance of the building.

Mr. YATES. But the responsibility was still on the railroads to furnish a building?

Mr. HANSLIN. To furnish a part of the building because that is all the $16 million would buy at that time.

Mr. YATES. Is that still their responsibility?

Mr. HANSLIN. Yes, sir.

Mr. EVANS. Will the gentleman yield?

Mr. YATES. Sure.

Mr. EVANS. So it was thought at the time the building would be finished at that time for $25 million?

Mr. HANSLIN. That was the estimate but that was not the total building that had been originally envisioned.

Mr. MURTHA. How much of a cutback was there for $8 million? In other words, we are talking about a 50-percent cost overrun and what reduction in scope?

Mr. HANSLIN. It was a 2,000 cut in the garage plan.

Mr. MURTHA. So you cut it in half, so we have a 50-percent increase in price and a 50-percent reduction?

Mr. HANSLIN. You have to keep in mind that when the legislation was passed it was passed on the basis of a study made in 1966 that said—there were no drawings; just schematic drawings—we can build a 4,000-car garage and renovate the Visitors' Center for $16 million. Those are very dubious figures.

BEGINNING OF INTERIOR DEPARTMENT INVOLVEMENT

Mr. YATES. When did the Department of Interior come into the picture?

Mr. FISH. It would have been in 1966 when the study commission was set up.

Mr. REED. The next date is September 16, 1967. The study commission report submitted to Congress, prepared by Cooper & Auerbach now under contract to railroads to do the final plan.

Mr. YATES. Did that study commission recommend the construction of the Visitors' Center?

Mr. REED. Yes. Then you go to March 12, 1968. New Congress. Public Law 90–264 authorizing Visitors' Center is approved. That is where we start with that act. Then there is a rather long gulf until the Department of Interior involvement—then we have key dates like June 5, 1969, railroads not able to borrow the $16 million at 7 percent; Penn Central on June 23 announces bankruptcy.

Mr. MCKAY. What year?

Mr. REED. 1970. I have jumped from 1969 to 1970. Railroads report to National Visitors' Advisory Facility that funds are not available. Then we go into April of 1971, an agreement was reached providing additional access and egress to Metro.

June 23, 1971, the H Street overpass designed. Public hearings were conducted by the District of Columbia Department of Highways. Here is where I get involved, December 20, 1971. Secretary Morton expressed concern project was being unreasonably delayed.

I remember, beginning in about 1972, the real feeling that the thing was not going to be completed for the Bicentennial unless somebody gave this a push. They had wasted 1969, 1970, 1971 discussing whether they could borrow the money for 7 percent just to get the detailed plans going. Here we were in the fall of 1971 with no completed plans, no contract, and a great interest by Congressman Gray and the House Public Works Committee to get the building open for the Bicentennial.

The meetings began furiously from the fall of 1971 and the chronology shows that. But among the biggest problems would be delays of weeks in responding to a letter. We would write the Terminal Co. or Chessie or Amtrak, and there would be pauses of weeks and weeks to get a reply.

I gave up on it personally in about 1972 or 1973. Jim Clark, Assistant Secretary for Management, who is most knowledgeable with regard to banking circles on Wall Street, became much more involved. The buildings' recreation, to a large degree is the testament of his bulldoggedness, his staying with the competing parties.

Mr. YATES. I don't understand why there isn't a breach of contract on the part of the railroads. They are supposed to furnish this facility, $16 million of it.

Mr. HANSLIN. All they agreed to do, Mr. Chairman, in my opinion was to spend $16 million. They had an obligation to build a building for $16 million if when they got a price, we had to let them cut back. We could only spend $16 million so they would only spend $16 million. We had the price on the building before we had the design because of the legislation. So the only way to write the agreement was to work it backward.

Mr. YATES. Mr. Regula.

UNIQUENESS OF LEGISLATION AND CONTRACT

Mr. REGULA. Mr. Chairman.

Isn't that a unique contract?

Mr. HANSLIN. Yes, sir. Because it is the most unique legislation I have ever seen. You put a price on the building before you have it designed.

Mr. REGULA. Are you saying Congress was derelict in approving a contract without having any firm commitment?

Mr. REED. I better counsel my counselor on how he responds to that. Why don't we just say it is a rather unique piece of legislation.

Mr. MURTHA. Will the gentleman yield?

I think it is important we establish who is at fault here so it doesn't happen in the future.

Mr. REED. I think that is important, too.

Mr. MURTHA. In 1966 somebody made an estimate of the cost of this building and these figures were used in the future?

Mr. REED. I agree with you on the end result of this hearing and of the whole experience. I hope the Federal Government never again enters into this type of contract. The professional members at this

table are just as much in disbelief as the political members at this table of how in the world this thing ever happened. We have spent hours looking at each other saying, "Do we have anything else in the Department of Interior that even rivals this?"

The answer is "no." I don't want to say it was congressman so-and-so of the Public Works Committee. Mr. Hanslin is a lawyer so it is up to him to get himself out of that question.

Mr. HANSLIN. I believe if that kind of legislation was introduced again we would suggest that it is inappropriate. It was done in a backwards fashion in my opinion.

Mr. YATES. Did the legislation receive the approval of the Department?

Mr. HANSLIN. Yes, sir, and OMB.

Mr. REED. OMB to this day, Mr. Chairman, says, "How could it be? We could not possibly have signed off on that legislation," and we have showed them: "There is your name." They share our disbelief.

Mr. MURTHA. Are you talking about the 1973 legislation?

Mr. HANSLIN. The 1968 legislation.

Mr. MURTHA. Which was based on the 1966 estimate; is that right?

Mr. HANSLIN. Yes.

Mr. MURTHA. This 1966 estimate carried clear through until the 1973 legislation which added an additional $8.6 million.

Mr. FISH. And the 1974 legislation which upped that by another $12.9 million.

Mr. HANSLIN. You are really talking about a 1966 estimate on a building that didn't commence construction until 1972.

To take your cost overruns on that is very misleading.

Mr. REGULA. Mr. Chairman, if I may. Do you feel the compelling reason for this comedy of errors was the desire to complete it by 1976 so that everything was done on the basis of a crash program? Or was it because people simply deceived themselves about what the real costs of this would be ultimately? They just embarked on a project figuring that ultimately it would have to be done.

Mr. HITE. I think that was a compelling reason from 1973 on, Mr. Regula. I feel that one of the difficulties we are having here, gentlemen, is there isn't anybody here who was involved in the initial negotiations and we are trying to reconstruct history.

Mr. YATES. Don't your files help you?

Mr. HITE. They do, but I don't think they tell us the complexities as vividly and probably as realistically because of the various agents involved in this planning.

We had the Washington Metropolitan Area Transportation Authority and the Metro project involved. As I mentioned before, we had the Fine Arts Commission and the National Capital Planning Commission involved. We had the Department of Transportation intermodal facility concept which also added some complexities to the project. All of these things caused nothing to be done in the way of laying the first brick until late 1972. Then, Mr. Regula, I think it became a compelling problem at least in our minds to cause something to happen by 1976. And by this time the costs had gone at least to the $24 million mark with the introduction of that $8 million.

Mr. REGULA. I see elements of the same situation in the Pennsylvania Avenue development with the potential for this kind of a problem, and I am hopeful that out of a hearing such as this we can profit from this bad experience.

Mr. YATES. Is Interior involved in the Pennsylvania Avenue development too?

Mr. REGULA. I don't know.

Mr. REED. No, sir.

Mr. REGULA. I think, Mr. Chairman, as a matter of Government policy I can't imagine that the policies of Government would be such that would permit this chain of events. At the State and local level we have all experienced it, whether it is a highway or school building or State office building. There is a design made, it is let out for bids and whoever signs that contract performs even if they lose their shirt.

Mr. REED. Our hindsight is 20/20 and as clear as yours. In the last year and a half we have gone through, I would say conservatively, at least a hundred meetings and every meeting is always broken up by that statement, "good heavens, fellows, let's never be involved in another one like that."

We have met with DOT, Amtrak, everybody. We all wonder how did we ever get here. We are trying to find an end.

Mr. YATES. That is why we are having this hearing this morning because we don't know where you are with reference to the Visitors' Center. We do know you asked us for money in 1974 through reprograming under Mrs. Hansen. Did Mrs. Hansen approve your request in 1974?

Mr. FISH. Yes.

Mr. YATES. When the request was made of me in 1975 I turned it down. I said you have to close up this shop, that you have spent enough money.

Now where are we? I went over and looked at the place yesterday.

Mr. REED. May I correct one thing on Pennsylvania Avenue. We have membership on the Avenue Advisory Committee and we do have ownership of some of the pocket parks along the avenue which are to be incorporated in the final plan.

DEPARTMENTAL CONTRACTING STANDARDS

Mr. REGULA. Mr. Chairman, if I may request that Mr. Reed submit for the record at this point any standards since adopted within the Department in terms of any type of future contracts which will prevent this kind of thing from happening.

Mr. REED. Why don't we let Mr. Hite bring us up to date on the chairman's request of where we are right now.

Mr. REGULA. Excuse me. Are there such standards that have been adopted as a result of that experience?

Mr. HITE. Mr. Regula, I am not aware that any have been.

Mr. EVANS. I think the Congress passed legislation under these circumstances. We have some blame there ourselves.

Mr. REGULA. I agree.

Mr. EVANS. But I think the language of the legislation has encouraged this kind of thing.

TERMS OF CONTRACT

Mr. YATES. In measure, I think you are correct. The Congress passed the original legislation saying that the Government will buy this $16 million building which was going to be turned over to the Government as a Visitor Center and parking lot. This was the original legis-

were supposed to be able to turn over this property for $16 million. For better or worse, perhaps a reasonable argument could have been made in 1968 for that. But then the deterioration began, the costs went up. Did the original legislation provide for a cost-plus contract?

Mr. FISH. No, sir.

Mr. YATES. I am quite sure it didn't, I don't think the Congress would have permitted that, nor were the administrative agencies permitting cost-plus contracts at that time, to my knowledge.

I must say I didn't know until this morning it was a cost-plus contract.

Mr. HANSLIN. We are using that cost-plus very loosely. It is in fact not a cost-plus, which is forbidden by statute. It was cost-plus-a-fixed-fee contract.

Mr. YATES. Cost-plus-a-fixed-fee contract?

Mr. HANSLIN. Which means that what happens procedurally is that the Park Service and the contractor reach a mutual agreement as to what an estimate of a contract should cost.

Mr. YATES. Mr. Hanslin, I have not had an opportunity——

Mr. HANSLIN. There is a very large difference.

Mr. YATES. Tell us the difference.

Mr. HANSLIN. In a cost plus a fixed fee the contractor receives the cost of building the project plus a fixed fee. The fee he gets does not go up if the costs of the project go up. That cost-plus, the fee is a direct percentage of the cost.

Mr. MCKAY. I see that difference. But it still leaves an open end.

Mr. HANSLIN. That is correct, but there is no incentive for him to do so. He is getting a fixed fee. A cost plus a fixed fee is an authorized and standard Federal contract percentage.

Mr. REGULA. Is there anything to prevent him from running up those costs by contracting with his own subcontractors? I have noted that George Hyman became project engineer and hired himself as contractor to do the job.

Mr. HANSLIN. There are procedures that are supposed to prevent that; namely, he has to bid all the subcontracts and our people approved the award of each subcontract under this contract, and presumably were overseeing the award.

Mr. YATES. I didn't have a chance to read this very voluminous contract between the United States and Terminal Realty before this time. But looking through it I notice on page 5(c) it says:

> The owners shall not be obligated to proceed with the aforesaid alternations and construction unless they shall have received a firm bid or bids, by a responsible contractor or contractors, supported by performance and completion bonds in form and substance satisfactory to the owners, with a recognized surety company, permitting, in the opinion of the owners, completion of the project.

So presumably they were going about it in a very businesslike way.

If I understand what you are saying, Mr. Hanslin, the only requirement on the part of the owners was to provide $16 million worth of structure?

Mr. HANSLIN. In essence what the paragraph you just read says, if the building we wanted to build couldn't be built for $16 million they could cut it back and build what they could for $16 million.

Mr. YATES. Have they done so?

Mr. HANSLIN. Yes. It is the part of the building that could be built for $16 million.

Mr. YATES. Then they are carrying out their responsibilities?
Mr. HANSLIN. Yes, sir.

PROJECT 2A

Mr. YATES. What is project 2A?
Mr. HANSLIN. That is essentially the supports and main deck of the parking garage.
Mr. HITE. The bus terminal slab, Mr. Chairman.
Mr. YATES. And the balance is to be paid for by the Government?
Mr. HANSLIN. Yes, sir.
Mr. YATES. How many cars will it provide for?
Mr. FISH. Twelve hundred cars.
Mr. YATES. How much will it cost?
Mr. FISH. The inside building is running about $9 million.
Mr. YATES. What is the total, Mr. Fish?
Mr. FISH. The total projected target cost right now would be about $52 million.
Mr. YATES. In addition to the $16 million?
Mr. FISH. No, sir. That was included in the $16 million.
Mr. YATES. $52 million. What square foot cost is that? How many square feet are there in this structure?
Mr. FISH. I am sorry I don't know that, Mr. Chairman.
Mr. YATES. Mr. McKay.
Mr. MCKAY. How much money has been expended on this project?
Mr. HITE. We have $44.4 million available, Mr. McKay. I am not sure how much of that has been expended. A good bit of it. I would say 75 percent.
Mr. MCKAY. So you still have $10 million or so hanging loose; is that right?
Mr. FISH. On May 12 of this year the George Hyman Co., informed us by copy of letter to the Chessie System that they were running into a significant cost overrun on project 2A, which is the basic parking slab, and project 2B, which are the first three decks of the ramp. Project 1, just to put you in context, is the basic Visitors Center itself.
Mr. YATES. What was the amount agreed upon prior to this notice?
Mr. HITE. $7 million for 2B.
Mr. YATES. What is 2B?
Mr. HITE. The first three decks.
Mr. FISH. Then there is another work order for the private car parking deck and 2A is the bus terminal slab below that which was basically completed. There are some minor things to be done.

INTERIOR DEPARTMENT PROPOSAL

Mr. HITE. What we would like to do, Mr. Chairman and gentlemen, is to use the $44.4 million that we have and come to you with a proposal to utilize the $3.5 million of authorization we have left with no money at this time to support, to come to you with a proposal to reprogram funds or for new money, whichever the administration endorses, and with that funding we would propose to complete project 1, complete 2A, which is the basic bus slab, complete the ramping, which will provide accessibility to the basic bus slab, and terminate the contractor on the parking decks.

It will cost approximately $1 million to terminate the contractor on the parking decks. We are responsible for the cost he incurs in terminating his subcontractors and in moving his cranes and other equipment.

Mr. McKay. Where does that leave you then? You won't have any parking space outside the bus slab?

Mr. Hite. A visitors center without parking.

Mr. Yates. A visitor center that is totally incomplete; isn't it?

Mr. Hite. Yes, sir.

Mr. Yates. What are you going to do with it? It is an eyesore now. How would you cover it up? You just can't leave it as it is.

Mr. Reed. We are going to button it down.

Mr. Yates. What do you mean by that?

Mr. Reed. They use that term; quite frankly it means leaving it in a stable condition for future decision of whether to proceed to finish it.

Mr. Hite. Buttoning it down includes some shoring up of the present ramping in order that the building doesn't crumble.

Mr. Yates. You have a complicating situation. Don't you have a recommendation by the architects that it ought to be a railroad terminal?

DEPARTMENT OF TRANSPORTATION POSITION

Mr. Reed. We have a study financed by the DOT which in essence says in 1968 when the decision was made to transform Union Station from a railroad passenger station to the Visitors Center, that the railroad's use was going downhill steadily, not accelerating, compounded by Penn Central's bankruptcy it appeared at the time that rail transportation had no future. Since that, due to the Railroad Revitalization Act and because of presumably longer tie-ups at airports, more and more people are using trains.

In 1976 DOT comes and says, "We were wrong in 1968, we really do have a need for a bigger railroad center at Union Station."

Mr. Yates. Who is telling you this, John Barnum?

Mr. Reed. Yes, and we have not been able to reach agreement with John Barnum or DOT on dividing up the space of the existing facilities.

Mr. Yates. For the record, John Barnum is the Under Secretary of Transportation.

Mr. Reed. It will probably have to go in time to both Public Works Committee and to Interior Committee to see how one would divide it up. We are very far apart. We are not even remotely close on how we would divide the facilities.

Mr. Hite. They are looking at it right now.

Mr. Yates. At whose request?

Mr. Hite. I don't know, sir.

Mr. Fish. Senator Morgan, I believe.

Mr. Yates. Senator Morgan asked him to?

Mr. Hite. That is my understanding.

Mr. Yates. What are they supposed to do?

Mr. Hite. I believe they are supposed to develop audit information, sir.

Mr. Yates. Any recommendation?

Mr. Hite. Possibly recommend.

Mr. Fish. Possibly. I don't know. We have our own auditors.

DEPARTMENT OF INTERIOR AUDIT

Mr. HITE. We have our own auditors on the site. We have retained a consulting engineer to go over the actions of the past 10 years. We expect a report in final form on October 1, which would give us an audit overview and a construction engineer's, as I say, objective viewpoint on what has transpired.

The indications we have are that there has been no overbuilding. There have been no misfeasance or malfeasances on the part of the contractor. The estimates that the consulting engineer has looked at, at least to this point, appear to be accurate, and the best I can determine on behalf of the Department at this time is he acted in good faith.

COST BREAKDOWN TO DATE

Mr. YATES. Where did the $44 million go? Not much of the $44 million went into the building itself, did it?

Mr. HITE. I will give you a rundown and then I will submit details for the record. Project 1, which is the basic facility, the current cost to finish is $8.9 million.

Mr. YATES. The current cost to finish?

Mr. HITE. Yes. That is what we are going to put into the basic building.

Mr. MCKAY. That is the old station.

Mr. HITE. That is correct.

Mr. YATES. What did you do for the $8.9 million?

Mr. FISH. Actually we had to cut back considerably from the original plan. The original plan contemplated two 500-seat theaters under the concourse. We have reduced the scope of that and put in two 175-seat theaters along the concourse, and there were other significant cutbacks in the original plan to get the $8.9 million.

Mr. YATES. When you talk about theater, is that screen and standing area considered a theater?

Mr. FISH. No, sir.

That is where the audio/visual programs are.

Mr. YATES. Where are the theaters?

Mr. FISH. They are along the concourse.

Mr. HITE. On the eastern side of the station, sir.

Mr. YATES. Under the bookstore?

Mr. FISH. No; adjacent to the bookstore. There are a few films that are shown in there——

Mr. YATES. How could you spend $8.9 million? What was that for, digging the hole?

Mr. HITE. That is a major part of the cost, for refurbishing the building. Repainting was a massive project.

Mr. FISH. Then the utilities, the electrical, the plumbing work in there, so it is basically an historic preservation that a good bit of the $8.9 million went for, the ceiling work that was accomplished, cleaning of the building.

Mr. YATES. As I walked through the building I wondered why you covered the marble floors with carpeting.

Mr. FISH. They were not marble floors.

Mr. YATES. Were they concrete?

Mr. FISH. No, sir. I believe they were terrazzo.

Mr. YATES. Why would you cover terrazzo with carpeting?

Mr. GROSS. Because it was broken up. The floor was broken up.

Mr. EVANS. Was there a basement there before construction?

Mr. FISH. Yes, sir, very much so. It is still very active for food handling facilities for Amtrak, so it is still very active.

Mr. EVANS. So you had little excavation.

Mr. FISH. That is right. It was a break in the floor and then the sides went in.

Mr. YATES. Where we should go at this time is what we are trying to find out. Obviously, in one word it was a mess, wasn't it? And now Mr. Barnum and the Department of Transportation are looking to restoration of the structure as a railroad terminal again, aren't they?

Mr. HITE. And resurrecting the entire intermodal concept, I believe, Mr. Yates.

Mr. YATES. How much of an expenditure will that take?

Mr. FISH. That could be enormous, $78 million to $100 million.

Mr. YATES. And all the money spent by the Government to date would be thrown out?

Mr. FISH. I think, Mr. Chairman, that the original concept, what was approved in 1968, what was recommended by the study commission, contemplated a rail terminal north of Union Station at H Street. It also contemplated a bus terminal at H Street and that is why H Street was built across the railroad tracks and at a cost of about $15 million or $20 million to the D.C. Highway Department, so that it would tie into that new rail terminal, and what we are doing now does not preclude that from happening, so that the new rail terminal in the future could be placed there, the bus terminal could be placed there, and the remaining 2,800 car parking could be completed.

They are halfway through.

Mr. MCKAY. I was down there this morning and you have a lot of construction going on. How much do you say it is costing to put that across?

Mr. FISH. It is about $15 or $20 million. I am not too sure. That is D.C. Highway.

Mr. MCKAY. That is almost a million bucks a pillar.

Mr. FISH. It is expensive construction when you are working over live track.

Mr. MCKAY. I can't believe that they cost that much, even with the price of steel going up three times in 1 year. There is just not that much there.

WASHINGTON POST ARTICLE

Mr. YATES. Let me read from an article in the Washington Post dated Friday, August 20, in which the United States is urged to reclaim the Union Station and make it a major transportation terminal again.

"John W. Barnum, Deputy Secretary of Transportation, said yesterday that the use of the old station is an attractive option to serve the Northeast Corridor where 'hopefully the traffic will be growing by leaps and bounds in the next decade.' However, he said, 'I have no intention of interfering (with the Interior Department).'"

Then there is a quote from Mr. Richard H. Hite, Deputy Assistant Secretary of the Interior for Management who said his department

"would oppose the (reconversion) proposition at this point * * * we feel the basic thrust of the law that created the Visitor Center project is still operative."

Are you still opposing it?

Mr. HITE. Yes, sir.

What I am trying to say in my finest bureaucratese is we have a statute on the books which orients this facility toward visitors as opposed to transportation.

Mr. YATES. What you are saying is that the law requires you to continue with the Visitor Center.

Mr. HITE. Yes, sir.

PROJECT APPROVAL BY INTERESTED GROUPS

Mr. MCKAY. Was there some involvement with arts groups, D.C. city, urban renewal people, et cetera, as we progressed in these agreements? Then they interceded and said no, you can't do this without our approval?

Mr. FISH. There were meetings with the local citizens as to perhaps projected employment in the Visitors Center, that type of thing, and I imagine when it went to the National Capital Planning Commission there were probably some discussions with the local citizens groups. I don't know what the outcome of that was, but it was passed and approved by the National Capital Planning Commission.

There was approval by the National Capital Planning Commission of this plan, and as I mentioned, H Street——

Mr. MCKAY. How many commissions and agencies are involved in this whole hobgoblin?

Mr. FISH. By law we are required to deal with the National Capital Planning Commission, the Fine Arts Commission, the Advisory Council on Historic Preservation. There was a question about the clean air standards and that entered into this.

Mr. MCKAY. Was there a D.C. or Federal agency on renewal or urban planning or something?

Mr. FISH. Well, there is urban renewal in that particular area. They did not have any jurisdiction——

Mr. MCKAY. Why don't you provide for the record a list of all agencies involved in this agreement?

Mr. HITE. We would be glad to do that, Mr. McKay.

[The information follows:]

KEY AGENCIES/ORGANIZATIONS INVOLVED IN NVC PROJECT

U.S. Department of the Interior.
National Park Service.
National Capital Parks.
U.S. Department of Transportation.
Urban Mass Transportation Administration.
Federal Highway Administration.
Federal Railway Administration.
District of Columbia—Department of Transportation.
Chessie System.
Terminal Realty Baltimore Co.
Terminal Realty Penn. Co.
Washington Terminal Co.
Washington Metropolitan Area Transit Authority.
Emigrant Bank, New York City.

Chemical Bank, New York City.
George Hyman Construction Co. & Subcontractors.
Designers: S. Auerbach & Associates, B. Howard & Associates, Potomac Group.

PROBLEMS IN CONSTRUCTION SCHEDULING

Mr. HITE. And I would just like to extend Mr. Fish's remarks by pointing out that in the actual construction we have to be concerned with the desires of WMATA, the desires of Amtrak, the Washington Metropolitan Authority, which is running the subway to the rest of the station. That one point caused us to completely change the plans for the construction of the parking facility itself.

Our construction was to move from east to west, I believe.

Mr. FISH. From east to west but the tunnel was still under construction by Metro and we couldn't get there so we had to change the whole sequencing and scheduling and ordering of materials to work from north to south, and that was a significant drawback.

Mr. HITE. The increased Amtrak patronage caused the Chessie System, and Amtrak, I presume, but primarily Chessie, to revise its plan for the track outages which were necessary on the eight lower tracks that the southeast ramp will pass over and three upper tracks and this delayed construction to the point where we couldn't order the structural steel that we had milled and rolled at the appropriate time and had to go back to the end of the mill line I think, which cost us 3 months.

All of these delays escalate the cost beyond really any nonconstruction man's credibility, such as me. And at one time, Mr. McKay, we had when I first really got into this in 1973 or outside of fiscal 1974, we had a suit lodged by Amtrak against the Chessie System because the replacement station had not been commenced, construction had not been commenced.

This tied up the assets of the Realty Baltimore and Realty Penn, and caused another delay. We have had five separate strikes. Each one of these delays escalates cost, there is no question about it, regardless of the fact that we entered into this in a highly questionable fashion with respect to the adequacy of the construction plans.

Mr. MCKAY. The strikes were against Hyman.

Mr. HITE. Yes, sir.

Mr. FISH. Union strikes. They were general strikes throughout the city.

Mr. REED. Citywide strikes.

POTENTIAL LIABILITIES OF TERMINATION

Mr. YATES. Where are we now? You said you wanted $1 million to pay off the contractor; is that right?

Mr. HITE. Yes, sir.

Mr. YATES. If you pay off the contractor, would it leave any potential liability against the Government?

Mr. FISH. No, sir.

Mr. YATES. Is the contractor willing to accept this then in full satisfaction of all its claims?

Mr. HITE. To the best of my knowledge, to the best of my discussions.

Mr. YATES. What about the railroad company? Are they threatening suit?

Mr. FISH. No, sir.

Once their $16 million was into the project then they are out of it.

Mr. YATES. You are still paying $3.5 million a year for the balance of the contract, even though you don't use it?

Mr. HITE. Yes, sir.

Mr. YATES. What will happen after the payment of $1 million? What will you have that is usable?

Mr. HITE. We will have the basic Union Station facility converted into a Visitor's Center.

Mr. YATES. Completed?

Mr. HITE. Yes, sir.

Mr. YATES. What about the end? The ends are open?

Mr. HITE. That is what we want to button up.

Mr. YATES. When you say button up, how much will it cost?

Mr. FISH. That is already included in the southeast wall. The closure of the east wall and closure of the west wall is a part of Amtrak's cost.

REMAINING AUTHORIZATION UNAPPROPRIATED

Mr. YATES. How much money remains to be spent in addition to the $1 million? Are you saying $3.5 million?

Mr. HITE. Yes, sir.

We feel we need money to back up the remaining $3.5 million authorization we have. We have the authorization, not the money.

Mr. YATES. You have an authorization for the expenditure of $3.5 million?

Mr. HITE. Yes, sir.

Mr. YATES. Where did you get the authorization?

Mr. HITE. That is remaining from the $12.9 million that was authorized by the Public Works Committee in 1974.

Mr. FISH. October 1974.

Mr. YATES. So you have $3.5 million authorized. Where are you going to get it from?

Mr. REED. From this committee. This is the only place we can come.

Mr. YATES. But you have been getting the money from everybody else, haven't you? You have been getting money from the Federal Railroad Administration, you have been getting money for the Northeast Corridor improvement, you have been getting money from UMTA, you have been getting money from WMATA. How much of that money remains? Is that all spent?

Mr. FISH. Yes, sir.

Mr. HITE. It is all certainly committed.

Mr. YATES. That is all in the so-called $44 million?

Mr. HITE. Yes, sir.

Mr. YATES. So you need $3.5 million to button it up?

Mr. HITE. Yes, $3.5 million.

Mr. YATES. You need $2.5 million to button up the ends of the station and $1 million to pay off the contractor?

Mr. HITE. Yes, sir, that is right.

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Mr. YATES. And that will leave you with a Union Station with the walls and the roof still broken. Is that going to be completed?

Mr. FISH. Yes, sir.

Mr. YATES. When those walls are completed at the end and the roof is completed, will that structure be intact?

Mr. HITE. Yes, sir.

Mr. YATES. Then you will have in the back an incomplete parking facility?

Mr. HITE. Yes, sir.

Mr. YATES. Which will not be usable; is that correct?

Mr. HITE. We will have a basic bus ramp slab that will be completed and usable.

Mr. YATES. Do you mean buses will be able to use it?

Mr. HITE. Yes, sir.

Mr. YATES. Will they be able to come into the parking facility?

Mr. HITE. As we get the ramps up.

Mr. FISH. In effect, it is like a bus station. It is for Metro. It is for tourmobiles and for charter schoolbuses.

Mr. YATES. Will Metro be able to use the facility?

Mr. FISH. Yes, sir.

Mr. YATES. Will the buses?

Mr. FISH. Yes, sir.

So, you have a charter group or schoolbus.

Mr. YATES. So you have an intermodal facility then?

Mr. FISH. No, sir, it would not contemplate the use of Greyhound, Trailway say similar to the situation you have at New York and 12th Street right now. It would not be that kind of facility.

Mr. YATES. Was that contemplated originally?

Mr. FISH. Yes, sir, with the intermodal concept it was, not in the Visitors' Center.

Mr. YATES. Not in the structure that is being constructed now?

Mr. FISH. Right.

Mr. HITE. What we won't have is parking for private vehicles.

Mr. EVANS. Can it be used by connecting it with the subway system?

Mr. FISH. Very definitely.

There are two connections to the subway system there now and operable and a moving stairs has been constructed to H Street in anticipation of the rail and bus terminal being built out there so there would be three access points to the subway station that is there and operating right now.

Also, when we button it up the travel to the new rail station which is behind Union Station would open up so that cars could come around the station and passengers could be dropped off at the new rail station. That would be complete, too, when we button it up.

So, it would be functioning out to H Street with what we call the northwest ramp connection.

Mr. YATES. Do you have any kind of chart or plan or diagrammatic structure which will show us what we are talking about?

Mr. FISH. This would be the Visitors' Center here and the concourse area out here so that you would have when you button it up this roadway that comes around here and drops passengers here and then come out this way.

We are building this portion of the structure——

Mr. McKay. That is that ramp that is uncompleted over the tracks now?

Mr. Fish. Over the through tracks that go to the south, yes, sir. They go under Union Station. The other tracks, upper level, are at this side.

Mr. McKay. But you have a ramp going over here.

Mr. Fish. The ramp. H Street, as I say, is out here. So when you button it up you would have this ramp around here. You would have a ramp that comes up at about an elevation of 50 feet that would allow for buses in this area here.

Mr. Yates. Coming in and out how?

Mr. Fish. Coming in and out this way, out this way, coming in this northwest ramp and tieing into that main bus terminal slab.

Mr. Yates. Those are Metro buses?

Mr. Fish. Metro buses, tourmobiles, charter buses, schoolbuses.

Mr. Regula. What is located right here?

Mr. Fish. This is an old post office facility, I think, Mr. Regula.

Mr. Yates. Is it being used?

Mr. Fish. No, it isn't being used, no, sir.

Mr. McKay. This is the post office here.

Mr. Hite. They had a partial facility over in the triangle.

Mr. McKay. You have an old building with windows broken out over here. That is the one you are talking about?

Mr. Hite. Yes, sir.

ALTERNATIVE PARKING SITES

Mr. Regula. Why wasn't the parking contemplated for something like this of a type where you don't have those tremendously high, expensive spans that are required to go over the top of the ramp?

Mr. Fish. I don't know that they looked at it. Maybe they did.

Mr. Regula. Who is they?

Mr. Fish. Planning Commission, the architects, the Fine Arts Commission. The decision was made, however, back in 1966–67 that that would be the construction over the railroad tracks. Perhaps it was access, Mr. Regula. At H Street, three blocks away, you have I–95 and that would be a very convenient way to service the new rail terminal that was proposed here, and the new bus terminal was proposed on this side.

There then would be another level where say Greyhound and Trailways would come in under the four parking decks. I guess it was just as part of the planning.

COST TO FINISH PARKING FACILITY

Mr. Yates. How much would it cost you to finish the parking facility?

Mr. Fish. That has been included in the Department of Transportation study and as I say, Mr. Chairman. it could be $75 million.

Mr. Reed. No, no. Just the parking facility.

Mr. Yates. The parking facility that you were supposed to build as a part of this.

Mr. McKay. But you started up and you have some of your terracing in up there but you want to quit in the middle of it.

Mr. Yates. In other words, a 1,200-car facility. What would it cost to finish that?

Mr. Reed. It would depend on how soon, if we terminate, we could get started. It would run anywhere from $5 million to $10 million.

Mr. Hite. We have a figure but it is not any more firm and I don't want to lead the committee down a path. Just let me run over these figures for you and I will submit them for the record.

[The information follows:]

Estimated cost to complete parking facility: $8–10 million.

Estimated cost (in millions) to complete national visitor center under the button-up proposal

Project 1	$8.9
Project 2A	17.5
Project 2B	8.5
Fourth deck	.1
Southeast ramp	6.1
Northwest ramp	1.6
Pedestrian gallery	.4
Soft costs	2.5
Total	45.6

Mr. Hite. I mentioned that project 1 is $8.9 million as we estimate. Project 2A is $17.5 million. That is basic slab. We are going to finish that.

Mr. McKay. That is under your button-up proposal?

Mr. Hite. Yes; 2B is $8.5 million, and I have in there the million that we will use to close that down.

Mr. Yates. $33 million.

Mr. Hite. The fourth deck, well, we have only spent $100,000 on that. Southeast ramp, $6.1 million, northwest ramp, $1.6 million, pedestrian gallery is $400,000, and the architectural and other soft costs is $2.5 million for a total, as we see it right now, $45.6 million.

Mr. Yates. To finish up that one facility?

Mr. Hite. I think we are talking about just buttoning the thing down, aren't we.

Mr. Fish. Yes, sir, to get what I just showed there, Mr. Chairman.

Mr. Yates. An additional $45 million.

Mr. Reed. No, no.

Mr. Hite. That is what the cost is right now.

Mr. Yates. What I have asked you really is how much would it cost in addition to finish it up.

Mr. Hite. Then I go back to Mr. Fish's estimate of $6 million to $10 million.

NEED FOR COMPLETION BY FIXED BID

Mr. Reed. The Department, I think I can say categorically, is unwilling to continue without a fixed bid to complete.

Mr. Yates. I am glad of that.

Mr. McKay. You put a time factor?

Mr. Reed. We want a time factor and we want a fixed bid. We haven't been able to get that and so we have just——

Mr. Yates. Who have you asked?

Mr. REED. We have just come to the conclusion that maybe our successors would like to finish it. We have had it.

Mr. YATES. Mr. Regula.

Mr. REGULA. Mr. Reed, are there contractors in this area, other than Hyman, who are capable of doing this type of work?

Mr. HITE. Yes, sir.

Mr. FISH. I am sure there are, Mr. Regula.

Mr. REED. Work is not that plentiful on the East Coast. Some competent contractors are available.

Mr. REGULA. Mr. Reed, I note that apparently in about 1973 you had the Potomac Group, the Monk Dunstone Associates, and Diesel Construction submit recommendations to the Department. These groups generally parallel each other in their recommendation letters, which were dated around the middle of July 1973.

Were their recommendations followed from that point on?

Mr. FISH. The reason that those three firms were brought in, Mr. Regula, was that when the bids were opened for the 2,000-car parking facility it was contemplated that it would cost the $11 million. They were opened at $18 million, and right away we stopped and hired these three companies to come in and say what has happened—is this really a good bid? And the outcome of the study of those three companies was that, yes, this is a good bid for what was advertised. That took quite a while to make those determinations.

Mr. YATES. How long?

Mr. FISH. Well, as I recall, 3 or 4 months I guess, Mr. Chairman.

Mr. REGULA. Mr. Fish, in reading these I don't believe they arrive at the conclusion that this was necessarily a good design, or a good bid. When you say bid, do you mean a bid based on a package of plans submitted to all contractors to bid on; or do you mean an agreement in the form of a bid with Hyman Construction?

Mr. FISH. The latter, Mr. Regula, and there was comment from these firms that there are cheaper ways of building this structure, but what I meant was on the plans that were bid on, they said that is a reasonable price for this, the $18 million. In fact, one of them said $20 million.

Mr. REGULA. Did you feel you needed these in view of the fact that Hyman was both project engineer and also recommending his own bid as the means of finishing this?

Mr. FISH. We thought it was prudent to take a look.

Mr. REGULA. I note, for example, in the one letter here from Monk Dunstone it says: "All disciplines should be competitively rebid . . .".

It doesn't appear to me they were saying this was the best way to do it.

Mr. FISH. Not the best way, no, sir, but the cost for that particular project, was that a fair cost.

Mr. REGULA. But in effect, you went ahead with the Hyman Construction on the basis of a bid that was submitted to Hyman as the project engineer; correct?

Mr. FISH. Not with that bid. That is when the project had to be scaled back because there just weren't sufficient funds to do the 2,000 cars.

Mr. EVANS. Is that when you scaled it back to 1,200?

Mr. FISH. Yes, sir.

"SOFT COSTS" OF TERMINATION

Mr. REGULA. You mentioned earlier that soft costs would be included in the $2.3 million as part of the button-up process. What do you mean by soft costs?

Mr. FISH. Well, the architectural fees.

Mr. REGULA. Payable to whom?

Mr. FISH. Well, Auerback was the main architect and Potomac Group that you mentioned. There was also cost of Monk Dunstone on how to try to keep track of the cost of the project, so it would be that type of cost. There is interest on the construction loan also that would be included in those soft costs.

Mr. REGULA. Do any of the soft costs include management overhead payable to Hyman Construction?

Mr. HANSLIN. I am not quite sure if that is in the soft cost or in the construction cost. It is in one or the other.

Mr. REGULA. I note that in the letter that Hyman submitted to you on July 13 that it states: "Fixed price does not include owner's soft costs."

Mr. HANSLIN. Those would be the owner's soft costs, primarily the interest on the construction loan and the architect fees, engineer fees.

Mr. REGULA. Is this letter, in effect, suggesting that those would be an additional cost to the Department for completion of the project?

Mr. HANSLIN. To the owners, sir, at that time.

Mr. MURTHA. Will the gentleman yield?

Mr. REGULA. Yes.

Mr. MURTHA. How much money have you spent on parking?

Mr. FISH. Spent already?

Mr. MURTHA. Yes.

LACK OF PARKING FACILITIES

Mr. FISH. It would be $7.5 million for project 2b, and then I think there is $16, $17, close to $18 million for the 2a project. So, that would be $25.5 million on parking. It doesn't include ramps.

Mr. MURTHA. How many parking spaces do you have?

Mr. FISH. We would have, if we do what we are intending to do, no private car parking spaces.

Mr. MURTHA. You spent $25 million for parking and we have nothing? We have no spaces?

Mr. FISH. The $18 million is project 2a which gives you the main bus terminal slab. The $7.5 million is in the structure floors 1, 2, 3, and they are partially completed so that the facility is there and in place partially.

Mr. MURTHA. We originally contemplated spending $16 million for 4,000 parking spaces and now we spent $25 million and we have no parking spaces?

Mr. FISH. No usable parking spaces, that is correct.

Mr. REGULA. You mentioned a $1 million termination cost. Would this be payable to Hyman?

Mr. FISH. Yes, sir, and to the subcontractors.

Mr. REGULA. Would this be payable in terminating the contract that Hyman as contractor's agent awarded to himself as the construction group?

Mr. FISH. Well, as I say, it would be partially to Hyman, partially to his subcontractors, and there would have to be the removal of tower cranes. One of the large costs in this particular project is the form work that was rented from a firm in California.

Mr. REGULA. By Hyman?

Mr. FISH. I guess it was by Hyman; yes, sir.

Mr. REGULA. Then, do I gather from this, that you have a fixed contract at this point with Hyman to complete the concrete work; and you are contemplating a termination of that contract for a million-dollar penalty?

Mr. FISH. We don't have a fixed contract.

Mr. REGULA. What do you have if you don't——

Mr. FISH. Target costs that were agreed between the Government and the contractor.

Mr. REGULA. Are you saying you have an open-ended contract with Hyman to complete the project as funds are available?

Mr. HITE. That is correct; yes, sir.

Mr. YATES. No matter what the costs are?

Mr. HITE. That is correct, sir, and what we are proposing to do——

Mr. REGULA. Excuse me.

Is that the contract that Hyman, as your agent, awarded to himself for the construction?

Mr. HITE. That is the way I understand it.

Mr. FISH. He handled the concrete work.

Mr. REGULA. As your agent and awarded the concrete work to Hyman Construction?

Mr. FISH. As the terminal company's agent I guess is the technical——

Mr. YATES. Why would he pick a form contractor in California rather than somebody on the east coast? Wouldn't it be more expensive to go to California?

Mr. FISH. No, sir.

To the contrary, he picked it because it was less expensive. Apparently the firm makes these forms and he deals with them frequently.

Mr. YATES. What about the cost of the freight?

Mr. FISH. I am sure, Mr. Chairman, that all that was considered when he rented the forms.

HYMAN CO. INVOLVEMENT

Mr. REGULA. You know, the thing that baffles me is how the Department would hire George Hyman as a consulting engineer and then permit George Hyman, as consulting engineer, to award a contract to itself, without having had competitive bids. This was an open-end contract that had no fixed prices in it. Now we are proposing to pay George Hyman Construction $1 million to terminate the contract it awarded to itself.

Let us get down to specifics. Who approved making the George Hyman Construction Co. the agent of the Department, and then permitted the company to award itself the contract?

Mr. FISH. Well, the original relationship——

Mr. REED. Go ahead. I want Lars to finish.

Mr. FISH [continuing]. Was between the owners, the terminal company, and George Hyman as the owner's contractor agent.

Mr. REGULA. Was that without NPS approval?

Mr. HANSLIN. Mr. Regula, when we were still merely going to be a tenant and the railroads had the obligation to build the whole building and they selected Hyman to be their contractor agent they told us about it but it wasn't of any particular concern.

Mr. REED. We had no approval function.

Mr. HANSLIN. We were merely a tenant and what the railroad uses to build the building is really not a concern of ours.

Mr. EVANS. After the railroad or the owner had expended their required $16 million, Federal funds had to make up the difference.

Now, at that point did the Hyman Co. become the Government's agent?

Mr. REED. Let me put that in the record. It is a good question.

[The information follows:]

The George Hyman Company became the Government's contractor for Project 1 of the National Visitor Center and indirectly became the contractor for Project 2(b) of the National Visitor Center as of December 21, 1973 (execution of the letter agreement between the Secretary and Terminal Realty Baltimore Company).

Mr. REED. Let me put in the record first the date of that. That is July 6, 1973, Public Law 93–62, H.R. 5857, increasing authorization by $8.6 million approved by the President, $8.6 million included in the 1974 fiscal year Interior Appropriations Act.

We are at that exact moment in time.

Mr. EVANS. At that point did we become the principal party in interest and the railroads then thereafter had no obligations?

Mr. HANSLIN. Technically speaking the railroads are still the principal party in interest and the Hyman Co. is their agent and we have another agreement with the railroads.

From a technical point of view the owners, the railroad companies, are still the principal party in interest.

Mr. YATES. Do we have no agreement with Hyman?

Mr. HANSLIN. Not as far as the parking garage goes. That is under contract to the railroads with a collateral agreement, if you will, between the Government and the railroads.

Mr. YATES. Why is the Government paying $1 million to Hyman?

Mr. HANSLIN. Because the collateral agreement addresses that. It, in effect, says that the owners will build in their own right project 2A and that they will be the project party, too, for us to build 2B.

Mr. YATES. Then you accept Hyman as your agent for 2B?

Mr. HANSLIN. Yes, sir.

And the reason for that was that Hyman had a contract to build the entire parking garage and visitor center, existing valid contract. When we came into the picture it would have been a breach of his contract to get anyone else.

Mr. YATES. He only had a contract to build $16 million worth.

Mr. HANSLIN. He had a contract to build the whole thing.

Mr. YATES. Their obligation was only to $16 million, wasn't it?

Mr. HANSLIN. As I recall, Hyman's contractor, contract agent, was to build the National Visitors' Center.

Mr. YATES. Do you mean the railroads had hired him to build the entire Visitors' Center even though their obligation terminated at $16 million?

Mr. HANSLIN. They hired him to be the contractor agent for the entire Visitors' Center and it was contemplated it would only be $16 million.

Mr. MURTHA. Would the chairman yield?

Mr. YATES. Yes.

STATUS OF PARKING GARAGE

Mr. MURTHA. How much is this parking garage you are talking about? Is that the $25 million spent on this parking garage? You keep mentioning the parking garage.

Mr. FISH. Yes, sir; $18 million of that will be functioning when we button up. That will be the main bus terminal slab and that will function when we button up.

Mr. YATES. It doesn't make sense for the railroads to have a terminable liability of $16 million and a contract in existence with a contractor to build the building no matter what it costs.

Mr. REED. Yes, sir; it does make sense.

Mr. YATES. Because it was contemplated that to build the whole thing would cost $16 million.

Mr. REED. As you get toward the end of the $16 million the Subcommittee on Public Works would say we want the building. They first put in $8.6 million and then they put in $12.9 million. As you ran out of money and didn't get what the chairman and the committee wanted, they said here is another act.

Mr. MCKAY. But that didn't answer the gentleman's question here. At what point then did we become liable?

Mr. HANSLIN. At this point in time the answer is "Yes," because we are paying for it.

Mr. MCKAY. Is the authority of the railroad people now terminated over the contractor on the building?

AUTHORITY OF DEPARTMENT TO TERMINATE WORK

Mr. HANSLIN. Well, it depends on what we are going to do. At such point in time as we terminate any portion of the work what will happen technically speaking is we will instruct the railroad owners to terminate that portion.

Mr. MCKAY. You have the authority to tell the railroad to terminate?

Mr. HANSLIN. Yes, sir.

Mr. YATES. How do you have that authority?

Mr. MCKAY. You didn't have that authority in the beginning.

Mr. HANSLIN. By virtue of the letters of agreement, yes.

Mr. YATES. What do they say?

Mr. HANSLIN. 2A is more or less completed, that work; 2B is in essence the parking decks, which isn't completed, and the agreement says that if that cannot be built for $7 million the work shall stop.

Mr. YATES. I am under the impression that you testified that the railroads have a contract with Hyman to build a certain building and Hyman has a contract with the railroads to build that building.

Mr. HANSLIN. This is going back to the point I made initially. Hyman had a contractor agent agreement signed in February 1973, I believe, which says, if I can paraphrase it, that the Hyman contractor agent will undertake the construction of the National Visitors

Center, whatever it might turn out to be, because at that point in time there wasn't a design and they didn't know what it was going to be.

In other words, it might have been the entire thing. It might have been half of it. It might have been whatever. Hyman had the contract to do the whole project.

Mr. YATES. Or that portion of it he was directed to?

Mr. HANSLIN. That is right, unless he was terminated.

Mr. REGULA. A contract with whom?

Mr. HANSLIN. With the railroad owners.

Mr. MCKAY. Then that puts the Government in the position that, although the railroad has a commitment to $16 million at that point, they could terminate Hyman?

Mr. HANSLIN. No, sir, we were never in that position.

Mr. MCKAY. I am not sure.

ACCELERATED PURCHASE CLAUSE IN CONTRACT

Mr. REGULA. One other question.

Does the agreement with the railroad have an acceleration clause, so that there could be an immediate purchase rather than to pay the $3.5 million for the next 25 years?

Mr. HANSLIN. Yes, sir.

After the first year of occupancy under the lease we can pay it off at any time pursuant to a schedule of prices which is in the contract and essentially reflects that which we haven't paid yet.

Mr. MCKAY. Schedule of prices?

Mr. HANSLIN. Yes, sir.

If we have a 25-year time purchase they will let us purchase it. We have a right to purchase at any time during that 25-year period by giving them the balance of the money.

Mr. MCKAY. It seems to me that it cost the same amount whether we terminated early or late because they had us on the hook to pay the investment cost through time.

Is that true?

Mr. HANSLIN. There is a schedule of what it would cost us in any given year. Just how that was figured out I am not sure. It should reflect, I assume, a lesser price as far as interest goes because the railroads are getting the money up front, so it should cost less. There is some scale but I would have to look at it again.

Mr. MCKAY. I was under the impression that wasn't so.

Mr. REED. Could we furnish that for the record?

Mr. YATES. I wish you would.

[The information follows:]

The March 1, 1972 agreement between the United States of America and Terminal Realty Baltimore Co. and the Terminal Realty Penn Co. contains in section 10 provision for advance purchase of the property by the Federal Government and also includes the formula for determining the advance purchase price at any time during the lease. Section 10 follows:

10. The Secretary shall have the option to purchase fee simple title to the property to be leased pursuant to paragraph 2 hereof, any time after the first year of the lease, on one year's written notice to the owners. From the time the Secretary gives notice of the exercise of said option to purchase and until the time of closing of the purchase, the relationship between the parties hereto shall remain as lessor and lessee under the terms and conditions of the lease. All rentals paid, except that portion representing tax escalation, shall have been applied by the owners (except to the extent, if any, applied to other claims

under due authority of the lease) to meet the obligations (both principal and interest) of the mortgage or mortgages placed on the property, which shall consist of a first mortgage to amortize from the time of occupancy by the Secretary $16,000,000 principal over a 25-year period at no more than 7½ percent per annum, computed monthly, and may also include a second mortgage to amortize $27,050,000 principal over a 25-year period, at 5 percent per annum, computed annually (which second mortgage may consist of two second mortgages, each in the original principal amount of $13,525,000, one made by Terminal Realty Baltimore Co. to the Baltimore and Ohio Railroad Co., its successors and assigns, and the other made by Terminal Realty Penn Co. to the Penn Central Reorganization Trustees, their successors and assigns), said one or two second mortgages being hereinafter called "the second mortgage" or "the $27,050,000 mortgage", and said first mortgage and the second mortgage being hereinafter collectively called "the aforementioned mortgages" or "said two mortgages".

The Secretary shall have the right to exercise his option in either of the following two methods, each of which provides for credit for a portion of the rentals paid:

(*a*) It is hereby agreed that, upon the exercise of the option, the Secretary has the right to purchase the aforesaid property for the aggregate unpaid balances on date of closing of title, of the aforementioned mortgages, plus (a) the amount payable as a prepayment charge, if any, under the terms of the $16,000,000 mortgage, and (b) amounts, if any, paid for real estate taxes which would have been included in the rentals by operation of the tax clause rider (exhibit "D-revised" hereto and to the form of lease which is exhibit "B-revised" hereto) but for the limit of $3,500,000 set forth in section 102(7) of Public Law 90–264, provided, however that, in the event owners have not placed all of the aforementioned mortgages on the aforesaid property, or that such aforementioned mortgages, or any thereof, are paid or prepaid in an amount different than set forth in the preceding paragraph hereof, the purchase price shall be computed as if the owners had placed such mortgages on the aforesaid property and amortized such mortgages amounting to $43,050,000 in accordance with the preceding paragraph hereof and, unless otherwise agreed with the Secretary, the owners will at or prior to the time of closing of the purchase cause the second mortgage to be placed on such property (or will amend the second mortgage if previously placed) so as to conform to the interest and amortization provisions of the preceding paragraph. It is agreed that the $27,050,000 mortgage shall have no penalty for prepayment; or

(*b*) It is hereby agreed that, upon the exercise of the option, the Secretary has the right to purchase the aforesaid property for the sum of $1 plus amounts, if any, paid for real estate taxes which would have been included in the rentals by operation of the tax clause rider but for the limit of $3,500,000 set forth in section 102(7) of Public Law 90–264, said purchase being subject to the aforementioned mortgages; the obligations (both principal and interest) of said mortgages to continue to be met by the application of the payments formerly made as rental as referred to in paragraph 4 hereof and in paragraph 3 of the form of lease which is exhibit "B-revised" hereto, which the Secretary shall continue to pay to the mortgageholders as an absolute and unconditional obligation until the mortgages are retired by payment in full after 25 years or prepaid and retired at any time during their term by payment by the Secretary of the aggregate unpaid balances plus the amount payable as a prepayment charge, if any, under the terms of the $16,000,000 mortgage. It is agreed that the $27,050,000 mortgage shall have no penalty for prepayment.

From and after the closing on the fee purchase under either of the above option methods, the owners shall have no further obligations as lessor under the lease, and, in the event of fee purchases under obtion *b* above, the owners agree to use their best efforts to have said two mortgages provide that, from and after such closing, no insurance shall be required for the protection of the holders of said mortgages.

PREVIOUS TESTIMONY

Mr. YATES. The testimony that you gave during the 1976 appropriation hearings, page 1083 of part 2 says:

"The Government has the right to purchase fee simple title to all of the premises anytime after the first year of the lease on 1 year's written notice for the aggregate of the unpaid balance of the $16 million

amount plus prepayment charges, if any, and of the $27.05 million, with no penalty for prepayment.

"This would cost about $40 million if option is exercised after 1 year."

Mr. REED. Who were the testifying people?

Mr. YATES. Mr. Wheeler, Mr. Clarke, and Mr. Fish.

Mr. FISH. That sounds accurate.

Mr. MCKAY. Supposing you proceed with your button-up process. Then who would lose jurisdiction?

Supposing you terminate. You have your $3.5 million, button it up. You are then on a lease contract, right?

Mr. FISH. That is right.

Mr. MCKAY. At that point then if the committee gave you $6.5 million or $7 million, you could complete the project?

Mr. FISH. Four parking lots.

Mr. MCKAY. That would be the 1,200 spaces.

Mr. FISH. Yes, sir.

Mr. REED. Finish all contemplated work.

Mr. MCKAY. You wouldn't have to fight with the railroads or anybody. You could hire a contractor to proceed to finish.

Mr. REED. Yes.

Mr. MCKAY. You would be the sole director of that situation?

Mr. HANSLIN. Once the lease is in effect we can do what we want.

Mr. YATES. Is the lease in effect now?

Mr. HANSLIN. The lease is partially in effect. It is in the progress of becoming in effect, probably within the next month or two.

Mr. YATES. Are you paying any rent yet?

Mr. HANSLIN. We are paying part of the rent now. We will be commencing to pay the rest of the rent very soon.

Mr. MCKAY. How long will it take you to button it up? Do we have a time sequence?

Mr. FISH. We think probably around January.

Mr. MCKAY. It will take you 6 months?

Mr. FISH. That would include the northwest and southwest ramps, completion of those.

Mr. MCKAY. Could you put him on a guaranteed time situation?

Mr. FISH. No, sir, I don't think we could.

Mr. MCKAY. Is he still in a position to drag that out for a year?

Mr. FISH. Yes, sir.

Mr. MURTHA. And if he wants to ask for more money he will be able to do that.

Mr. REED. If he can support it with the proper documentation.

Mr. MCKAY. Would you be better off if you, in fact, defaulted on the present contract?

Mr. FISH. I personally do not think so. I think that the Hyman Co. has done a very good job out there and I think that the audit report that we are in the process of getting right now, and just a preliminary comment, if I may, and speak to Mr. Regula's comment about the subcontract on the concrete—this is a quote:

"The concrete subcontract was handled efficiently, ethically, and has yielded one of the better quality concrete construction projects that we have inspected."

Mr. YATES. Who said that?

Mr. FISH. This is the Department of the Interior audit and they have hired a consultant engineer to work with them.

Mr. YATES. Who did they hire?

Mr. FISH. It was a man by the name of Kilsheimer. I don't know the name of the firm.

INTEGRITY OF HYMAN CO.

Mr. EVANS. May I pose a question here because I think we are on a tender point.

It is my understanding that you have no reason whatsoever to question either the honesty or the integrity or the ability of the Hyman Construction Co.?

Mr. REED. That is a most important question and I would like the record to reflect that the Department's audits, National Park Service audits, in no way cast any color on the work that the George Hyman Co. has done or on the bills rendered.

Mr. EVANS. As I understand it, the single problem we have is in the incorrect estimates of what it would cost to build the original conception or the originally conceived idea. The basic problem we have is the fantastic cost overrun that is the result of a multitude of factors but none of which, as I understand it, relates either to the ability of the contractor or his honesty or integrity?

Mr. REED. Correct.

So say we all. You put your finger on it, Mr. Evans.

In 1968 it was the desire of the administration and the Congress to build a visitors center. The errors, successive errors, began right there with a preliminary estimate that in retrospect was far too low and is compounded by a multitude of cost overruns, multiple users and lenders to the project, and we are unable, with a search of people in OMB who have seen many contracts, people in the Department, to come up with another example anywhere of something like this.

It has been mentioned to me that one of the buildings on the Hill——

Mr. YATES. What do you mean by something like this?

Mr. REED. A contract such as this. It has been mentioned to me that there are overruns on, I think, one of the Senate Office Buildings which are comparable to a degree and comparable to the confusion existing in those contracts. This is heightened by the real feeling of getting this thing done by 1976 and in 1968 it seemed reasonable that you had enough time to complete this project by 1976.

But, without firm drawings, inability to go to contract, to a contract which had a reasonable termination date, completion date, and a fixed cost has led to this nightmare.

Mr. EVANS. Thank you, Mr. Chairman.

PARKING FACILITY CONTRACT

Mr. YATES. May I read from an article appearing in the Washington Post on Friday, August 6:

> Three years ago, the Interior Department began to build a parking garage at the National Visitor Center at Union Station for 1,800 cars plus bus-loading facilities at an estimated cost of $18 million.

Is that correct?

Mr. FISH. How much?

Mr. YATES. $18 million, 3 years ago.

Mr. FISH. That was the bid that we were talking about before.

Mr. YATES. The bid was accepted?

Mr. FISH. No, sir.

Mr. YATES. Where did they get this figure then of the estimated cost?

Mr. FISH. Well, that was the bid that, at the time, we got the three firms in that Mr. Regula was talking about and we did not accept that bid. That is when the project then began to be cut back.

Mr. YATES. That is when you thought you could do it for $11 or $12 million and the bid came in for $18 million.

Mr. FISH. That is correct.

Mr. YATES. So the $18 million was a reasonable estimate of the cost at that time?

Mr. FISH. We didn't know and we thought it was prudent to bring those firms in.

Mr. YATES. $18 million, 3 years ago.

Now, the Interior Department estimates that the garage, which is still under construction, will actually cost $40 million for only 920 parking spaces plus the bus facilities.

Is that correct?

Mr. FISH. No, sir. It is 1,272 parking spaces.

Mr. YATES. How much will it cost, plus the bus facility?

Mr. FISH. Yes, sir, the terminal facility.

Mr. MCKAY. 1,200 plus 72 meant the busing spots.

Mr. FISH. 1,272 private parking spaces, plus the main bus terminal slab for tourmobiles, Metro, and schoolbuses. I imagine the $41 million is about right, Mr. Chairman, if you include the southeast ramp, the northwest ramp, and southwest ramp.

Mr. YATES. Except that you won't have a completed area though, will you, for that price? You still want more money to complete it?

Mr. HITE. That would include the additional moneys we want.

Mr. YATES. $41 million?

Mr. HITE. Yes, sir.

Mr. YATES. But you already have $44 million.

Mr. HITE. But we haven't had $44 million, the basic Visitors' Center facility.

Mr. YATES. You are just talking about the parking area?

Mr. HITE. Yes.

Mr. MURTHA. You are talking about $41 million in addition to the $44 million?

Mr. HITE. No.

Mr. FISH. The total cost of the project would be about $5 million.

Mr. YATES [reading]:

This amounts to more than a 200 per cent increase in cost per square foot—from $20 to $62 per square foot—in three years.

This is about right, isn't it?

Mr. FISH. I don't have that square footage.

Mr. YATES. Well, how inaccurate is that? It has gone up three times, hasn't it?

Mr. HITE. Yes, sir.

Mr. YATES. So, presumably the square foot costs have gone up three times.

Mr. HITE. Yes, sir.

Mr. EVANS. Are they talking about a different number of parking spaces than before?

Mr. REED. We can send the committee this afternoon the cost escalation per square foot for the record.

[The information follows:]

COST ESCALATION PER SQ. FT. PER PARKING SLOT FROM 1973 TO 1976

Cost per parking slot in 1973, $7,318.00. Cost per parking slot in 1976, $10,375.00. 42% increase.

Mr. YATES. It says this:

Because of the cost overrun, most of the construction on the garage has been stopped since May, while auditors investigate the figures and the Interior Department searches for more money to complete the project.

Most of the construction work on the concrete Visitor Center garage is being done by a Bethesda firm, George Hyman Construction Co., which has an unusual contractual arrangement with Interior for this project.

That is about right, isn't it?

Mr. EVANS. No, they don't contract with Interior.

Mr. REED. They made a contract with Chessie.

Mr. YATES. Except you have a contract for 2B, haven't you?

Mr. HANSLIN. Technically speaking the 2B contract is with the owners and we have a collateral agreement with the owners to reimburse them for it. For practical purposes we are the contractor but legally speaking we are not.

Mr. MCKAY. They just pay the bill.

Mr. YATES [reading]:

Hyman is supposed to act as the Government's agent, representing its interests in dealings with contractors. As part of this role according to the contract, Hyman was supposed to solicit competitive bids for work on the project.

Is that correct?

Mr. FISH. For the subcontracts.

Mr. YATES [reading]:

According to one Interior official, Hyman felt it was a "competent" contractor itself, and therefore awarded itself the contract for the major portion of the work—pouring concrete. This contract award, which was approved by Interior, was made without any competitive bidding.

Is that correct?

Mr. FISH. I am not sure. I believe that is correct. I don't know whether there was any other bidding on that or not.

Mr. REGULA. Mr. Chairman, I would like permission to submit to the record the copies of the letters at this point from the Potomac group, from the office of James Ruderman, from the Diesel Construction Co., and from Monk Dunstone Associates, which speak to that very point.

Mr. YATES. They may go into the record at this point without objection.

[The letters follow:]

THE
POTOMAC
GROUP

27 July 1973

Mr. L. Thygesen
Contracting Officer
National Park Service
Denver Service Center
7200 West Alameda Avenue
Denver, Colorado 80226

Subject: Analysis of the cost, construction and possible modification of the proposed design for the National Visitor Center Parking Facility

Dear Mr. Thygesen:

Attached you will find reports concerning the proposed parking facility from:

1. Diesel Construction, Construction Consultants, N.Y., N.Y.

2. The Office of James Ruderman, Structural Engineering Consultants, N.Y., N.Y.

3. MDA (Monk Dunstone Associates), Construction Cost Consultants, Washington, D.C.

An analysis of the cost, construction and possible modification of the proposed design for the National Visitor Center Parking Facility was accomplished during the period July 6 through July 27 in a coordinated effort in which all aspects of the problem were carefully reviewed and discussed by the consultants and the National Park Service.

The objective of the analysis was to evaluate the pricing of the approved design providing parking for approximately 2000 cars, to identify means to reduce the overall cost as much as possible, to determine how the proposed design could be modified in order to provide the necessary parking, and to identify alternate functional configurations of the parking facility which can be built within the budget to best serve Bicentennial visitor needs. On the basis of these reports and of our review of the project with the consultants and the National Park Service, I submit the following conclusions and recommendations:

1. The design for the Parking Facility proposed by the Railroads, the Architect and his consulting Engineers and approved by the National Park Service for which contract documents have been prepared and priced, cannot be built for the approximately $11 million budget limitation. In addition, it appears probable that the Parking Facility as a whole, exclusive of costs relating to the New Railroad and Bus Passenger Terminal, the intercity bus level and the cost of construction required to support the upper Parking Levels over the Railroad and Bus Terminal area, will be approximately $50 million if built at this time (1973-1975 dollars). It is also apparent that in view of the budget limitation of $11 million, the proposed design does not respond to significant cost considerations regarding the construction of the proposed design because it will require an extraordinary amount of field labor under difficult site conditions. It is apparent, however, that the prices obtained by the Contractor Agent are probably reasonable, given the design and the unusual construction requirements of the project. As compared with the pricing of the project by the Contractor Agent at approximately $18 million, two cost estimates obtained by the National Park Service indicate comparable costs of $16 million and $20 million. It is my understanding, that the considerable price range of almost $4 million is primarily due to the differing views of how large portions of the work will be accomplished using field labor under difficult site conditions and construction requirements. There are, however, significant questions about the prices obtained from Metro for construction of portions of the parking facility being done by Metro, which should be resolved, concerning arithmetical errors, quantities, unit prices and cost allocations. It is further apparent, that the cost implications of using 98' spans were not adequately evaluated with respect to the budget limitation of the project even if the increased cost of construction since 1969 is allowed for. The use of these spans has imposed a significant premium on the cost of the parking facility and should be reexamined with a view toward their reduction or to the proper allocation of any additional cost involved if they are indeed necessary in order to accommodate the requirements of the Intercity bus level since criteria affecting their design are no longer applicable or critical.

2. The Owner/Contractor Agent agreement is not in the Government's best interest and has not been implemented in a manner acceptable to the Government. The Agreement allows for the following:

   a. The Contractor Agent is entitled to complete reimbursement of all office personnel assigned to the project on a "task basis". Under this agreement, any and all people who may become involved may be charged to the job. Normally, principals of the company are not chargeable.

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b. The Contractor Agent is permitted to perform work with his own forces plus a normal sub-contractor's percentage profit on that work. This leaves an extremely wide gap as to the interpretation of a normal profit and also does not provide any incentive to the Contractor Agent for initiating cost control and/or savings.

Therefore, it is recommended that the Agreement be revised to provide for the competitive bidding of all major aspects of the project or, depending upon the structural system, to provide for a guaranteed maximum for the cost of concrete work either by sub-contractors or the Contractor Agent.

3. The design alternatives prepared by the Architect and his consulting Engineers are unacceptable, given the objectives of the project and the intent of the legislation. These alternatives neither provide a functional facility nor parking for approximately 2000 cars. In addition, the structural modifications identified by the Architect and his consulting Engineers and the Contractor Agent will not result in any cost savings.

4. A Parking Facility meeting the objectives of the project and providing parking for approximately 2000 cars for the $11 million available, can be built only by the significant modification of the approved design or the complete redesign of the facility. It is the conclusion of the consultants that the necessary modification of the approved design can be accomplished in sufficient time to insure the completion of construction before January 1976. Although the consultants are confident that the project can be completely redesigned and built from a technical standpoint, I seriously doubt that the complete redesign of the project can be accomplished in sufficient time in view of the complex and unusual requirements of the project and the different reviews which I believe cannot be avoided.

5. The necessary modification of the approved design to enable construction, with the $11 million available, of a facility for approximately 2000 cars and providing adequate pedestrian and vehicular circulation, can and should be accomplished within an overall design and construction schedule of 27 to 29 months allowing 6 months for design and 21 months for construction. In order to effectively expedite the design and construction, however, it is recommended that all aspects of the problem be reviewed with the Railroads, the Architect and his consulting Engineers and the Contractor Agent and specific arrangements be worked out as soon as possible with regard to the overall management, the design, the construction management and the coordination of the project with the National Park Service and its consultants. Accordingly,

I recommend that the National Park Service engage the services of a Construction Cost Consulting firm to assist the Government in meeting its responsibility during the design and construction of the National Visitor Center.

If, however, after reviewing the situation with the Railroads it is evident that the necessary arrangements cannot be worked out satisfactorily to accomplish the required design and construction, I believe the Government should make whatever arrangements are necessary to postpone the design and construction of the parking facility by 1976 and proceed only with the National Visitor Center itself (Alterations to Union Station) until such time that appropriate arrangements can be made for proceeding on all or part of the parking facility.

6. Modification of the approved design can and should be accomplished without altering its pedestrian and vehicular circulation or its basic external characteristics in a manner which are likely to be contrary to the views expressed by the Commission on the Fine Arts. The needs of the project as they relate to Metro construction must be respected, including construction underway or already completed by Metro relating to the parking facility and the design and construction of the new railroad and bus terminal facility except when such design and construction will cause unusual problems with respect to the cost and construction of the parking facility. In that event, negotiations should be undertaken immediately, in order to resolve any conflicting requirements and to determine appropriate cost allocations for the project prior to any design or construction.

7. Modifications necessary to meet the schedule and budget limitation objectives of the project should include but not necessarily be limited to:

   a. Eliminating the trusses and the side cantilevers of the upper parking levels, and the reduction of spans and floor to floor heights;

   b. Changing the framing of the entire structural system to steel and pre-cast components;

   c. Eliminating the 4th parking level and the addition of parking at the mezzanine level, as necessary, to meet the requirement for parking approximately 2000 cars;

   d. Providing parking spaces based on an 8'6" vs. a 9'0" width;

   e. Replacing the cast-in-place concrete facade with pre-cast panels;

f. Relocating the two centrally located fire stairs in line with the others along the west side of the parking facility;

g. Adding another elevator at the south end of the parking facility;

h. Eliminating all toilets from the parking levels;

i. Revising the proposed lighting system;

j. Revising the proposed mechanical system;

k. Making any other necessary and agreed upon modifications which will enable construction of a functional, aesthetically resolved portion of the parking facility providing parking for approximately 2000 cars within the budget limitations of the project by 1976.

8. The modifications necessary to enable construction of a functional portion of the project which meet the objectives of the legislation within the budget and time limitations of the project should be based upon clear and agreed upon criteria and procedures with respect to the control of costs and to the need to provide for pricing of alternative configurations each capable of providing a functional facility by 1976 and each easily capable of being added to at a later date. In this regard, two other possible alternative configurations other than the approved design for 2000 cars on the west side should be considered if legal and future construction requirements of the project are resolved:

a. Given significant unknowns with respect to the construction of H Street, the design, construction and cost allocations concerning new railroad and bus terminals, and the need to provide for adequate passenger car, tourmobile and tour bus circulation from Columbus Plaza, serious consideration should be given to the construction of the east and west ramps from Columbus Plaza and the main parking level across the whole site extending from the Visitor Center to the new Railroad and Bus Terminal and including the lower intercity bus level on the east side;

b. For the same reasons and because it provides more parking, consideration should be given to the construction of as much of a modified parking facility across the south end of the site extending as far north and as high as practicable given the budget limitation of the project.

9. Both the lease agreement between the Government and the Railroad and the agreement between the Railroad and the Architect for architectural and engineering services call for a parking facility to be designed and built for approximately 4000 cars which must be scaled down as necessary to enable construction within the $11 million available. The Owner-Architect agreement concluded in 1969 does not contain a detailed scope of services for the fixed fee indicated for architectural and engineering services. It identifies the project as a parking facility for 4000 cars, states that the facility is to be designed allowing not more than a 10% cost contingency and must be capable of being built for the $11 million available or be scaled down as many times as necessary to enable its construction for the $11 million. Certainly, preparing contract documents for only one half of the proposed parking facility because that is all it was estimated could be built for the money available is a reasonable and fair interpretation of the contract given the increase in both design and construction costs since 1969 when the fixed fee was determined. It is also reasonable to interpret the contract to provide for the design of a complete facility which, if necessary, is scaled down by the modification of the design, to insure its construction for the $11 million available. Certainly, given both cost increases and the unusual nature of the project, the most reasonable interpretation would be to allow for both the construction of only a portion of the project and the modification of the design as necessary (with the Government making the final decision as to which course best meets its needs and objectives) to provide a functional facility meeting the needs of the National Park Service and the intent of the legislation. In any event, I would recommend that the design requirements of the project be reviewed with the Railroad and if possible, necessary arrangements be concluded for all of the design work required for the whole parking facility, based on a comprehensive scope of work acceptable to the Government, the Railroads, and the Architect and his consulting Engineers. It is also reasonable to assume that under the terms of the existing agreements, modifications required to scale down the project in order to meet the $11 million budget limitation be accomplished by the Architect and his consulting Engineers without additional compensation.

10. It is our understanding that the loan obtained by the Railroad Owners for the project is contingent on the National Park Service's approval of the Contract Documents and of its acceptance of what can be built for the $11 million available. Since it is apparent that the Government cannot accept any of the alternatives proposed by the Architect and his consulting Engineers, I recommend that the National Park Service, after

reaching an agreement with the Railroad as to how the design will be modified, priced and constructed, agree in advance to accept the construction for $11 million of any one of the specific modified design alternatives to be priced.

Sincerely yours,

Aram H. Mardirosian
Architectural Consultant to the National Park Service

cc: J. Jensen
J. Fish
J. Gross
C. Harris
E. Peetz
L. Hanslin

ANALYSIS OF THE COST, CONSTRUCTION AND POSSIBLE MODIFICATION OF THE PROPOSED DESIGN FOR THE NATIONAL VISITOR CENTER PARKING FACILITY

July 27, 1973

MDA
Construction Consultants
1501 Wilson Boulevard
Arlington, Virginia 22209

THE POTOMAC GROUP
Architects
1077 Wisconsin Avenue, N.W.
Washington, D.C. 20007

Construction Consultants

1501 Wilson Boulevard Arlington Virginia 22209
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MDA
MONK DUNSTONE ASSOCIATES

Mr. A.H.Mardirosian
The Potomac Group
Architects
1077 Wisconsin Avenue N.W.
Washington D.C. 20007

July 27, 1973

Re: Analysis of the cost, constuction and possible modification of the proposed design for the National Visitor Center Parking Facility.

Dear Mr. Mardirosian:

We have pleasure in enclosing three copies of our cost estimate and report on the above project.

Your attention is drawn to the Estimate Qualifications contained in the document which give a synopsis of the governing criteria upon which the estimate is based.

As a comparison to the price submitted by the Contractor-Agent to the Building Owner, the following points should be considered:

		$
Contractor-Agent's estimated project cost		17,990,072
LESS		
Errors and differences in WMATA work (see notes in estimate qualifications)	1,136,294	
Difference in quantities of piling (MDA- 63,540LF: C/Agent- 100,000LF)	288,735	
		1,425,029
Contractor-Agent corrected price		16,565,043
MDA total estimated project cost		15,957,205

MDA estimate = 3.67% lower than Contractor-Agent.

The Contrctor-Agent's estimate, if adjusted as outlined above, would therefore appear to be reasonable for the project as defined at this stage, taking into account the philosophy upon which the agreement between the Contractor-Agent and the Building Owner is based, with particular reference to the fact that the concrete work is not priced on a competitive basis.

If the project as it stands were to be put out for competitive bids, we consider that the following figures would be a fair reflection of the result:

	MATERIAL $	LABOR $	SUB/CONTRACT $	TOTAL $
Sub-contract items agreed			1,024,154	1,024,154
Excavation and piling			807,980	807,980
Concrete work	2,712,715	3,570,905	165,137	6,448,757
Steelwork	375,796	79,236	1,638,033	2,093,065
Miscellaneous metals etc.			161,277	161,277
Plumbing & H.V.A.C.			488,282	488,282
Electrical installation			341,149	341,149
	3,088,511	3,650,141	4,626,012	11,364,664
General Contractor's payroll taxes & insurances 15% x labor		547,521		547,521
General Contractor's plant			208,000	208,000
General conditions				641,346
				12,761,531
General Contractor's fee-5%				638,076
				13,399,607
Estimated competitive bid for Project Two			say	13,400,000
ADD				
WMATA work to be negotiated				500,000
Indirect costs committed by Owner				1,900,000
TOTAL ESTIMATED COST OF PROJECT TWO IF BID COMPETITIVELY				$ 15,800,000

As these figures suggest, considering the costs already committed, it would not be advantageous to the Owner to competitively bid the project in a traditional manner. We would recommend however, that the concrete work in particular be competitively bid and that the bidders be informed that all bids would be reviewed by the Building Owner for his evaluation and award and that the Contractor-Agent would have no competitive advantage in bidding for this section of the work.

Under the present situation we feel that potential concrete sub-contractors are perhaps reluctant to bid since they feel that they have no chance of the work as the Contractor-Agent usually executes the concrete work on other projects on which he operates as a General contractor.

The cost estimates for project two submitted by the Architect have been studied, but it is not clear how the costs for Scheme A ("half" of total scheme) have been abstracted from the Total Project Cost Estimate. However, assuming that the total cost for Project Two is correct as shown at $ 10,721,500 (1971 cost) and allowing for escalation by our calculations, through to the mid-point of the proposed construction schedule, namely:

Mid 1971 - Jan 1972 -	8%)	
Jan 1972 - Jan 1973 -	12%)	Factual escalation.
Jan 1973 - Jan 1974 -	6%	Due to Governmental restraint
Jan 1974 - Oct 1974 -	7%	Forcasted 9%/annum x .83

compounded escalation applied to the 1971 figure gives $ 14,709,129 to which the indirect costs committed by the Owner should be added:

	$
	14,709,129
Indirect Costs	1,886,800
	$ 16,595,929

Without detailed back-up of the estimates submitted by the Architect, we are unable to comment on them in any depth. As the above exercise illustrates however, if the same criteria used by the Contractor-Agent and MDA in building up their respective estimates, be applied to the Architect's 1971 estimates, they would appear to be realistic. This conclusion would indicate that the figures submitted were not used in the correct manner to predicate the budget for this project since escalation and indirect costs do not appear to have been appropriately accommodated.

The alternative configurations of the proposed design contained in the Architect's letter to the Owner of June 6, 1973, together with their respective cost estimates, all offer reduced facilities and parking capacity at varying reductions in the price. These alternates were not considered by the consultant team to have adequately answered the Congressional brief because of circulation problems, cost and capacity This report therefore is directed towards those alternates which were considered to have more nearly satisfied the requirements.

We feel that the cost-control procedures implemented during the design phase were not sufficiently successful in holding the design within budgetary limitations, which was one of the responsibilities of the Contractor-Agent.

It is our opinion that the proposed design could be modified to provide an acceptable amount of parking capacity, for a price close to the budget. To achieve this:

1. All disciplines should be competitively re-bid, including the concrete work, following the design revisions.
2. Tighter controls should be exercised by National Parks Service and the Building Owner over the existing Contractor-Agent Agreement to ensure that the objectives of the agreement are properly aquired for which the fee is already committed. This would obviate the necessity for any additional overall management and construction management requirements which would involve the Building Owner in increased indirect costs.
3. All bids should be reviewed and awarded jointly by the Contractor-Agent and independent representatives of the National Parks Service and the Building Owners, and bidders should be pre-advised of this procedure.

The modified design, based upon the recommendations of the Consultant Team, has been evaluated to the extent possible having regard to the conceptual nature of the revised design parameters. Within this context the following is an approximate estimate of possible costs to construct the desired facility:

Develop West-Side only to provide Parking for approximately 1800 cars	$
Main Terminal Level (including Mezzanine) Steel frame, with columns on 32' and 40' centers in 63' bays with girders and filler beams; 6" reinforced concrete slab on wood forms or metal deck.	2,350,000
Three Parking Levels (without West Cantilever) Steel columns (as above) with steel girders and 63' precast concrete tees with 3" concrete topping.	3,400,000
Modified architectural elements	795,000
Excavation and piling	808,000
Fireproofing steel	200,000
Miscellanious metals (modified)	150,000
Mechanical and Electrical installations	830,000
General Conditions	650,000
	9,183,000
WMATA work (to be negotiated)	500,000
Indirect costs committed by Owners	1,900,000
	11,583,000
Contingency 5%	580,000
Total estimated costs	$ 12,163,000

We consider that if the decision is made immediately with the modified design as suggested and the present Contractor-Agent is retained with tighter controls, as suggested above, a phased construction schedule could be completed by January 1976.

Yours very truly
MDA Construction Consultants

L. A. Alleway p.p.

Leonard Smith

THE OFFICE OF JAMES RUDERMAN

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MURRAY SHAPIRO
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GORDON KOTZER
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NORMAN TEPPER
HOWARD ZWEIG

27 July, 1973

Mr. Aram Mardirosian
The Potomac Group
1077 Wisconsin Avenue, N.W.
Washington, D.C. 20007

Re: National Visitor Center

Dear Mr. Mardirosian:

We have reviewed the structural design for the proposed parking facility for approximately 2,000 cars and the structural modifications contained in the Architect's letter to the Railroads of June 6, 1973. We have studied other possible structural modifications especially with respect to the cost construction and schedule of the project. We report the following:

1. The present plans show a system of steel trusses in the parking cage together with a post tensioned, poured in place floor system, all supported by concrete columns down through the Mezzanine and Main Terminal level to the Track level below. The supported levels that frame to these concrete columns are also post tensioned poured in place concrete. These plans have been bid and cost checked by others and found to be above the budget. We believe that this is due to the cantilever over the Metro, the 98' spans, the mixing of structural trades, the extensive shoring and bracing required because of these conditions, and the necessity to post tension in the field, as well as the quantity and quality of structural materials specified.

2. The Architect's letter of June 6, 1973 includes a memorandum mentioning the following:

A) Reduction of the size of the project which will obviously reduce costs.
B) Structural steel beams on the 63 foot span of the 'parking cage' in place of post tension concrete. This should reduce costs somewhat but evades the major considerations

with respect to field labor, the 98 foot spans, the trusses, the cantilevers, and other structural considerations. The comment regarding waterproofing has some merit but we know of post tensioned slab garages that also leak. This is a matter of workmanship in any scheme. The engineering sketch dated 11June73 showing a proposed carrying out of the idea of 63 foot steel beams shows the use of studs which means more possible shoring and additional field labor in order to reduce weight of steel. This is probably not worth the effort.

C) Post tension concrete framing with reduced spans and added columns at the track level. This may reduce some quantities but leaves intact all the time consuming and therefore costly procedures.

D) Steel framing with the present spans for the lower levels. This substitutes expensive plate girders for expensive post tensioning, but does reduce the cost of shoring of forms.

E) Steel framing with reduced spans. This is a definite saving but the concrete columns are retained with steel cores. If this is just fireproofing, there are probably more economical methods. Again, studs are shown on the Engineer's sketch dated 12June73 which is not desirable. A different arrangement of the steel without studs is probably more economic. In any case all the new items in the 6June73 letter will not reduce the cost enough to approach budget except by a drastic reduction in the size of the project.

3. Our recommendations for reducing the costs are as follow, in ascending order of cost saving, but in descending order of architectural revisions:

A) Convert all columns to steel, keeping the trusses and cantilevers. All girders between columns to be steel. The 63 foot spans can be done in prestressed pre-cast concrete tees for the parking levels. These tees can be erected by the same erector who puts up the steel. On the Main Terminal level, where the heavier live load, due to buses, accurs, either use heavier pre-cast tees or use filler beams of steel with poured in place concrete slabs on metal deck as a form. This would eliminate all post tension work and almost all wood forms for concrete, with the attendant shoring. This alone would not reduce the structural costs down to the budget, but it would introduce the least disruption

to the present plans. The question of fireproofing needs to be researched. Generally speaking, open air garages do not require fireproofed steel, but the areas of this project are larger than usual.

B) Further economies can be effected by several methods. First, the cantilevered space over the Metro can be eliminated. This space can be made up partly expanding the Mezzanine level if necessary. The 98 foot spans can be cut in half or better still in thirds by introducing new columns through the entire height of the structure. The additional columns can be placed in the train space without sacrifice of the number of platforms or tracks. The number of buses that can be accomodated might be reduced but a preliminary layout by this office of the tour buses shows an approximate loss of only 9 buses out of 57 now planned on the Main Terminal level on the west side. All this eliminates the trusses and permits the use of rolled steel girders between columns. These are relatively inexpensive as there is no'building'up to be done. Again the 63 foot spans in the parking levels would be of pre-cast concrete tees. There is even a possibility of pre-cast girders between the steel columns at these levels and finally the possibility of pre-cast columns at least down to the lowest parking level. This would eliminate the fireproofing question and should be worthwhile. The Main Terminal level could be all steel filler beams and girders, all rolled, not built-up, with no studs. The forms for the poured in place concrete slabs could be metal. If it is necessary to fireproof the steel beams over the train space, this can be done economically with a dry system such as "Structoguard" which can withstand outdoor conditions.

C) Finally, we must consider the most economical type of garage construction for the East Coast area. This is an entirely precast column and floor system. However to accomodate this certain basic revisions have to be made to the plans:

I) Ramp parking is an integral part of this scheme. In this the percentage of total supported slab that supports cars goes up considerably.
II) The structure would have to be rotated 90 degrees; that is, the 63 foot aisles and parking would run north-south instead of east-west.
III) The columns would be spaced approximately 9 feet apart in the north-south direction. Larger cross aisles can be created by eliminating columns and using precast girders with resulting aisles of 18, 27, or 36 feet.

While the resulting structure would be quite economical,

we cannot expect favorable cost comparison with similar structures on other sites, as we have lost the use of the lowest level (train space) in all the schemes discussed or designed.

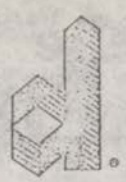
This scheme eliminates the consideration of fire-proofing of steel as all members would be of concrete.

D) While not structural, we would also note that the poured in place facade can be replaced by precast elements that would be less expensive. The vertical cables are also quite expensive, and should be eliminated.

Of course these proposals would require redesign. We are positive, however, that the lost time to do this would in all casesbe more than made up for by the much shorter construction schedule required, as expensive time consuming field procedures would be eliminated.

Sincerely yours,

Murray Schapiro



DIESEL CONSTRUCTION
A DIVISION OF CARL A. MORSE, INC OF MASS.
100 BOYLSTON STREET · BOSTON, MASSACHUSETTS 02116
(617) 482-0321

July 27, 1973

The Potomac Group
1077 Wisconsin Avenue, N. W.
Washington, D. C. 20007

Att: Mr. Aram Mardirosian

Re: The National Visitor Center

Gentlemen:

The following is our report and recommendations concerning the present design of the National Visitor Center and possible alternatives to bring the project within the existing budget.

Our evaluation of the present bid documents results in a construction cost, including demolition, Metro fees, and indirect Owner's costof $20,700,000. This total includes the same dollar amounts as in the construction manager's proposal for owner costs and Metro work. We know from evaluating the Metro number that it can be reduced by approximately $1,000,000, however, the owner's costs were calculated on the basis of an $11,000,000 project and are therefore too low, thus we feel the total for the two is correct. While the quality of the project is very high in many of the architectural trades, the major cost item lies in the structural frame. Clear spans of 98' and cantilevered ramps led to the selection of steel trusses and cast-in-place post tensioned concrete slabs. In our opinion, this has penalized the building from $4,000,000. to $6,000,000. The ramp system in the present design is also a factor in the building's high cost since it involves a very large percentage of the gross area. Other factors contributing to the high cost include an 11' 6" floor to floor height on the typical floor and 30' clear height thru the mezzanine level in the bus area. Also, it should be noted here that Phase I as designed does not provide adequate vertical pedestrian transportation since only one elevator is being called for to serve the upper levels.

Our next objective was then to make recommendations which would bring the cost closer to and hopefully within the funds available. The first task involved a review of the design architect's recommendations. None of these schemes were an economical solution since they did not resolve the high cost of the structural frame and added considerable penalties to the cost of future construction.

Several redesigns were also studied in an effort to provide the maximum number of cars in Phase I and still provide for the building of the entire project. All of these schemes center around a major redesign of the structural frame and can be completed by the target date of January 1, 1976. Time will not be lost since the revised schemes require much less time in the field and redesign costs will be absorbed in the economies generated. It is our recommendation that serious time and effort be placed on this approach.

Comments regarding present design and possible modifications:

The present design with the required mixing of trades in post tensioning and structural steel, extensive shoring and formwork all result in high dollars per sq. ft. cost. Our estimate reflects a $18,600,000 raw construction cost or $20.50 per sq. ft. A more conventionally built garage on this site could be designed and built for $13.00 to $15.00 per sq. ft. The present design only accomodates 2015 cars which reflects 460 sq. ft. per car. An average garage requires 325 to 350 sq. ft. per car. Additional cars can be incorporated into the present design by changing the stall width from 9' to 8' 6". Any major savings, as mentioned previously, must be to the structure itself. The following are some relatively minor modifications which essentially reduce the scope of the finishes and eliminate some of the conveniences:

	Savings
1) Eliminate the encasement of the trusses in concrete.	$ 50,000.00
2) Delete the 2 hour fireproofing requirement throughout the structure.	190,000.00
3) Modify the cast-in-place concrete guard rail.	45,000.00
4) Eliminate the public toilets on the upper floors.	150,000.00
5) Eliminate brick pavers.	30,000.00
6) Eliminate neoprine compression fillers.	80,000.00
7) Delete molded acrylic cap covers.	20,000.00
8) Delete the luminous ceiling.	65,000.00
9) Eliminate sand blasting concrete walls.	40,000.00
10) Delete vertical cables at the perimeter.	80,000.00
11) Eliminate sand blasting and painting of structural steel.	50,000.00
12) Eliminate masonry around the stairwells.	40,000.00
13) Modify the electrical design criteria.	50,000.00
14) Modify HVAC and plumbing criteria.	100,000.00

Comments on the General Contract and bidding procedures.

The general contract as written is not in the Government's best interest in three basic areas.

1) The Contractor is entitled to complete reimbursement of all office personnel assigned to the project on a "task basis." Under this agreement, any and all people who may become involved will be charged to the job; normally principals of the company are not chargeable.

2) The contractor is permitted to perform a portion of the work with his own forces plus a normal subcontractor's percentage profit on that work. This leaves an extremely wide gap as to the interpretation of a normal profit and also does not provide any incentive to the contractor for initiating cost control and/or savings.

3) The agreement provides for a termination clause on the part of the contractor should there be work stoppage by any court or other public authority for a period of 3 months. This should be deleted from any future agreement.

We have had limited access to the results of bidding by subcontractors but it would appear from the information available that there is an extreme lack of response in many trades. This may have resulted from either a weak effort on the part of the General Contractor or since the GC is capable of doing the majority of the work, the subs were not responsive.

We would recommend that in any revised contract, that a) major trades be competitively bid under the control of a Construction Manager and b) depending upon the structural system, insist upon a guaranteed maximum for a cost of concrete work either by subs or the Construction Manager.

Recommendations and Cost analysis of Alternate solutions which will provide the maximum number of cars for the funds available.

The project, in our opinion, requires two separate structural solutions. The main deck with its heavy loads and relatively high elevation off the ground level can be framed most economically with structural steel. The deck itself should be a cast in place 6" stone concrete slab using woodforms or permanent steel forms. The upper parking levels or "cage" is best framed with pre cast "T"s. The columns and girders can be either precast members or structural steel. Our analysis using essentially the same architectural layout and dimensions of the present facility, eliminating the trusses and cantilever, changing the framing to that described above, substituting a precast skin for the cast in place concrete and incorporating modifications to the scope as described on page 2 of this report results in a total cost of $12,240,000. This provides for parking 1720 cars and includes the required access ramps along the south and east

approach to the Visitor Center. Should the mezzanine be expanded to provide parking at this elevation, a total of 2,020 cars can be provided for $13,260,000. Construction time would be approximately 18 months after completion of working drawings. It would be our recommendation that the project proceed on a fasttrack basis. Since the foundation design would require only minor changes, this work could begin almost immediately. The main deck could also be purchased and steel put into fabrication while the piles were being driven. The "cage" could then follow and could be bid direct by several local precast firms. The construction manager would also be receiving bids and coordinating the efforts of the other mechanical and architectural subcontractors. Overall construction time could be compressed to approximately 22 months under this approach.

Another approach which was studied provides for a complete deck across the entire site and a parking or bus level under the east half. This scheme uses the same framing system as recommended previously and can be built for approximately $11,000,000 including the ramps etc. in the front of the project. The bus or parking level which costs approximately $1,000,000 can be omitted from this scheme without any serious affect to the construction cost or schedule. However, if built and not used for buses parking it could provide additional parking for the NVC for $11.3 million.

Comments regarding proposed alternates of the Architect and his consulting engineers in the architect's letter to the railroads of June 6, 1973.

The redesign or modification effort of the design architect was not in the proper direction. It is our definite conclusion after reviewing the multitude of possible alternatives any redesign or modificaiton must:

a) eliminate trusses
b) reduce long spans
c) eliminate post tensioning
d) eliminate the cantilever

To try and salvage the present structural design or any part thereof will not generate the economies required to bring the cost close to the budget.

Conclusion

Working within the basic design configuration of the present scheme and incorporating the design modifications to both the architectural and structural elements as discussed in this report, we would recommend the building of a parking facility on the west half of the site. Working in this area provides for minimum interference of the railroad, can tie into construction of

a new RR Terminal, provide parking for 1700-2000 cars and permit construction of the east phase independent of the operation of this new facility with little or no construction penalty. It would also be our strong recommendation that the construction contract be renegotiated and tied into a realistic construction budget which must be honored by all members of the design team.

Sincerely yours,

DIESEL CONSTRUCTION

Donald Piser
Vice President

LACK OF COST CEILING

Mr. YATES. "Interior also did not require Hyman to keep the cost of the project under any particular price ceiling."

There is nothing you could have done about that under the contract, is there?

Mr. HITE. That is correct.

Mr. YATES. Whatever the costs were, you were obligated to pay them?

Mr. HITE. Yes, sir.

Mr. YATES. Could you have corrected that when you entered into the amendment for the construction of 2B?

Mr. HANSLIN. Not without stopping the project because at that point in time 2B was still not redesigned and no one would give you a fixed price contract if the building wasn't designed. We would have had to stop the work and design it and then get your fixed price contract.

Mr. YATES. In retrospect wouldn't that have been the logical thing to do?

Mr. HANSLIN. That is the tradeoff as to whether the building was to be built for the Bicentennial or not.

Mr. YATES. It also says, ". . . the Government paid Hyman a higher profit percentage for the company's role as agent as the price of the project escalated."

If his fee is predicated on the cost, as the costs went up his fees also increased.

Mr. HANSLIN. No, sir. It was a fixed fee.

Mr. YATES. No matter what the costs were. So this is incorrect.

Then it says, "Richard V. Caruso, executive vice president, said yesterday that the unusual contract represented an effort to speed construction of a project for which the architectural drawings were not complete."

That is what Mr. Hanslin just said, you will agree.

"'All of the major cost overruns were the fault of changes in the scope of the work, the site not being available, and inflation,' Caruso said."

Mr. HANSLIN. Yes, sir.

Mr. YATES. Is that correct?

Mr. HANSLIN. Yes, sir.

Mr. YATES. "'As an Interior official,' said Richard R. Hite, Deputy Assistant Interior Secretary for Management, 'there's been much to be desired in the management of this project, and that's probably the understatement of the year.'"

Mr. Hite, you don't deny having said that?

Mr. HITE. No, sir.

Mr. YATES. Without objection, this article will be made a part of the record at this point.

[The information follows:]

[From the Washington Post, Aug. 6, 1976]

VISITOR GARAGE COST UP 217 PERCENT

(By Ronald Kessler)

Three years ago, the Interior Department began to build a parking garage at the National Visitors' Center at Union Station for 1,800 acrs plus bus-loading facilities at an estimated cost of $18 million.

Now, the Interior Department estimates that the garage, which is still under construction, will actually cost $40 million for only 920 parking spaces plus the bus facilities.

This amounts to more than a 200-percent increase in cost per square foot—from $20 to $62 per square foot—in 3 years. During the same time, construction costs in general in Washington escalated by an average of 37 percent.

Because of the cost overrun, most of the construction on the garage has been stopped since May, while auditors investigate the figures and the Interior Department searches for more money to complete the project.

Most of the construction work on the concrete Visitors' Center garage is being done by a Bethesda firm, George Hyman Construction Co., which has an unusual contractual arrangement with Interior for this project. Hyman is supposed to act as the Government's agent, representing its interests in dealings with contractors. As part of this role according to the contract, Hyman was supposed to solicit competitive bids for work on the project.

According to one Interior official, Hyman felt it was a "competent" contractor itself, and therefore awarded itself the contract for the major portion of the work—pouring concrete. This contract award, which was approved by Interior, was made without any competitive bidding.

Interior also did not require Hyman to keep the cost of the project under any particular price ceiling. Indeed, on most of the work, the Government paid Hyman a higher profit percentage for the company's role as agent as the price of the project escalated.

Richard V. Caruso, executive vice president, said yesterday that the unusual contract represented an effort to speed construction of a project for which the architectural drawings were not complete.

"All of the major cost overruns were the fault of changes in the scope of the work, the site not being available, and inflation," Caruso said.

If Hyman had agreed to build the project at a fixed cost, Caruso said, the changes that were made in the work would have produced "millions of dollars in changes and extra costs."

"As an Interior official," said Richard R. Hite, Deputy Assistant Interior Secretary for Management, "there's been much to be desired in the management of this project, and that's probably the understatement of the year."

The Visitors' Center project had its origins in a 1967 study commission recommendation that the grimy but architecturally imposing Union Station be converted into a tourist center where visitors could learn about Washington and how to get around it through exhibits, films and information booths.

Former Representative Kenneth J. Gray (D-Ill.), who is widely acknowledged to be the father of the project, envisioned a parking garage for the Visitors' Center as a convenience both to train travelers and visitors, who would take shuttle buses to the Mall. Gray said the Mall itself did not have sufficient parking.

The renovation of the station itself has nearly been completed at a cost of $9 million. The mammoth, neoclassical building has been converted into a gleaming, carpeted information center, gallery, and subway station, with a new railroad station in the back.

The parking garage, perched like a contraption from outer space atop the railroad tracks and the new train station, has scaffolding and steel sprouting from its ramps. At the time most of the construction was stopped in May, 62 percent of one portion of the garage and 85 percent of the other had been completed.

As Government contracting work goes, the cost overrun at the Visitors' Center garage is hardly unique. Agencies such as the Defense Department, General Services Administration and the Postal Service regularly report cost overruns that sometimes reach staggering proportions. The FBI building, Kennedy Center, and Rayburn House Office Building have each incurred overruns that are classics. The Visitors' Center parking garage provides a still-unraveling case history of how such increases occur.

As in any controversy where reputations are at stake and millions of dollars are involved, the project evokes strong emotional reactions from participants, some of whom have been reduced in their frustration to using strings of expletives when discussing it. Interior officials say they were not involved in the crucial decisions made 3 years ago.

Those who were involved are hard to find, and some have difficulty remembering decisions they made or why they made them. Lars A. Hanslin, the Interior attorney named by his colleagues as the individual who had responsibility for drawing up the Hyman contracts, said he was not involved but would find out who was. But he never did.

The architects on the project have become embroiled in a bitter professional dispute. Interior and the Transportation Department have been involved in a tug of war over which agency will control portions of the finished project.

"Everybody's a little nervous about this thing," said J. E. N. Jensen, who has been the Interior's project manager at the National Visitors' Center almost from the beginning. "It's there, it happened," he said.

In theory, Congress is supposed to prevent excessive Government spending. The Visitors' Center project was overseen by former Representative Gray, who headed the House Public Buildings and Ground Subcommittee, and Gray often suggested that expenditures of the project were insignificant compared with foreign aid appropriations.

From the beginning, the project was destined to be expensive because of a decision to place the garage with its bus loading level over the railroad tracks. Buses need extra support, and placing the structure in the air—and building it while trains were moving beneath—added considerably to the cost.

In addition, the project was plagued with work stoppages caused by labor troubles and lawsuits. Under a complicated arrangement, the railroads using the station were nominally the parties directing the project, even though Interior provided most of the money and was in charge.

It is not clear why the garage was not built on the ground to the right of Union Station as one faces the station. Asked about this, Jensen, the project manager, said he does not recall the possibility being considered. "I hope nobody asks me to answer it," he said.

Making an allowance for the space that will be used by the buses, the total cost of the garage comes to $30,000 per parking space, or almost enough to build a house. Some of this cost is attributable to heavier construction needed to accommodate buses. Allowing for bus space again, the construction costs alone—exclusive of architectural and engineering fees and other "soft" costs—comes to $25,000 per parking space.

VISITORS' CENTER PARKING GARAGE

	May 1973	June 1976
Total cost	$18,000,000	$40,000,000
Cost per square foot	$20	$62
Parking spaces [1]	1,800	920+

[1] Excluding space for bus loading.

In contrast, construction experts and trade reports state that a commercial or municipal parking garage can be built for $4,000 per space.

The cost of the Visitors' Center garage per square foot—$62—exceeds the per-square-foot costs of constructing many office buildings. How much of the $62 cost is attributable to construction over the tracks to support buses is not known.

For this reason, Hyman executive vice president Caruso said the cost of constructing the parking garage should be compared with building bridges. He said Hyman was not involved in deciding that the garage should be built over the tracks.

After a major cost overrun occurred in early 1973, a number of consultants were hired by Interior to evaluate the project. One firm, Diesel Construction, reported that about a third of the cost of the project could be cut by changing its design, even if the building were placed over the tracks.

Diesel said the design, by architect Seymour Auerbach, used unusually long spans of steel that raised costs and were not needed. It also said the plan allows for higher ceilings and more space per car than in a standard parking garage.

The consultants also criticized the contract with Hyman. Although Hyman had been selected by the railroads, Interior was in a position to change the agreement, Interior officials say.

Diesel said flatly the contract was "not in the Government's best interest." Allowing Hyman to work for itself allows an "extremely wide gap" over the question of how much profit it should receive for its concrete work, the firm said.

Diesel noted that other firms asked by Hyman in its role as agent to bid on the project had not responded normally. This may have been because Hyman had made a "weak effort" to obtain bids or because other firms knew Hyman could do the work itself, Diesel said in a report to Interior.

"The whole concept of the contractor agent is he is supposed to be on the owner's side," said Leon R. Thygesen, who recently became Interior's contract officer on the project. "Otherwise, what are you paying him for?"

Based on the consultants' criticisms, Thygesen recommended major changes in the project, which he said were approved by the National Park Service, the Interior Department agency responsible for the project.

Interior Secretary Rogers C. B. Morton signed a final contract with Hyman in late 1973 without altering the key items that had been the object of criticism.

"At that time," said Interior deputy assistant secretary Hite, "Rep. Gray gave us an indication that we could get more money. We felt that would certainly be sufficient to cover the project. I think we felt we'll take a bath on this, but let's go ahead and finish the project."

Hite, who was not involved in the project at the time, said Gray made it clear he wanted the project completed "at virtually any cost."

Gray said in a interview, "As far as the costs are concerned, you can lay that on Hyman Construction and labor. The labor unions went on strike."

Gray suggested, however, that the cost overrun at the garage was not out of line with other Government overruns and should be evaluated against foreign aid appropriations. "Everybody wants to put a dollar figure on courtesy," he said.

As it turned out, the overrun was 217 percent over a 3-year period. Construction costs increased in Washington during that period by 37 percent, according to John H. Farley, chief editor of McGraw-Hill's Dodge Building Costs Services, which tracks building costs for architects.

Interior says it did not find out about the garage cost overrun until Hyman—which was required by its contract to assure the owner that "funds available are adequate to cover the work"—informed the Government in May that it would have to stop work because funds for the uncompleted project were about to run out.

A month earlier, a Hyman official had told project manager Jensen that the portion of the project that was most responsible for the overruns was costing "close" to the original estimate, Jensen said.

Another firm, Monk Dunstone Associates, was also supposed to monitor the project's costs. Derek A. Alleway, the firm's representative on the project, said the construction consultant notified. Interior of an overrun of about $1 million last December, although it reported other aspects of the project were costing less than expected.

Alleway said Monk Dunstone requested more information from Hyman through Interior, but Hyman did not respond. "Basically, our teeth had been pulled," Alleway said. "If we had gotten the information, we could have done a better job of it."

While labor strife and other unpredictable factors contributed to the overruns, the largest single increased cost cited by Hyman was a need for more steel than originally anticipated. In its letter informing Interior of the overruns in May, Hyman said 3,385 tons of certain types of steel were needed, instead of the 1,743 tons in the original estimate. The increased steel, in turn, raised the cost of the concrete work, Hyman said.

Hyman said the steel estimates had been made by Interior consultants not by Hyman. "These (consultants') estimates were inaccurate, and substantial additional steel has been required," Hyman executive vice president Caruso wrote to Interior.

Interior officials vigorously dispute this. "Any construction contractor needs to know how much material is needed in order to give a price," said contracting officer Thygesen. "Our records on the negotiations indicate they (Hyman) had their own estimate on steel," added Robert W. Laubenheim, who alternates with Thygesen as contracting officer.

Interior auditors have been attempting to determine why the estimates were incorrect and to independently verify how much steel was used.

"The biggest mystery," said Alleway of Monk Dunstone, "was why did Hyman wait to inform Interior of an overrun until the work was already done?"

"We got a computer scan from Hyman on the costs incurred, and we didn't get any indication of any overrun," said Interior deputy assistant secretary Hite. "Hyman had already put the steel in," he said.

Hyman executive Caruso said yesterday, "On the cost overruns, I feel they (Interior) knew all along, and if they didn't, they should have known. They conducted a monthly audit. Our project manager kept Interior advised that there would be cost overruns," Caruso said.

"On the steel," Caruso said, "Monk Dunstone had all the information they needed and requested. How they used it was their business."

Caruso said Hyman did not have its own steel estimates and relied on those prepared by Monk Dunstone.

Mr. YATES. So have you cleared your request for additional funds with OMB?

Mr. HITE. No, sir; we have not.

Mr. YATES. I think before the committee acts on it you ought to submit an appropriate budget estimate. Have you submitted it to OMB yet?

Mr. HITE. We have discussed it.

Mr. YATES. You are discussing it with OMB. They are horror-stricken, but that is as far as it has gone.

Mr. REED. They have been involved for a number of months on the department team and the interagency team which examined the options accelerating the thing when we were notified of another major overrun.

Mr. MCKAY. Could you provide for the committee what the difference in costs may be for buttoning up, and then reopening competitive bids for contracting?

What kind of differential are we talking about if we proceed on that basis?

Mr. REED. We have worksheets on that. Because of the delicate nature of future contracting, I think it would be in order for me to say, if you would hold on to that material as privileged information, because it would affect future bidding or a decision to complete the project with a present contractor—

Mr. YATES. Does that mean the testimony that we have received so far should be stricken from the record?

Mr. REED. No, sir. It is just our data on the two very sound questions that Mr. McKay asked, which we have done considerable work on.

Mr. YATES. Suppose you submit his request and we will keep it in the file.

Mr. REED. Fine.

Mr. MCKAY. I am just concerned where we are going here.

Mr. REED. So are we.

Mr. MCKAY. If you just button it up and leave it for future decision, are they going to come back time after time as they have with Pennsylvania Avenue?

Mr. YATES. We call it the Phoenix.

PROBLEMS OF "BUTTONING-UP"

Mr. MCKAY. If you leave that half-completed parking garage open, the deterioration in the steel may get to the point where you will have to tear it down to start over. We may just get ourselves into another fiasco here if we haven't something completed.

Mr. HITE. I agree with you, sir. As I understand the construction nuances here, part of the buttoning-up process is to insure the architectural integrity for any time in the future. It seemed to me that the only way we had to go to come to you gentlemen and to come to the Public Works Committees to make do with the authorization we have, finish what can be finished and attempt to pin down a fixed cost for the completion of the project.

Mr. YATES. Are you testifying before the Public Works Committee too?

Mr. REED. We will be.

Mr. YATES. When?

Mr. REED. I suspect rather in the near future. They want the same oversight this committee has asked for and gotten too, a status report of where we are and our options.

MEMBERS OF INTERAGENCY COMMITTEE

Mr. YATES. You use the phrase Interagency Committee. What is the Interagency Committee?

Mr. REED. We have had members of the team from DOT, Amtrak, UMTA, Federal Highway Administration, Federal Railway Administration, and ourselves.

Mr. YATES. Are they thinking of taking up where you leave off, making it an intermodal venture?

Mr. REED. They have that thought but we were obviously looking for a consensus of whether there were other funds available in other departments or other accounts which could complete the building.

Mr. YATES. So you don't have to come back to this committee?

Mr. REED. What authorities there were in other agencies to complete the building. We have looked under every stone to see if the administration chose the option of completing it that way, whether there was any additional money around.

Mr. YATES. What is the inclination of the administration? Are you the administration, Mr. Reed?

Mr. REED. No. I am a member of the administration. The inclination of the administration, as Mr. Hite testified, is to button up, complete the contract and to go out for fixed cost, fixed time period, one-time contract to finish the building.

Mr. YATES. Who in the administration has to pass on that?

Mr. REED. Mr. Lynn at the Office of Management and Budget.

Mr. YATES. He is the Supreme Court on this?

Mr. REED. Unless there is a division of opinion and then it would go to the President himself.

Mr. YATES. What about Secretary Kleppe?

Mr. REED. My position is Secretary Kleppe's position.

Mr. YATES. He has agreed this is the course to be taken?

Mr. REED. He feels we cannot continue without getting a specific bid which we should have had in the first place.

Mr. YATES. The statement you have just made for the record is the position taken by the administration as to the course to be taken?

Mr. REED. As of today.

CONSENSUS OF OPINION ON FUTURE OF NVC

Mr. ZAPANTA. Mr. Chairman, at this time I could enter in on the conversation. About 3 to 4 weeks ago Mr. Reed and I as well as the representatives from DOT, as mentioned, and Secretary Kleppe, Deputy Secretary Barnum, did have a meeting and did discuss in fact what were the viable options. We in our office beginning with Mr. Reed, Mr. Fish and the rest of the people that have in fact been part of this for past history, figured, OK, what are we going to do with this? We

know we have this problem, and we have worked very diligently—it was my second day on board that I was into it—to go through the same process you gentlemen have gone through with us.

It became very apparent in order to be able to have a grasp of what the problem is and what the dollar costs were going to be in the future and in good contract management, which is trying to understand where you are going and how much it is going to cost to take you there, we came up with two viable options at the meeting, one obviously to try to go forth with the completed project all the way to its total completion, which we felt was not realistic because there were not the abilities at this point to come up with all these final fixed prices.

The other option was obviously buttoning up and trying to finish off the project with the available moneys and also going up to that $3.5 million, and then to go into, shall we say, a bid process around January or after the first of the year to have a package and come back and deal with as a final fixed fee of the completed project.

It seemed the only way and I think that is what you have heard today.

One of the processes we have had is both of our audit offices within my office and also Kilsheimer coming forth with an interim report which we will make available to you which we feel will be ready the middle of September. That really puts the basic thrust of the problems.

Mr. Evans, I think you came to the point directly, and that was the reasons were back in history, back in the early 1970's where there were incomplete drawings. These drawings then were taken forth, and the estimates drawn by the Hyman Co. at that point were really not solid figures.

We also brought this contract through this unusual agreement in 1973–74 at that time that the oil embargo was to hit, which you alluded to, Mr. McKay, as far as structural steel tripling, scarcity of cement and other construction materials.

You look at that and the problem of the contractor not being brought on—the design and the architectural drawings at that first phase was after the fact and not being phased in. I am sure those of you familiar with construction appreciate how that must be handled; and also the work stoppages really add to the whole mountainous problem we have here.

We think we are heading down toward finally getting a grasp. We are looking for your help and advice in trying to get this to finalization but we feel with this option Mr. Reed has stated in trying to get this thing buttoned off, at the same time in January to try to turn around to get the money to finish the parking—because it makes no sense to do the thing half and let it rot.

We have tried to make an earnest effort, and I think we have done that. In good contracting when you can talk about a cost plus fixed fee contract, I think of my time in private industry. Let's say you were to spend a year or the contract was for a year for $1 million. If you go 2 years and the cost is $2 million, you fee is still 5 percent, you have just lost 50 percent; you are down to 2.5 percent, you are losing money.

I know Hyman's attitude on this. They are not happy on this. They feel they are going to lose money in the long run. I think we all share in it, Congress as well as the executive branch as well as the Terminal and Chessie Co. has a little blame in this.

We do have a National Visitors' Center. That is something I think Congress, the American people, the executive branch, see as worthwhile. We want to try to finish it. That is why we are here today, sir.

Mr. YATES. Thank you.

Mr. Regula.

FUTURE OF THE NATIONAL VISITORS' CENTER

Mr. REGULA. Mr. Reed, as I understand it, when you complete the buttoning-up process we would be finished in terms of costs except for the obligation of $3.5 million. This is if nothing else were to happen. In return, we would have access for the public to the Visitors' Center plus the bus portion of the ramp. Is this correct?

Mr. REED. The bus facility and the ramps.

Mr. REGULA. All right. Won't the first thing have to be a final decision as to the future of this facility? This is in terms of the proposal that it ought to revert back to a rail center as opposed to continuing as a Visitors' Center: Or is that decided?

Mr. REED. I don't think that has been decided. I don't think, however, after this enormous investment that Interior is prepared to give up the Visitors' Center to DOT without seeing its basic mission to provide the incoming visitor with a history of the city and the things he can do and do very well.

We have been unable to reach an agreement with DOT on what we consider to be an equitable distribution of space within the building. That does not foreclose either ourselves or Congress reaching a decision on its merits or to the division of that building and the future of that building. It is hard to believe from 1968 to 1976, the railroads being out in 1968, back in 1976—I can't foresee what is going to happen in 1980, if you believe DOT's estimate we will all be riding the rails.

If you take their projected increased visitor use perhaps we ought to get into very detailed discussions of how to better use the space in that building. But at the moment it has been all give and no take. I think this committee having put up a lot of money as authorizing committee, the Public Works Authorizing Committee, the Transportation Committee and the administration are going to have to reach some agreements.

Mr. REGULA. Would you be comfortable in recommending that we go ahead and complete the parking, even though there is this question of returning it to some increased rail passenger usage?

Mr. REED. Yes, Mr. Regula, I would be most comfortable in completing the rail, the parking garage if I had a fixed cost and a fixed date contract. That is the only sensible way to go.

Mr. REGULA. Would you contemplate coming back to the authorizing committee with a total plan including a firm cost estimate that Congress could act upon?

Mr. REED. Yes, sir.

ALTERNATIVE PARKING SITES

Mr. REGULA. In doing so, would you examine the alternative that has been suggested of using the space adjacent to this? It has been said this would cost substantially less for parking, not requiring these high-cost support structures.

Mr. REED. I don't think that possibility exists. I think we are too deeply committed to where we are now. We have too many millions of dollars in concrete and steel to consider changing the basic plan for the parking now. I think we certainly would consider the other space for additional parking or for the railroads or for something else, but not for the parking. I don't think that is possible.

Mr. REGULA. How many parking spaces would you contemplate in this package?

Mr. FISH. That would be the 1,272.

Mr. REGULA. The 4,000 is gone.

Mr. FISH. It is not precluded. What we are doing, in effect, is building about a quarter of that overall plan so that we build that particular segment. The rest of it could be completed in future years, and I believe that is part of the DOT's study.

Mr. EVANS. As I understand it, your existing structure is for 1,272 contemplated parking spaces, but it would not as it now stands handle 4,000?

Mr. FISH. That is correct.

Mr. MCKAY. If you would yield.

But is it structured so you could add without a rebuilding process the extra thousand or two thousand spaces?

Mr. FISH. Yes.

Mr. MCKAY. It is structured so you could proceed with the increase?

Mr. FISH. That is correct. We are building a segment of that facility right now, and it would tie into the original plan for 4,000 cars. But the Visitors' Center needs parking. The visitor has to have someplace to park, and certainly the rail passenger has a need for parking, so it would seem to me that, regardless of the jurisdiction question, parking is very desperately needed at that facility.

PRESENT VISITATION AT NVC

Mr. REGULA. Are you getting a lot of use of the Visitors' Center thus far?

Mr. REED. The part marked in X is the part that is under construction now. You see how much additional space is possible.

Mr. REGULA. So the additional space would be horizontally rather than vertically?

Mr. FISH. That is right; and build it out to H Street.

Visitation as we have this year is 460,000 through the 29th of August.

Mr. REGULA. How does this compare to your projections?

Mr. FISH. It does not compare too favorably. The Center was designed to handle significantly more than that, but again that was designed on 4,000-car parking and that is not there. That is why I say parking is very desperately needed to get people a place to park, come to the Visitor Center, and then make their trip to the Capitol and the Mall and so forth.

Mr. EVANS. Will the gentleman yield for a question?

If parking is built, would the Interior Department have the jurisdiction over the parking and could they charge costs against people for parking, and would those charges come into the budget of the Interior Department? Would those be funds you would generate that would come into the Department of Treasury?

Mr. FISH. That would be the jurisdiction of the National Park Service. It would be handled as a concession. There would be some funds depending on the rate structure that was established that would come back to the Treasury.

Mr. YATES. Mr. McKay.

Mr. MCKAY. Do we have the total of all funds put into this project, that is, the railroad putting in $16 million, DOT has put in so much; is that the $44 million?

Mr. HITE. Yes, sir.

Mr. MCKAY. From all sources.

Mr. HITE. I have this for the record.

Mr. YATES. Is this it? Appropriated by Congress 1973 and 1974, $8.68 and $9.32 million; UMTA agreement, $8.16 million; Federal Highway, $1.6 million; the railroad agreement, $16,425,000; GSI agreement, $165,000, for a total of $44,188,000.

Mr. MCKAY. This would not include that which we have paid the Penn Central to pay us?

Mr. HITE. No, sir.

Mr. REED. No; we haven't that in there.

Mr. MCKAY. As you look at these plans you are going to provide information for us on whether to continue with the present contractor or terminate the contract and start another one. Those things I think ought to be included.

Mr. HITE. We will include those.

COMPARABLE PARKING FACILITIES

Mr. MCKAY. I just got some figures from a parking lot that was completed in Salt Lake City a year ago now. They completed it, a 2,000-car parking terrace, at $4,500 per car, roughly $9 million.

How would this compare to that?

Mr. REED. We have done the same. We have called around the country to get different costs per car and run them against ours, because of the same feeling; when we take out the pencil and divide we get the same astonishing results. The reasons I have been given have been the very heavy construction that we entered into plus commitments to the Fine Arts Commission and the National Capital Parks, and this incredibly long and delayed process of arriving at construction.

Mr. FISH. Plus you are building 30 feet above active tracks. Right away you have to get the railroad back in under the structure, so you have to take out the tracks in some cases and build the structure above it. In other cases the tracks are active and you have to take out three or four at a time and do some shifting around there. Then you have the bus parking deck, and it was anticipated in the original design of Greyhound and Trailways with their big buses that would be in this facility. It was designed according to their specifications, and that required a great deal of distance between the columns for these huge almost bridge-like trusses. So by the time you get up to the beginning of the private car parking deck where you could compare that figure from Salt Lake to this figure, it might be comparable——

Mr. EVANS. You mean thereafter?

Mr. FISH. Yes; thereafter, Mr. Evans.

Mr. MCKAY. Provide that comparison for the record.

[The information follows:]

Approximate cost per parking space—Salt Lake City facility (per Mr. McKay's example): $4,500.
Estimated cost per parking space—National Visitors' Center: $10,375.

TIMEFRAME FOR DECISION ON NVC

Mr. YATES. Mr. Reed, how long do you want to take to make up your mind? The committee doesn't want to lose track of what you are proposing to do. When do you want to report back?

Mr. REED. I have been on another detail for 6 months, Mr. Chairman.

Mr. YATES. Yellowstone detail?

Mr. REED. Yes.

Mr. ZAPANTA. We have to get our hands on it, Mr. Chairman, too, so we are shooting for probably 30 days.

Mr. YATES. Do you want to come back say about the 28th of September?

Mr. ZAPANTA. I think if we could shoot it to the first week of October——

Mr. YATES. The first week of October you won't find us here.

Mr. REGULA. Does the railroad company pay taxes and bear any maintenance responsibilities under the terms of this 25-year contract?

Mr. HANSLIN. District of Columbia real property taxes.

Mr. FISH. And they would have maintenance of the track bed.

Mr. REGULA. Of the structure, I mean.

Mr. FISH. No.

Mr. REGULA. That is handled by the Department?

Mr. FISH. Yes.

Mr. REGULA. In contracting generally to have structures or roads built, does the Park Service normally do this on a bid basis, where the plans are submitted to the proposed bidders and the lowest, best bidder gets them? Or do you normally do these on a negotiated contract basis?

Mr. FISH. We normally do them on the former where we have the set of plans, we put them out to the contractors and they bid on the project, and that is the way we do most of our work.

POSSIBILITY OF DOT ASSUMPTION OF RESPONSIBILITY

Mr. YATES. Mr. Reed, why shouldn't you turn this whole thing over to the Department of Transportation and let them handle this as an intermodal operation?

Mr. REED. We have considered it. It has been hotly debated inside the Department, Mr. Chairman. I am not going to hide anything from you. The operating costs, the manpower structure, have all been debated. I wouldn't hide from you that I felt this was going to fly by the President; that he was going to consider adding significantly to the manpower and budget requests of this committee. I personally was of the opinion we ought to cut down our stewardship of the building and enter into an agreement with DOT.

Mr. YATES. Isn't the primary function of this structure really one that will permit a central activity for buses coming to the capital, trains coming to the capital, a place for automobiles to park, possibly the use of a helicopter service connecting it with Washington National

or with Dulles or both, and your Visitors' Center is really an appendage to that concept, isn't it?

Mr. REED. Yes. I think a very important appendage, and that is why I was hopeful in spring and summer we were going to be able to reach some agreement on the division of the property that made sense for both of us.

I don't think we have reached that agreement. I think we are still going to try.

Mr. YATES. What is holding you up, the fact that you want to keep control of it?

Mr. REED. No, I don't think that was, and I don 't want to speak ill of anybody. I don 't think the offer from DOT was in any way——

Mr. YATES. What did they offer you?

Mr. REED. We can furnish the committee their recommendations.

Mr. YATES. I would like to have a copy of that.

[The information follows:]

POTENTIAL ELEMENTS FOR DOT–DOI AGREEMENT

DOT will provide an upset maximum of one-half of the presently established overrun amount for completion of the National Visitors' Center projects ($3 million) for the following considerations:

1. Completion of all projects currently planned or under construction at the site by Hyman Construction Co., including the 1,200 parking garage (projects 2 and 2A), elevated concurse roadway, H Street connecting ramps, and metrobus and tourmobile facility with no further liabilities (completion approximately March 1, 1977). Suspension of construction of garage to be reinstated prior to August 3, 1976.

2. Any and all additional overruns and extras' claims by the contractor to be the full responsibility of DOI including those elements funded in part by UMTA.

3. Guarantee from Terminal Realty Baltimore Co. that all remaining projects planning or presently under construction on behalf of the replacement station project be completed with no cost exposure to DOI or DOT by January 1, 1978.

4. Conveyance of Lease to DOT—full support of appropriate legislative change to Visitor Center Act of 1968 by fall, 1976.

5. Conveyance of remaining air rights to DOT as called for in the 1974 Amtrak Improvement Act.

6. Upon completion of the garage by April 1, 1977, DOT shall control operations of the garage and shall provide access to transportation and NVC users absorbing all operating costs and receiving all revenues. DOI meets any M. & O. costs incurred prior to completion of garage.

7. DOI will continue to be operator of the NVC facility and garage for the period June 4, 1976, to January 1, 1978, and will be responsible for all lease payments, operational costs and liabilities and assume all revenues.

8. After January 1, 1978, DOT will assume full operational responsibility for the entire structure as a transportation facility, with NVC space limited to not less that the PAVE and the Presidential suite, and NVC Tourmobile facilities.

9. DOI shall have long-term rights to the facilities necessary for the PAVE and Presidential suite at an agreed to rental base. Additional space requirements would also be subject to negotiations and rental payments beyond those established in item No. 10 which follows.

10. DOI will agree to pay a minimum of $_____ per year for 25 years for use of the PAVE, and Presidential suite beginning January 1, 1978. (This cost must include an escalation factor for M. & O. costs on an annualized basis.) If by mutual agreement of DOT and DOI, this space is required for other uses, then this annual payment may be renegotiated. (Special provisions for tourmobile staging also included in this item.)

Mr. REED. We thought we should have more room and be able to handle the visitors, both, working around the existing building.

Mr. YATES. What is it you want to do with the building?

Mr. REED. I think the contact of the visitor, the ability to get information of how to get around the city, what to do in the city is very important.

Mr. YATES. He is not getting it now, is he?

Mr. REED. Yes, he is getting it now.

Mr. YATES. I was there yesterday and I didn't get it. You have four or five different kiosks with personnel that are handing out pamphlets and possibly information, and you have the screen, the audiovisual introduction which does nothing but play band music and permit you to see children, a picture of Congress. There is no guided tour to the city with that device.

Mr. REED. The two movies, however, are worth seeing.

Mr. YATES. You mean in the theater?

Mr. REED. Yes. I would urge you to see them.

Mr. MCKAY. I didn't notice there was a theater there.

Mr. REED. Superintendent Gross is making more of a display that the two movies are going on sequentially. There is a movie about how our city developed into the Nation's Capital and the second is how the American system works. Both are extraordinarily interesting; the Hall of the State shows things they can do in other States as a national visitor. The book store has been a big success. I will let Mr. Gross speak to anything else about the building.

Mr. YATES. But the book store and newspaper centers are natural parts of a railroad station, aren't they, rather than a visitor center?

Mr. REED. They are oriented toward the Nation's history.

Mr. YATES. They can still be as part of the railroad center?

Mr. REED. They can. There is nothing that we are doing in the building that the two entities couldn't do together if we could reach agreement. Perhaps we need direction from the administration or Congress. Our principal concern is how to conclude the building.

Mr. YATES. When are you meeting with the DOT people again?

Mr. REED. I expect to meet with them within the next 2 weeks.

Mr. YATES. Would you tell us the results of that when you come back on the 28th?

Mr. REED. Yes.

Mr. YATES. In the meantime you haven't heard from either of the Public Works Committees as to what your plans are?

Mr. HITES. No sir. We haven't been called to a hearing.

Mr. YATES. Is there any estimate as to what the cost of the transportation center will be, an intermodal transportation center?

Mr. FISH. That is what I referred to before, and I don't think anybody really knows, but it could be 75, 100 million.

Mr. YATES. Has DOT developed that?

Mr. REED. They have a major study that is completed.

Mr. YATES. On that intermodal center?

Mr. FISH. I believe it is completed.

Mr. REED. I will send you my copy.

INTERMODAL CONCEPT FOR NVC

Mr. ZAPANTA. Mr. Chairman, 3 years ago I was a White House fellow at DOT, and one of the areas I was into was to work on the Visitors' Center. I think what Secretary Reed is really moving and alluding

to is that the integrity of the National Visitors' Center itself and its functions. The DOT proposal was, one, in essence leaving the audio-visual sunken area and moving all functions of our Visitors' Center in on the Hall of the Presidents, that little wing where they have the first ladies' dresses and things of this sort, which is obviously not an appropriate situation.

No. 2, to take where the area is now and spend moneys at this point to change that area that is now much of the front area where you see the information booths, turn that area as well as much of the existing Visitors' Center into ticket booths for Amtrak.

I think what our concern is, yes, obviously it is a transportation center when you move back away from the Visitors' Center itself, but at the same time in going towards this hopefully joint agreement and a resolution of something that will bring Washington, D.C., a visitor center and not just another train station. That is what we are concerned about.

I think you will agree with us that both themes are not incompatible.

Mr. YATES. No. I agree they are very compatible. As a matter of fact, they should integrate with each other very successfully. The only question in my mind is whether or not Interior, which has this function, really isn't the junior function to the major function of taking care of the visitors as they come into the Capital.

Mr. ZAPANTA. If I may allude again to the point of the whole essence of the legislation, it is one of not creating an intermodal center but one of creating a National Visitors' Center, and I think that is the basis for our concern. Obviously there is a need and knowing the Northeast corridor this would be an anchor.

Mr. YATES. There have been so many mistakes in this situation up to the present time. Perhaps Congress erred in 1966 and 1968 in not coming forward with the concept of an intermodal center then. Perhaps we are finally beginning to realize that this is a proper function of it.

Mr. REED. In fairness to Congress, I don't think in 1966 or 1968 you could have foreseen. The railroad for all intents and purposes was dead. The events from 1972 through 1976——

Mr. YATES. We are not sure as far as patronage service is concerned.

Mr. REED. I agree with you the verdict is still out. That is the difficulty of making anything in concrete here for all time.

Mr. YATES. Except that the Northeast Corridor I think is going to stay as a rail corridor.

Mr. REED. So does DOT.

Mr. YATES. I think that is going to be permanent and has to be because even if the Government has to subsidize it, I think you have to provide that kind of transportation in that crowded area.

Mr. FISH. It was contemplated, the rail station and the bus station, the intermodal concept. The idea was contemplated because it was shown on the plans to be built along H Street and again that is why H Street was constructed for access to the rail terminal and bus terminal and what we are doing does not preclude that from being completed.

Mr. YATES. Mr. Regula has a question.

VISITOR AWARENESS OF NVC

Mr. REGULA. What is being done to make visitors aware of this? Conceptually I think the idea of a visitors center is great. But I find in most instances, the people coming from our district don't know it exists.

Mr. YATES. The automobile people don't know you are there.

Mr. FISH. We have tried to work with the tour groups around the country and I think that there could be a real help if we got some information to you here on the Hill that it could go out to your constituents. We are trying to work with the triple A's but we have had a tremendous task to open the doors on the Fourth of July.

Mr. YATES. The problem is we want our visitors to come to the congressional offices and receive the pamphlets and the maps of the places to visit. You want to do the same thing. So it will be interesting to see what happens.

At any rate, suppose we adjourn the hearing until September 28 and we will see what has happened in the interim.

Thank you very much, gentlemen.

TUESDAY, SEPTEMBER 28, 1976.

NATIONAL VISITORS' CENTER

WITNESSES

NATHANIEL P. REED, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS, DEPARTMENT OF THE INTERIOR

ALBERT C. ZAPANTA, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT, DEPARTMENT OF THE INTERIOR

RICHARD HITE, DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT, DEPARTMENT OF THE INTERIOR

JOHN W. BARNUM, DEPUTY SECRETARY, DEPARTMENT OF TRANSPORTATION

WAYLAND P. FAIRCHILD, PROJECT MANAGER, NATIONAL VISITORS' CENTER

OPENING REMARKS

Mr. YATES. The hearing will be in order.

When last we met there was doubt as to how we should proceed. The committee requested GAO to look at the problem at the National Visitors' Center and furnish the committee with alternatives for possible use of the Visitors' Center. GAO has furnished us with 10 alternatives coupled with questions on the testimony of the witnesses.

I ask that the Department of the Interior answer the questions. The GAO document and your answers will be placed in the record.

[NOTE: The Department did not supply the answers in time to be printed in this hearing record: the Department had more than one month to complete this response.]

Mr. YATES. Since our previous hearing the committee has met on an informal basis with Mr. John W. Barnum, Deputy Secretary for the Department of Transportation and with Mr. Nathaniel Reed, who

is an Assistant Secretary of the Interior. It seemed to me it was a constructive meeting. The parties left with the understanding that they would be trying to work some kind of arrangement for sharing the future use of the Visitors' Center in a joint manner, both as a railroad terminal and as a visitor center.

We have with us this morning Mr. Barnum, Deputy Secretary of the Department of Transportation. Your statement, together with the exhibit of a proposal, may go into the record at this point.

[The statement and exhibit follow:]

STATEMENT OF JOHN W. BARNUM, DEPUTY SECRETARY, DEPARTMENT OF TRANSPORTATION

Mr. Chairman, members of the committee, I welcome this opportunity to present the views of the Department of Transportation on the future of Washington Union Station. Our active and vital interest in this station complex stems from several sources. The Railroad Revitalization and Regulatory Reform Act of 1976 directs us to implement a major intercity passenger rail improvement program in the Northeast Corridor from Boston to Washington, an investment of almost $2 billion over a 5-year time frame. As the southern terminus of the high-speed rail line, rail passenger handling facilities at Union Station, we expect, will have to accommodate a 300-percent increase in rail passenger volume—a projected 6 million intercity train travelers per year (25,000 people on an average Friday) as opposed to the present 2 million. Also, as a matter of policy, this Department advocates the balanced, productive use of scarce public resources for transportation purposes at a minimum cost to the taxpayers. Union Station with its strategic location in downtown Washington, its historic architectural character and its unique multimodal transportation capabilities, lends itself perfectly to such judicious public use.

To identify a logical development plan for achieving all of these goals, and in conjunction with implementing the Amtrak Improvement Act, the Department in late 1975 commissioned the architectural and planning firm of Skidmore, Ownings & Merrill—SOM—to prepare an independent evaluation of the entire Union Station complex from functional, esthetic, and financial/economic perspectives. Their study addressed all existing and potential modes of transportation at Union Station; among these modes were intercity rail, commuter rail, intercity bus, local bus, subway, taxicab, rental car, and private car. In addition, the analysis dealt extensively with the future role of the National Visitor Center, which today occupies the main building of the Union Station complex. Three fundamental alternatives were explored using the Visitor Center's degree of prominence as the primary planning influence. Having explored all prudent transportation alternatives from a physical development point of view, as well as capital investment requirements, the SOM team concluded that transportation should once again become the primary function of the existing Union Station building, in concert with an ongoing National Visitors' Center.

We have thoroughly reviewed the study results and considered the financial, legal and managerial consequences from both the Department's and Amtrak's point of view. We have also discussed these views at length with the Department of the Interior and, as of last week, have come to an understanding on the shared use of the complex for both transportation and Visitor Center interests. Such a course of action would accommodate public transportation needs for long-term Northeast Corridor rail passenger handling capacity and for tourist orientation. The joint-use plan calls for reconversion of the western third of the main building into rail passenger processing facilities with the remaining two-thirds in its present configuration for the National Visitors' Center. The Hall of States would be relocated to an appropriate location in the eastern part of the building. A layout of the recommended alternative is attached as exhibit 1.

Under the restructuring proposal, the shared use of the Union Station/National Visitor Center complex to achieve the Department's legislative mandates on behalf of transportation will be as follows:

1. The Visitors' Center would be retained in its present configuration through 1977.

2. Through an amendment to the National Visitor Center Facilities Act of 1968, DOT would assume the long-term DOI lease of Union Station and the parking

structure as soon as a full agreement is consummated between the Department so as to permit control to pass to Transportation as the dominant user.

3. With available reprogramed Park Service funds of $3.2 million, the Department of the Interior would complete all ongoing Visitors' Center projects with the exception of the parking garage, and would complete the southeast access ramp and bus staging areas as part of the urban mass transportation facility, for which an UMTA grant of $8.14 million has been committed.

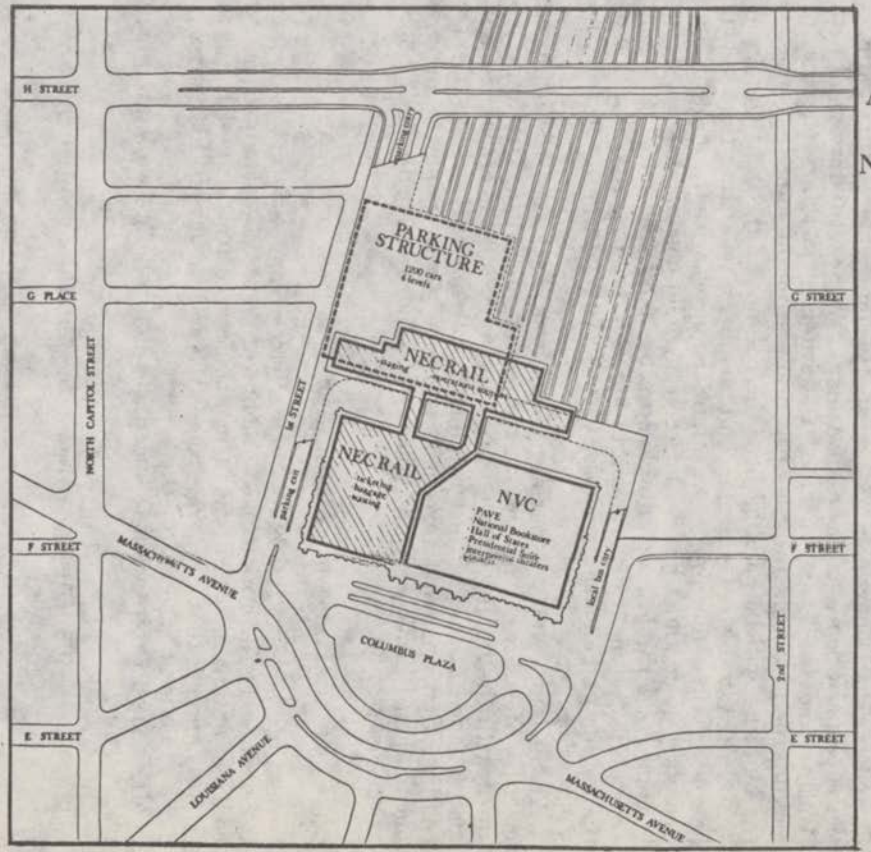
4. The railroad company (Chessie system) would complete the replacement station north of Union Station.

5. DOT would be committed to resolving the parking problem in a reasonable and economical manner.

6. Rail passenger handling facilities would occupy the western third of the old building as the southern terminus of the Northeast Corridor improvement project. At that point in the development, the National Visitors' Center would still occupy more than two-thirds of the old building, including the PAVE, National Book Store, and Hall of States, both interpretive theaters, concessions, and exhibit space, as well as the Presidential suite.

With the cooperation of the Congress, I believe that this proposed restructuring of Union Station will greatly benefit users of diversified public transport, tourists, and taxpayers alike. Union Station would be restored to its proper function as the "grand gateway" to the Nation's Capital, and the National Visitors' Center would continue to provide its unique blend of services to thousands of tourists. For all of these reasons, I recommend this proposal to your attention, and encourage your support of legislative action at the earliest possible date.

This concludes my prepared statement, Mr. Chairman. I shall be glad to answer any questions which you and the committee may have.



ALTERNATIVE B-1

PHASE I
NEC RAIL STATION
NVC

UNION STATION
WASHINGTON, D.C.

MODEL INTERMODAL TERMINAL
CONCEPT DEVELOPMENT

Prepared by Skidmore, Owings & Merrill
for the Federal Railroad Administration
Office of Northeast Corridor Development

SEPTEMBER 28,1976

EXHIBIT 1

Mr. YATES. Mr. Barnum, is there anything you would like to add to your statement at this time? Are you optimistic? Are you pessimistic?

PRELIMINARY AGREEMENTS

Mr. BARNUM. I am always optimistic, Mr. Chairman. I think the position Secretary Kleppe has taken with respect to the future use of Union Terminal is a very constructive one and we welcome it. We have had the negotiations which you described, since we last met, conducted for the Department of Transportation by Mr. Loftus and participated in by representatives of Amtrak. We are still discussing with Amtrak and the Department of the Interior just how the cost of making the payments and the operation and maintenance expenses of the building will be handled over the balance of the mortgage term.

Mr. ZAPANTA. Mr. Chairman and members, regarding the meeting held last Friday morning, it was in total concert with the meeting that Secretary Reed and I had with Secretary Kleppe, and that was to try to come to, I think, an equitable agreement between our department and the Department of Transportation as to the overall utilization of the facility and an adequate space to keep the integrity of the National Visitors' Center.

At this time we feel that agreement was reached at the informal meeting of last week and as we are moving ahead to, I think, come forth with the leasing on the square footages and the actual cost and maintenance, I think, of the building, per our National Visitors' Center configuration, once that agreement is reached between our two departments, then I think we have a finality of what we were discussing here at the last session.

UTILIZATION OF UNPROGRAMED CONTRACT AUTHORITY

Also, we have in fact before you a letter from Assistant Secretary Coleman as to the apportioned amount of $3,245,397 of unprogramed contract authority which was in fact the committee's request for us to go back and get that approval from OMB and we have it this morning, for completion of these projects.

Mr. YATES. Do we want to spend the money before we know where we are going?

Mr. ZAPANTA. Yes, we believe so.

Mr. YATES. We will insert that letter into the record at this point.

[The letter follows:]

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., September 28, 1976.

Hon. SIDNEY R. YATES,
Chairman, Subcommittee on Interior and Related Agencies, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. YATES: The Office of Management and Budget has apportioned for use $3,245,397 from unprogramed Federal-Aid Highway Act Contract Authority which has been in budget reserve status. This funding will be used for critically important work relating to the parking facility project at the National Visitors' Center.

Public Laws 93–120 and 93–478, approved October 4, 1973, and October 26, 1974, respectively, provided an authorization level of $21,580,000 as the Government's share for the construction of the National Visitors' Center. To date the National Park Service has used $18 million of the $21,580,000 authorization

available. The authorization balance for the NVC of $3,580,000 has not been appropriated or otherwise made available.

In accordance with Public Law 94-373, approved July 31, 1976, unprogramed Federal-Aid Highway Act Contract Authority totaling $118,995,000 has been rescinded as of October 1, 1976, leaving a balance of $3,245,397 in budget reserve.

It is proposed to utilize the remaining $3,245,397 of unprogramed contract authority to complete construction of the deck and ramp portions of the parking facility project at the National Visitors' Center. Specifically, the funds will be used for the completion of the main deck and the southeast and northwest ramps which are being constructed in cooperation with the Urban Mass Transit Authority, the Federal Highway Administration, and the District of Columbia Department of Transportation. The completed project will provide facilities for bus arrivals and departures. Accomplishment of the work will enable the National Park Service to be in compliance with a contract with the Urban Mass Transit Authority of the U.S. Department of Transportation, assuring a payment of over $8 million from that agency.

A portion of the funding (about $1 million) will be used to close down construction of the four private car parking levels in conformity with the Department of the Interior's statement to the House Subcommittee on Interior and Related Agencies Appropriations on August 31, 1976, recommending the immediate termination of construction of the parking levels.

With the exception of the closedown costs, none of the funding will be utilized for the construction of the four parking levels.

The National Park Service will manage obligations and expenditures to assure that outlays do not exceed liquidating cash available for fiscal year 1977. However, additional cash will be required in fiscal year 1978.

An identical letter is being sent to the Honorable Robert C. Byrd, Chairman, Subcommittee on Interior and Related Agencies, Committee on Appropriations, U.S. Senate.

Sincerely yours,

RONALD G. COLEMAN,
Assistant Secretary of the Interior.

Mr. ZAPANTA. Since we do have a meeting of the minds between our two departments and the committee, of course, from the Department of Transportation, to fulfill that total.

Mr. YATES. Do you know what the total cost will be resulting from the meeting of your minds?

Mr. ZAPANTA. No; I do not.

EFFECT OF PLANNING CHANGES

Mr. YATES. What will happen if you don't spend the money for 3 or 4 months? Suppose this was to await the consummation of your total plan with the Department of Transportation?

It seems to me a great deal of our trouble with the Visitors' Center is the fact that you have gone ahead without being really prepared.

If the committee approves of the expenditure of the $3.2 million, is there not a possibility that you may find that you want to change the planning?

Mr. ZAPANTA. Mr. Chairman, I think the discussion between our two departments was one that we would, in utilizing the $3.2 million, finish off the commitments between our two departments on each ramp as well as the buttoning up. The Department of Transportation could then request bids on the complete parking structure, so you would have before you a final cost.

Mr. YATES. As I recall the conversation, you need a statutory change, is that right?

Mr. BARNUM. That is really a different question, Mr. Chairman. I would urge you to authorize Interior to make this expenditure for two reasons:

First, it will make more precise what has to be done further with respect to the garage.

Second, because it will complete the ramp and other related construction, it will permit the Urban Mass Transportation Administration in my Department to proceed with their $8 million commitment, which they cannot do until everything else is in fact going ahead.

Mr. REGULA. You said complete the ramp. Are you talking about the bus ramp?

Mr. BARNUM. Yes, sir.

Mr. HITE. This letter will be submitted to you as of this date requesting the approval of utilization of $3.2 million of road construction contract authority. Now, $1 million of that is cited in here for button up costs.

I suggest that in the committee's wisdom you may want to hold $1 million of that in abeyance, but the $2.2 million, the balance, would be for the completion of the ramping and the basic slab where the buses would park and would complete, if you will, the integrity of the basic Union Station structure. Regardless of how you approve our direction on the parking deck, I believe that work needs to be done.

As you will remember, the committee directed us to first offer an alternative to the administration on the utilization of the $3.5 million of authority and this we have done. It got a little out of synchronization in our negotiations with the Department of Transportation, which you also directed us to resume and which we have.

FINAL ENGINEERING REPORT

Mr. ZAPANTA. I think it is appropraite we make available to the committee, per our last meeting, the final report from KCE Structural Engineers which we indicated would be coming forth. It was just delivered to us in final form this morning.

I would like to read the summation which contains their findings as to the problems in the Visitors' Center.

In summary, it is the opinion of KCE Structural Engineers that the major reasons for the insufficiency of funds for the National Visitors' Center parking structure are the following: The nature of the project itself,"—fast tracking—"lack of access to the site, work stoppages and other delays, inflation and changes in the scope of work."

There are six volumes to the total report the size of this. We just brought you the first volume and the other five will be following. It is quite an extensive study. We feel it really brings forth the problems that were inherent in the total project.

Mr. YATES. When did you hire these structural engineers?

Mr. HITE. In July, sir. We made a reference to this study in our last hearings. This was brought on by our audit investigation group.

Mr. YATES. Is there a recommendation by KCE as to what is to be done?

Mr. HITE. No, sir, it is an evaluation of the work done to date and the professional sufficiency of the work done by the Hyma Co

Mr. REGULA. You say there are six volumes of this?
Mr. ZAPANTA. Yes.
Mr. REGULA. What was the total cost of this?
Mr. HITE. Approximately $70,000.
Mr. REGULA. What is its value?
Mr. HITE. The value to us was the objective viewpoint of a professional industrial engineer on the sufficiency of the work performed. There had been considerable debate about the performance of the Hyman Company, both in our appearances before this committee——
Mr. REGULA. Did they conclude that it was sufficient?
Mr. HITE. Yes, sir.

BREAKDOWN OF "BUTTON-UP" COSTS

Mr. MCKAY. In your recommendations you have a proposed plot of the Visitors' Center. I suppose it envisions the agreement we have tried to work out with regard to jurisdiction.

I get the implication that you feel we have to button down before we start up again. That is kind of a costly way to go.

It seems to me in our last informal meeting there were going to be investigations to see whether or not we should just make an agreement to continue the contract under a different organizational arrangement.

Mr. ZAPANTA. I think I must defer that to Deputy Secretary Barnum. I think the implications of cost are in their department. I think the plot which you have in front of you comes from the agreement that has been reached, if I may state that.

Mr. HITE. The million dollars that I mentioned to Chairman Yates with respect to button-down costs—a portion of that will probably have to be spent, but not all of it. I might itemize it for you verbally.

Of the million, to remove the tower cranes would be $50,000. To remove the shoring and the forms pursuant to the construction would be $160,000.

The shipping charges and form rentals, $80,000.

The big cost, Hyman stopping his subcontractors, is $500,000.

Other items, to encase the trusses, $150,000, and the shoring necessary to insure the integrity of the project is $30,000.

PRESENT SITUATION

Mr. MCKAY. If Hyman's work is sufficient and is structurally right and he is not playing any games with us, then shouldn't we continue or alter this agreement, rather than cost ourselves $1 million? Somebody else is going to have to put those forms back up and get more subcontractors to continue it. I wonder if we aren't better off, in whatever arrangement we make, to just readjust that contract on a continuing basis rather than shut down and start up again.

Mr. HITE. I am only saying a portion of that money may have to be spent. We terminated the Hyman Company, we had no money.
Mr. MCKAY. Have they already pulled down?
Mr. HITE. Yes.
Mr. MCKAY. Have they pulled off their subcontractors?
Mr. HITE. No, they are off, but they haven't been terminated.

STATUS OF TERMINATION

Mr. FAIRCHILD. Termination, we have terminated—the fourth deck and the other three decks are also terminated. This requires some concrete to be placed on the south wall to support the beams and provide a tie to make it safe according to my structural engineer.

There are a couple of sections we were placing the concrete in because the forms were in there. I would say 75 percent of the cost of the concrete for a small amount of deck area was in place. If we didn't finish this area, we would have to strip out the forms and would lose 75 percent of the costs spent to date in these areas.

Termination is ongoing, we have asked the contractors to submit the materials list that they have on hand. We will review this and make an inventory for material on hand to be used in finishing the decks.

Everything that is in there is to complete the 2A project from the bottom of the first parking structure, down.

Mr. MCKAY. That is the $3 million you are talking about?

Mr. FAIRCHILD. Yes, we have to have all of that.

Mr. MCKAY. We are in the process of terminating the whole contract and buttoning it up, but we haven't gone beyond the point where we can proceed to finish.

DELAYED COSTS FROM CONTRACTOR

Mr. FAIRCHILD. We would have some delayed costs from the contractor for this termination.

Mr. MCKAY. You are in delay right now?

Mr. FAIRCHILD. Right.

Mr. MCKAY. What would that possibly amount to? When will you know?

Mr. FAIRCHILD. We are meeting with the contractor tomorrow to start on the negotiations.

Mr. MCKAY. Could you give us a rough estimate of what it could be?

Mr. FAIRCHILD. The track record on the job—I would hate to give a price.

Mr. MCKAY. We will admit it is in a wide ballpark.

Mr. FAIRCHILD. It could be between $50,000 to $500,000.

Mr. MCKAY. Just for the delay costs?

Mr. FAIRCHILD. I don't know. We gear up; we have stopped them and pulled them back. Some have geared up to finish.

COMPLETION OF PARKING GARAGE

Mr. MCKAY. Mr. Reed, have we come to the point where we can come to an agreement to proceed to finish this without spending an extra $2 million to button it down and start up again?

Mr. REED. No, sir. I think it is clear that the administration, as of 6:30 last night, when I gave up in despair, was determined that the parking garage is to be completed, it is to be bid, and the parking garage will be finished on a fixed bid basis, which would preclude not buttoning it up.

We are going to button her up, walk away from her and bid her. That was my position last night. I apologize, the Migratory Bird Conservation Commission meeting took a lot longer this morning than I

anticipated. I haven't had a chance to talk to Deputy Secretary Barnum, but it seems like we were in a position where our format of buttoning it up, rebidding it for completion, was the format as we understood it to be the administration's position and we will accept the additional expense to arrive at a firm bid.

Mr. YATES. What do you mean by buttoning it up?

The Transportation Department statement says a portion of the funding, about $1 million, will be used to close down construction of the four private car parking levels in conformity with the Department of Interior's statement to the House subcommittee on August 31, recommending the immediate termination of construction of the parking levels.

What will the people receive for the expenditure of $3,245,397?

Mr. REED. That will complete the construction of the deck and the ramp portions of the parking facility.

Mr. YATES. For the buses?

Mr. REED. Yes.

Mr. YATES. Then the million dollars will be used to close down construction. What does that mean in terms of what will be presented? What will it look like?

Mr. REED. Mothballed, Mr. Chairman.

Mr. BARNUM. It will be a completed bus facility and that is the important part from our vantage point. If you authorize them to reprogram the $3.2 million, they can finish off those parts of the project which are designed to accommodate buses. That includes the first deck and assuring that that which is above the first deck is secure.

Mr. YATES. What does secure mean? It won't fall down?

Mr. BARNUM. That is a good example.

Mr. YATES. Will you be able to use the three top layers for parking?

Mr. BARNUM. There will be nothing there.

COST TO COMPLETE PARKING FACILITIES

Mr. YATES. What good is that then? How much will it cost to put it in shape?

Mr. ZAPANTA. That is the whole premise where—if this agreement is and will be reached between DOT and ourselves, DOT can't go out on bid for the parking structure to be completed.

Mr. YATES. What is your estimate as to what that will cost? Is there any ballpark figure you can give the committee?

Mr. BARNUM. The last estimate we had was based on an earlier Hyman estimate for cost to complete the garage and that was in the neighborhood of $9 million. Is that correct, Mr. Fairchild?

Mr. FAIRCHILD. I would say 8 to 10. He says 9, I will buy 9.

Mr. YATES. The situation we are in this morning is that we don't know where we are going beyond the $3.2 million and the $1 million; is that correct? Does the $3.2 million include the $1 million?

Mr. BARNUM. Yes, and from our vantage point in Transportation we would like you to authorize Interior to spend that $3.2 million so we can establish what the people we will be asking to bid on the garage will be bidding on. It will be a completed transit deck, with the other parts of the building secured for safety purposes. We want to look at the drawings Interior has been working from and then put out

an invitation to bid on those drawings, if they are appropriate, and get a fixed price for completion of the garage.

I said the last estimate we had was a Hyman estimate that it would be approximately $9 million.

Mr. YATES. Are you with Hyman?

Mr. FAIRCHILD. No, I am with the National Park Service.

Mr. REGULA. For $3.2 million you will wrap it up and terminate all contracts with existing contractors; is that correct? Are there bona fide contracts in existence that do have termination costs; that is, you mentioned $500,000 to terminate subcontracts?

Mr. ZAPANTA. Yes, sir.

Mr. REGULA. They have contracts in existence which have a potential for breach and therefore must be settled. Am I correct?

Mr. ZAPANTA. As far as I am concerned.

Mr. HITE. That is correct, Mr. Regula. The whole project is divided into about six subprojects. Project 1 is the Visitors' Center; 2(a) is the bus slab. That will be completed. Other projects involve the southeast and northwest ramps. That will be complete. We can't complete this with the $3.2 million that we bring to the committee today. What will not be complete are what we term projects 2(b), which are the first three decks of the parking facility, and the fourth deck, which is a separate project.

DOT RESPONSIBILITIES

Mr. REGULA. Do I understand correctly as soon as it is buttoned up, DOT would then go forward on taking bids for the completion of the four levels of parking which would produce 1200 spaces?

Mr. BARNUM. Yes, sir.

Mr. REGULA. Who would then operate that once it was completed?

Mr. BARNUM. Under the arrangement we discussed with the Department of the Interior, the Department of Transportation would step into the shoes of Interior in 1978 and be the landlord, if you will, for both the NPS National Visitors' Center facilities and the Amtrak facilities.

Mr. REGULA. Then I understand you would take over the payment of the lease arrangement to Conrail or Chessie?

Mr. BARNUM. To a bank. We would take that over and make those payments based on what we received from Interior for its National Visitors' Center facilities and from Amtrak for its Amtrak facilities, that is correct.

Mr. REGULA. Would you then sublease the operation of the parking facility to a private firm which would collect rentals and in turn pay you?

Mr. BARNUM. Our present intention is to turn over to Amtrak as a tenant all those parts of the buildings that are not being used by the Department of the Interior, and let Amtrak either operate or subcontract the garage and other facilities.

Mr. REGULA. This plan would result in 1,200 parking spaces and that would be it. The 4,000 objective would be gone forever, is this correct?

Mr. BARNUM. That is correct. At least it is gone for present planning purposes and it is my understanding it has been dead for some time.

Mr. YATES. The present concern of the committee is the $3.2 million, which it is suggested is necessary to just close down the four-story garage and the bus parking ramps.

Mr. BARNUM. That is correct. So you can use it for buses.

Mr. YATES. The committee's concern is that this $3.2 million will not be wasted funds. We have your assurance and Interior's assurance it will not be wasted and it is the only thing you can do at the present time.

Mr. REED. That is correct. You have our assurance.

PROCEDURES TO BE FOLLOWED

Mr. MCKAY. I would like to pursue this logic of having to button up and start over. Why do we have to shut down to start over with another bid? Have we some legal entanglements we can't get over? Is the law inhibiting? Is it just a difficulty in agreement between you people?

Mr. REED. There are two problems. First, we haven't got the money. Second, we are at the end of the line on escalating costs under the fixed price contract that we are at now. To complete in the range of $8 to $10 million, we would like a firm bid so we don't have to come back here and explain why it cost x percent more. For a million dollars, we think that is a sound investment.

Mr. MCKAY. What happens if we don't give you the money now?

CONSEQUENCES OF DENIAL OF REPROGRAMING

Mr. REED. If we did not get the money, the $3.245 million, we would have a serious problem with UMTA because we have put their money into the building and we have not got the ramp to get there, so we have an incompleted bus terminal which would be a serious problem—

Mr. YATES. Does UMTA sue you?

Mr. REED. Well, they don't give us the money. The contractor will sue us for default.

Mr. YATES. For how much?

Mr. HITE. $8.1 million. The contractor is interested in being paid.

Mr. YATES. How do you arrive at $8 million?

Mr. HITE. That was the investment Urban Mass Transportation Administration made in the construction of the ramping and if we cannot fulfill our end of the bargain, so to speak, by finishing construction on the adjacent and contiguous parts of the structure, we have a problem, I presume, in law, in getting the UMTA funding.

Mr. YATES. What are the possible damages from the contractor?

Mr. BARNUM. UMTA has merely made a commitment to contribute $8 million plus. It will not put the money down until it is evident that its contribution and money Interior has in hand, to do the rest of it, will result in a bus facility.

Mr. REED. The person who will sue is the contractor.

Mr. YATES. What will he sue for?

Mr. REED. For failure to pay his bill.

Mr. BARNUM. He has been doing the work in the meantime.

Mr. YATES. How much money has he paid out in your behalf?

Mr. REED. $4 plus million.

Mr. YATES. How will you settle this for $3.2 million?

Mr. REED. Because I hope we will have the UMTA money as well.

Mr. MCKAY. You will put in $8 million and you have to put in $3 million to complete the bus ramp so now we are up to $11 million just to complete the bus ramp.

Mr. BARNUM. All bus-related facilities.

Mr. YATES. Kind of polish off the four-story parking facility.

Mr. MCKAY. That just secures the in-and-out bus ramp, that lower deck, that is all; that is $8 million plus $3 million.

NEED FOR ADDITIONAL AUTHORIZATION CEILING

Mr. REED. That is right.

Now, the second part of your question, before we can proceed, somebody has to give us legislative authority. We don't have authority to go beyond where we are now.

Mr. YATES. Authority to do what?

Mr. REED. To do as Mr. McKay asked me: Why don't you complete the building now? We don't have the authority nor do we have an appropriation.

Mr. YATES. You have the authority; you don't have the money.

Mr. REED. We have already reached our ceiling.

Mr. MCKAY. You have authority to complete the $3 million factor but you haven't authority to go beyond?

Mr. REED. That is correct.

Mr. MCKAY. Suppose we were to extend that authorization? The authorization ceiling from Public Works is holding up on the next phase.

Mr. REED. Exactly.

Mr. MCKAY. You could go ahead and make the contract with the bid to finish the four floors, if that authority is extended.

Mr. REED. And appropriation was made, yes, sir.

Mr. YATES. It is a rather unhappy position to find yourself in.

Mr. REED. That is the understatement of the day, Mr. Chairman.

Mr. MCKAY. Does that resolve the problems we discussed informally the other day? I guess what you are telling me is that we have to close the present contracts to get off of this open end contract, and get to a fixed contract business, is that right? We cannot change that same contract with the existing contractor to a firm bid rather than open end?

Mr. REED. Yes, sir.

NEED TO RESOLVE EXISTING CONTRACTS

Mr. ZAPANTA. Mr. McKay, I think what we are trying to do, and this is really, I think the discussion we got into at the last hearing was, if we don't do something now in order to get some parameters set, whether it is DOT or us who have to finish the whole project at this point, in order to do what I consider good contract management or project management, you have got to call the shots and say, "OK, we are going to complete this and then we are going to look at what is left, get a firm bid on it and then go forth with it."

Then everybody, the administration, the Congress, and the contractor, will then be able to say, "OK, we know what has been done; we know what has to be done. The parking facility has to have a bid. We are going to get that bid. Then we know when it will be completed and for how much."

To continue the way we have—that is what we talked about the last time—would just continue the open endedness, and I don't think we want that.

Mr. McKAY. What you are telling me is, in order to get a fixed bid in the time sequence, it is going to cost us $2 million-plus.

Mr. ZAPANTA. I think the $2 million will be well spent to insure that more taxpayer money is not going down in this open ended process at this point. I guess that is the bottom line of where we are at this point.

Mr. YATES. They want to close up shop and turn it over to DOT?

Mr. REED. I think we would still go through this procedure if we held onto it ourselves.

I don't blame the contractors. I think any implication on the record that the contractor has done something wrong is wrong, because the administration and the Congress entered into this procedure to try to accelerate the construction of a building.

The only thing we can learn from this is that this is the wrong way to do it. We ought to go to final fixed drawings and get fixed bids on anything we do in the future. I think we have had a very good lesson out of it—I hope.

MATERIALS INVENTORY

Mr. McKAY. You are talking about a million dollars to shut this thing down and you have to have some inventories, materials and so on. Who winds up with those materials? Are you going to keep them or will they walk off with them?

Mr. FAIRCHILD. We will inventory and store them on the project.

Mr. McKAY. For the next contractor?

Mr. FAIRCHILD. Sell them to DOT.

Mr. McKAY. The next contractor might not want those. They will remain the assets of whom?

Mr. FAIRCHILD. I would say the Government. They have bought a number of electric light fixtures and other things on the job, reinforcing steel in certain quantities. Miscellaneous items, and doors and so forth.

Mr. McKAY. Can they be liquidated and deducted from the million dollars?

Mr. FAIRCHILD. No. Returning them and so forth—and this is what we are looking at in terms of return cost—is what it would be. We had one approach where there were $13,000 worth of fixtures. The guy wants $6,500 to cancel the order. Well, it looks to me like we ought to spend the $13,000 and take the order rather than cancel the order and pay him $6,500 for nothing.

We have to look at all of this and this is what we are getting ready to start on, starting tomorrow, and following through.

Mr. McKAY. I will be interested to see what we do with all those materials. We are going to buy them and then give them to somebody else and he will charge us for them again. What will really happen to them?

Mr. FAIRCHILD. We would have some value on them and they would be used in the parking structure. I don't believe anybody is going to change the design this late in the game. They can't.

Mr. McKAY. We were talking the other day with Mr. Reed. If we go ahead with this redesignation here, we might wind up changing the plans.

Mr. BARNUM. Not the garage, sir. The money we are talking about is really the garage money.

Mr. ZAPANTA. I think first of all your concern would be with an inventory. I am sure we can have that completed so any materials that are left and that are Government property would in fact show up on an inventory list.

Mr. MCKAY. When you are talking about the million dollar cost for the wrap-up, you have your inventory and your subcontractor materials for which you pay him?

Mr. ZAPANTA. That is right. At the same time, the utilization of that $3.2 million will in fact complete the structure as you see it outlined, with the parking structure not being completed, which will be the ability for whoever is going to be the entity or the Department going out for bid for the parking facilities to then be able to say, "OK, this is what we want to be completed——"

POSSIBLE ALTERNATIVES

Mr. MCKAY. It seems to me there ought to be a way to avoid that $2 million transition from one contract to another.

Mr. YATES. Mr. Barnum, let me point out one thing: The last time Mr. Reed was here they said they could dispose of Mr. Hyman and his contractor costs and subcontractor costs for $1 million. Mr. Hite said that.

You are now proposing $2.2 million more than what you wanted.

Suppose we gave you $1 million and let DOT finish the ramps? Why wouldn't that be better? You would have your fixed price bid and maybe you could get a cheaper price than the $9 million if you start with the ramp construction.

Mr. BARNUM. I think they have a contract for finishing off everything except the upper stories of the garage and they want to complete that work. That is my understanding.

Mr. YATES. That is less than $3.2 million because the $3.2 million means finishing off the top as well.

Mr. ZAPANTA. Mr. Chairman, we have a problem with that and that is the UMTA money again.

Mr. YATES. You need the UMTA money to complete it?

Mr. ZAPANTA. That is right.

Mr. YATES. What I am saying is, suppose you don't complete it, but yet you just pay off the contractor. You said you could pay him off for $1 million. Presumably if you can do that you are making a good deal because Mr. Hite said he was in for $4 million.

Mr. ZAPANTA. But where does that put the project——

Mr. YATES. We place it in DOT's lap. Rather than putting DOT into the project after the ramp is completed, it would put DOT into the project before the ramp is completed, and let them go on and work the whole thing.

Mr. ZAPANTA. I am not sure that is the position of DOT.

Mr. YATES. I ask Mr. Barnum.

UMTA CONTRIBUTION

Mr. BARNUM. We are already in the process in the sense we will be contributing $8 million for bus facilities. We are limited to what we can contribute to mass transit facilities by a matching formula and

$8 million is the maximum amount we determined we could contribute for the mass transit facilities at Union Station.

You can only use UMTA money to the extent you are constructing mass transit facilities for intracity bus use. Hence the $8 million. It requires matching funds and it requires that the project toward which that $8 million is being contributed in fact take place. We don't put out $8 million and then look around to see whether the local authority is going to be able to match it and build the project with our $8 million.

Mr. YATES. What happens if you don't put in your $8 million?

Mr. BARNUM. Interior will have a bill from the person who has been doing the work toward which this $8 million would be contributed.

Mr. YATES. Which they could settle for $1 million?

Mr. BARNUM. I don't think that is true.

Mr. ZAPANTA. No, sir.

Mr. HITE. The $1 million, Mr. Yates, is for the securing costs of the parking decks which is a project apart. On that phase of the project, that project is disassociated from the project that involves the construction of the ramp.

Mr. YATES. Why can't you dispose of the securing for the million dollars and take care of the contract for a million and let DOT go ahead and build the ramps?

Mr. HITE. We have an ongoing contract through the Chessie system with Hyman for that other project having to do with the ramps.

Mr. YATES. That doesn't relate to the million dollars?

Mr. HITE. No, sir.

Mr. YATES. Your million dollar settlement with the contractor doesn't take care of the ramps?

Mr. HITE. No, sir, just the parking lots.

Mr. ZAPANTA. We are going to complete everything but the parking facilities and that is where the million dollars will come in. I could go right down the list here, where it is going to come to $1 million for shoring it off, securing it and getting all the subcontractors.

Mr. YATES. It seems to me we have no choice except to give you the money. If we don't give you the money you will have lawsuits and if DOT doesn't tell you how it wants to get in, I don't know what you are going to do. Do you?

Mr. REED. On top of that, Mr. Chairman——

Mr. YATES. They are in the driver's seat.

NATIONAL VISITORS' CENTER OPERATING COSTS

Mr. REED. Besides that, the Secretary and I have looked over the cost of operating the National Visitors' Center as a Department of Interior National Park Service facility. I would like to get this into the record. The operating budget for the National Visitors' Center in fiscal 1977 will be $6.872 million. The permanent staff now numbers 27 supplemented by 62.7 man-years of employment.

We are frank to say we would like to slim down over there in cost and in manpower with the tremendous needs we have in the field, and this is one of the pressing issues for us to enter into an agreement with DOT on the ownership and management of the building, retaining space for a first-class visitors center which will be an attribute not only to Washington but to the Nation.

As to your question as to whether there are many options available to us, Mr. Chairman, there are none.

Mr. McKay. If the gentleman would yield?

Mr. Yates. Sure.

COMPLETION SCHEDULE FOR PARKING FACILITIES

Mr. McKay. For the wrap-up and then get out and get on a bid contract, then is it proposed that you would proceed with the completion of the parking terraces from Northeast Corridor money?

Mr. Barnum. That is our present intention.

Mr. McKay. That is free to where you could start on a contract, that is, you could start proceedings for bids almost immediately; is that true?

Mr. Barnum. That is correct.

Mr. McKay. So this facility wouldn't hang so long that existing elements would deteriorate to the point you would have to start over?

Mr. Barnum. That is my understanding.

Mr. McKay. All right.

Mr. Yates. Do we have any idea of the total cost of your total investment for the completed project? I don't mean just to complete this facility; I mean putting the whole terminal, the lines, everything else, in shape.

Mr. Barnum. No.

Mr. Yates. You have no idea what that is likely to be?

Mr. Barnum. No.

Mr. Yates. It is expected that you will prepare that sometime in the future?

Mr. Barnum. Correct. That will be part of the Northeast Corridor project.

LACK OF ALTERNATIVES

Mr. Yates. It seems to several members of the subcommittee that we have no alternative but to provide the funds which will permit this project to be terminated in the form that has been suggested prior to DOT moving into the picture.

Mr. Barnum. That is the Department of the Interior's recommendation and we join in that recommendation.

Mr. McKay. Would the gentleman yield?

Mr. Yates. Sure.

Mr. McKay. Is the H Street ramp in process now?

Mr. Barnum. I believe it is.

Mr. McKay. That would be part of the total completion you are talking about?

Mr. Barnum. Yes, but that is paid for from another source. That is Federal-aid highway money.

Mr. McKay. Are you still going to manage that so we do not have five directors in here?

Mr. Barnum. Yes, sir.

Mr. McKay. So you become the total contract manager for direction plans and so on?

Mr. Barnum. The H Street ramp is part of the access system to the Interstate System. We assist in financing it.

Mr. McKay. But you hold certain strings.

Mr. YATES. If they are as tough with Interior as they have been with the city of Chicago, they will be very tough.

Mr. REED. Thank you for the warning, Mr. Chairman.

Mr. YATES. I should caution you. They have been very tough.

Mr. REED. We are very anxious to get our contract for space well in advance, and we look forward to doing that. We have done everything in that direction. We are operating that way.

Mr. BARNUM. May I make a point here?

Mr. YATES. Certainly.

Mr. BARNUM. It is important for us in DOT to know that this committee supports the basic proposal that the Department of Transportation step into the shoes of the Department of the Interior with respect to the Visitors' Center and the parking garage. If it is not possible at this session of Congress to amend the National Visitors' Center Facilities Act of 1968 to authorize it——

Mr. YATES. It is impossible.

Mr. BARNUM [continuing]. We will have to talk to our several committees as well as the Interior Committees and others that have had an interest in the present arrangement in order to be assured that, in starting down this path of investing DOT money in the garage, we are acting appropriately. So it is important to us to have that assurance from this committee and the other committees that are concerned with Interior as well as from our own committees.

SUMMARIZATION OF COSTS

Mr. YATES. Will you itemize once more what $3.2 million is for?

Mr. REED. Mr. Hite, do you have it there?

Mr. HITE. $2.2 million of that $3.2 million is for the completion of the rampings and the closing in the east and west ends of the concourse which are presently open, completing the whole visitors center facility and the bus slab and access to the bus slab. That is what the $2.2 million is for.

The $1 million is for the costs of securing the four decks, the incompleted four-deck parking structure.

Mr. YATES. You have that as a fixed-price contract now?

Mr. HITE. No, sir, but we feel that it is firm.

Mr. Yates, it is a cost-plus contract but we feel this part of it is under control. We can't renegotiate that or we would have to terminate the contractor and suffer further shutdown costs and go back and renegotiate it.

What we feel is out of control and beyond our financial control right now is the parking deck structure. We feel that the $2.2 million plus whatever portion of that additional million that we have to spend will finish off what is basically Project 1, Union Station as a visitors center, and the rampings which provide access to the bus slab.

Mr. YATES. Is it possible it may cost more because of your cost plus fixed fee?

Mr. HITE. It is possible.

Mr. YATES. How much more?

Mr. HITE. I can't say. I don't think it is probable.

Mr. YATES. Is there any way of converting that into a fixed-price contract?

Mr. HITE. I think it would cost more.

Mr. YATES. Can't you negotiate a fixed price with the contractor as to what the completed costs will be?

Mr. HITE. Not without terminating this present arrangement and going back and renegotiating, in which case we would suffer shutdown costs.

ADDITIONAL LIABILITY OF RAILROADS

Mr. YATES. Mr. Reed or Mr. Hite, in your testimony on August 31 you indicated the railroads are obligated to pay only up to $16 million, the amount specified in the legislation. Nevertheless, under revised attachment A of the letter agreement executed on October 31, 1974, it specifies that the railroads are required to fund section A of project II up to $16 million and, in addition, share with the Government in any excess costs up to $850,000 over the $16 million. In the construction contractor's letter of May 11, 1976, he advised that the current cost estimated for section A, exclusive of the railroads' soft costs, is $907,000 in addition to the $16 million.

Is this to say the railroads are actually committed to pay more than $16 million, and if so, are there any other additional costs which they have or are now paying?

If so, why aren't they paying it?

Mr. HITE. Mr. Chairman, I have to defer to Mr. Fish.

Mr. FISH. They pay $16,425,000 now, Mr. Chairman.

Mr. YATES. They have gone over $16 million?

Mr. FISH. Oh, yes, sir.

Mr. YATES. So they have gone over that amount?

Mr. FISH. Yes, sir.

DEPARTMENT OF THE INTERIOR RESPONSIBILITIES

Mr. YATES. That answers the GAO question. Let me ask you another question GAO suggested we ask:

In your testimony on August 31, you indicated that at the time the railroads and the construction company entered into the initial management contract (February 1973) the Department of Interior, as a mere prospective lessee, did not have the authority to dictate the terms thereof. On this basis, the Department seems to imply that it should not be held responsible for certain weaknesses which are evident in the management contract, specifically: (1) the absence of a requirement for competitive bidding on the portion of the work the contractor agent was awarded; (2) the absence of Department approval authority for contracts; (3) the establishment of a cost-plus contract (in fact, a cost-plus-a-percentage-of-cost contract); (4) no requirement for target dates for completion.

Your position is puzzling to me for two reasons. First, section 102(b) of the National Visitor Center Facilities Act of 1968 specifically gives the Secretary of Interior the authority to, in addition to the terms and conditions set forth in subsection (a) thereof, include such other terms and conditions in any agreements and leases entered into. Secondly, at the time the railroads and the construction company entered into the management contract it was clearly contemplated that Federal funds were to be injected into the project.

Now, why should the Department take the position that it was powerless to demand that appropriate safeguard provisions be included in the management contract?

Why didn't you enter into a direct contract at that time, rather than cost-plus fixed fee?

Mr. FISH. It was the contract that did exist with the railroads, and we just felt that that was a good contract and continued on with it. The basic contract is with the terminal company.

Mr. YATES. You could have negotiated a direct contract at that point?

Mr. FISH. It may have been possible but I think that certainly the time constraints were such that we were interested——

Mr. YATES. It was easier just to take the situation as it was?

Mr. FISH. Yes, sir, it was.

REPROGRAMING PROPOSALS

Mr. YATES. Let's get back to the $3.2 million again and the unhappy situation in which we find ourselves with cost plus fixed percentages of the contract costs.

You say apparently we have no alternative except to approve that kind of arrangement and the possibility exists you may be coming back to the committee for more money. How much time is contemplated for the completion of the contracts under the $3.2 million?

Mr. HITE. The southeast ramp will take the longest to complete. I believe it is not scheduled for completion until the spring of 1978.

Mr. YATES. You have a year and a half?

Mr. HITE. Yes, sir.

Mr. YATES. And if the past has been any indication, costs are going to go up, aren't they?

Mr. HITE. If the past is any indication.

Mr. YATES. Does the $3.2 million take into consideration inflationary costs?

Mr. HITE. Yes, as best we can judge it.

Mr. YATES. What was the inflation cost here that you considered?

Mr. FISH. It was probably 6 or 7 percent, Mr. Chairman, but I don't know that for a fact. I could get that.

Mr. YATES. Judging by what we hear in the political debates these days it should be more than enough because we are told that inflation is under control.

Mr. HITE. Yes, sir.

Mr. YATES. Do you have any more questions?

Mr. REGULA. No.

Mr. YATES. Thank you very much. I appreciate your coming in.

The letter from you says that OMB has apportioned for use $3,245,970 from unprogramed Federal aid highway contract authority. Is this the equivalent of a reprograming?

Mr. ZAPANTA. All we need is that you are not going to object to it. A nonobjection would be fine. We wouldn't necessarily need a letter.

Mr. YATES. You had better get it in writing.

Mr. ZAPANTA. I think you are right, sir.

Mr. BARNUM. What the Department of Transportation needs is not only your authorization for the reprograming but this subcommittee's agreement that the concept which has been introduced by Mr. Reed and myself concerning the future role of the Department of Transportation is indeed acceptable.

Mr. YATES. It is acceptable, I would think, on the basis of the representations that have been made so far, namely, representations without knowing what the costs are. The committee, of course, would not be committed without knowing the costs.

Mr. BARNUM. No. And I ask for your views in this respect because I have not talked to our appropriations or authorization committees.

I thought this was the appropriate first step, but I would want to be able to represent to them that you are in agreement with the proposals we have made.

Mr. YATES. It seems the most feasible alternative to the condition in which we find ourselves presently but that our decision must ultimately depend on what the plans are, what the proposals and plans and costs are for the total program.

Mr. BARNUM. Of course, but those future costs with respect to the completion of the garage will be transportation costs, not Interior costs. Now, in your capacity as a member of the Transportation Subcommittee of the Appropriations Committee, you obviously will be concerned with that, but I don't think that is still an Interior problem.

Mr. YATES. We are concerned with the Interior problem that remains insofar as operating costs for the Visitor Center.

Mr. BARNUM. That is understood.

Mr. YATES. So that as far as the rest of those are concerned, I think the burden would shift to DOT.

INVESTIGATIVE REPORTS

EMPLOYMENT CEILINGS

Mr. YATES. I submit for printing in the record a report completed by the investigative staff of the committee titled "Impact of Employment Ceilings on Operations of the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Forest Service, and the Indian Health Service."

[The report follows:]

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

A REPORT TO

THE COMMITTEE ON APPROPRIATIONS

U. S. HOUSE OF REPRESENTATIVES

on the

IMPACT OF EMPLOYMENT CEILINGS ON OPERATIONS

of the

NATIONAL PARK SERVICE
BUREAU OF LAND MANAGEMENT
FISH AND WILDLIFE SERVICE
FOREST SERVICE
INDIAN HEALTH SERVICE

Surveys and Investigations Staff

January 1976

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

January 16, 1976

MEMORANDUM FOR THE CHAIRMAN

Re: Impact of Employment Ceilings on Operations of the National Park Service, Bureau of Land Management, Fish and Wildlife Service, Forest Service, and the Indian Health Service

By directive dated July 29, 1975, the Committee requested a study be made of the impact of Office of Management and Budget imposed personnel ceilings on the operations of the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Forest Service, and the Indian Health Service.

The study has been completed and the results are set forth in this report.

Respectfully submitted,

David A. Schmidt, Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and Investigations Staff
House Appropriations Committee

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SUMMARY

The purpose of this study was to assess the impact of employment ceilings on the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Forest Service, and the Indian Health Service, and to determine whether ceilings were making it necessary for these bureaus to use temporary help and part-time schedules and to contract out when the same work could be done at less cost or more efficiently in-house with permanent full-time staff.

Ceilings or hiring limitations are imposed by the Office of Management and Budget as part of the budget process. Two kinds of ceilings are actually established. They are for (1) permanent full-time employment (PFT), and (2) for total employment. The difference between (1) and (2) is sometimes called an "other than permanent full-time" (OPFT) ceiling, and it becomes, in effect, a hiring limitation on temporary employees and employees working a less than full-time schedule. The PFT ceiling is almost always set at a level below the aggregate of total positions that are authorized for an agency by program component on the theory that position requirements (as funded by Congress) are always in excess of man-year requirements (employment level as authorized by the OMB) because not all positions can be filled at all times. The OPFT ceiling is set at a level supposedly commensurate with the "other man-years" funded by Congress. Compliance with ceilings is required only on the last day of the fiscal year.

Employees are counted for ceiling purposes on the basis of Civil Service defined appointing authorities and work schedules. Only those employees serving under permanent ("career") appointments and working full-time schedules (40 hours a week/2080 hours a year) are counted against PFT ceiling. All other employees (those serving under temporary appointments, and those on a less than full-time schedule, regardless of how appointed) are charged to the OPFT ceiling. Permanent employees (regardless of work schedule) are generally entitled to Civil Service fringe benefits like retirement, life insurance, and health benefits. Temporary employees are not covered by these programs.

Since ceilings apply only on the last day of the fiscal year, agencies will usually have to make staffing adjustments to get down to approved employment levels. This will at times require the nominal separation of some part of the work force charged to OPFT ceiling. Temporary employees, having no tenure and therefore being the most vulnerable, are the first to go. Often, however, they are immediately rehired after the June 30 reporting date, or the position is immediately refilled with another temporary employee. Similarly, and if necessary, part-time schedules can usually be adjusted so as to exclude

part-time employees from the end of the year ceiling count. The bureaus reviewed in this study were unanimous in complaining about having to play the "ceiling game" and criticized the exercise as being wasteful, misleading, confusing, and unnecessary.

1. General Findings

Personnel ceilings have forced the National Park Service (NPS), the Bureau of Land Management (BLM), the Fish and Wildlife Service (FWS), the Forest Service (FS), and the Indian Health Service (IHS) to accomplish programs with improperly used temporary help and with nominal part-time employees who are actually working substantially full-time schedules. This has resulted in an artificially contrived staffing situation which is impairing operations and which, if not corrected, will reflect on the credibility of Federal employment statistics.

(a) Impairment of Efficiency - The bureaus reviewed had, in total, over 9,000 employees who were actually working substantially full-time schedules but who were charged off for ceiling purposes as seasonal and intermittent help. Some 17 percent of these positions were filled by improperly appointed temporary employees and the remaining 93 percent were filled by employees working nominal part-time schedules. Some of the nominal part-time employees were working schedules of from 35 to 39 hours a week; others (by far the larger number) were working so-called "WAE" schedules consisting of from 22 to 25 pay periods of full-time work (40 hours a week) and of a leave-without-pay furlough for either all or part of the remainder of the year.

The short-range implications of this artificial staffing situation include recruitment difficulties, morale problems, wasteful turnover and retraining, a watering down in the quality of the staff, and the buildup of a caste system with two classes of employees. The longer-range implications are more difficult to assess.

(b) The credibility problem - The rules for counting WAE and other nominal part-time employees are not addressed by Civil Service instructions for reporting employment figures. Accordingly, such employees are treated by the CSC and the OMB as seasonal or intermittent in-and-out of the work force help. They are shown nowhere in Executive Branch reported employment statistics for what they actually are, namely, de facto full-time employees.

The bureaus have moved toward more contract work in recent years, and some officials attributed the increase, in part, to personnel ceilings. Other officials tended to discount the importance of ceilings and felt that the overall contracting picture would not change even if additional personnel were available. Some contracts were reported which responsible officials considered uneconomical or otherwise undesirable. Other equally responsible officials were of the opinion that all of the contracting done by their organizations was in the best interest of the Government.

Contracting versus in-house performance decisions are seldom supported by cost studies. Decisions are more frequently based on such variables as the one-time or recurring nature of the work; the need for special skills, equipment or facilities; contractor availability; the quality level desired; contracting quotas and other related factors.

The few cost comparison studies reported were, in the Investigative Staff's opinion, superficial and lacked full credibility. The bureaus have little incentive to make cost analyses because additional personnel is usually not a viable alternative. Additionally, the bureaus lack the staff time, the expertise, and the guidelines for estimating costs accurately.

2. Impact of Ceilings on the National Park Service

Operating problems encountered by some of the parks and attributed, in part, to personnel limitations included a general decline in the range and quality of interpretive services, closure or reduction in hours of exhibits and campsites, increased accidents and vandalism, and deferral of needed maintenance with resulting deterioration and higher costs to repair.

Some NPS officials tended to dispute the importance of personnel ceilings in preventing the accomplishment of programs and to suggest that much of the recent publicity given to the plight of the parks has been overstated.

The NPS has compensated for permanent full-time staffing deficiencies by extensively using nominal part-time schedules and temporary help for ongoing work. Most of the less than full-time employees were working a WAE schedule of 10 or more months a year. A smaller but representative number were working 35 to 37 hours a week.

Contracting out has also been used by the NPS to compensate for ceiling restrictions. A study made by the NPS (and which, in the Investigative Staff's opinion, was of questionable validity) showed that the Service contracted for some $15 million in services in FY 1975 and concluded that maintenance and research activities can often be accomplished at less cost by contract. The thrust of the recommendations in the report was to encourage more contracting.

Contracts were reported where the work could have been done at less cost, if in-house staff had been available. For example, in March 1972, a contract was awarded in the amount of $233,087 for mapping of the Buffalo National River area. Staff estimates show that the area could have been mapped in-house at savings of $141,787, if personnel had been available.

3. Impact of Ceilings on the Bureau of Land Management

The main impact of ceiling restrictions on operations of the BLM has been to require the diversion of manpower from base program efforts like range management, trespass abatement, resource inventories and processing of permits and leases in order to be responsive to new workloads like developing environmental impact statements. This has resulted in less revenue being collected, more backlogging, and a lower quality service being provided the public.

The BLM is commonly misusing temporary and less than full-time help to circumvent ceiling restrictions. About 1 out of every 6 employees in the Bureau's workforce is either a temporary employee working on a full-time job, or more often, a career employee working from 35 to 39 hours a week, or from 10 to 11 1/2 months a year on a full-time basis (40 hours a week).

The BLM contracts for resource inventories and other work which responsible officials would prefer to have performed in-house to develop and maintain an in-house capability and to assure a better quality product. Tree planting and archeological studies were cited as 2 areas where the BLM has had unsatisfactory experience with contracting out. An uneconomical example of contracting was reported involving 3 mineral economic studies; in total, the awards amounted to $112,000. According to staff estimates, the $31,771 charges incurred in just getting the contractor started on one of the projects could have been done in-house at a cost of 2 man-months (GS-12 or GS-13).

4. Impact of Ceilings on the Fish and Wildlife Service

The FWS has been unable to produce fully on mandated and other programs because, in part, of ceiling restrictions.

Cited as examples were:

(a) Impact assessments required by the Fish and Wildlife Coordination Act. Land and water resource development projects undertaken by the Corps of Engineers and the Bureau of Reclamation have transfer funds earmarked to support this work; ceilings, however, are not transferred. As a result, FWS could not fully utilize transfer funds in FY 1975, and the same situation will prevail in FY 1976 unless ceilings are relaxed.

(b) Obligations mandated by the Alaska Native Claims Settlement Act. Because of an inability to hire qualified applicants willing to accept part-time employement, 40 percent of the FY 1975 Native Involvement budget allowance was unused.

Ceilings have also required the FWS to reassess priorities and to direct positions associated with ongoing work to support actions that must be accomplished because of congressional or public interests and pressures. The trade-off has been less attention to base program activity with a diminished capability to contribute to the protection of fish and wildlife resources.

The FWS makes widespread misuse of temporary help and part-time schedules to accomplish programs within the confines of ceiling constraints. About 1 out of every 8 employees in the Service's regular full-time work force was in this category. Relatively few were serving under temporary appointments. Most were career employees working nominal part-time schedules of from 35 to 39 hours a week. The FWS was not as yet using WAE appointing authority extensively.

The FWS is also contracting out more work to compensate for personnel restrictions. Contracts for research work were reported which Service officials would prefer having done in-house to develop and maintain technical capability, to exercise better control over direction of the research, and to lessen dependence on the universities.

Contracts for research support activity were reported which were uneconomical. For example: the cost of organochlorine hydrocarbon analysis for one sample done by staff is $75 while comparable analysis done by a contract laboratory is

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$110; the cost of lead and mercury analysis by staff is $12 per sample, while comparable laboratory cost ranges from $15 to $19. Additionally, there are indirect costs associated with contracting that are not reflected in these estimates.

5. Impact of Ceilings On the Forest Service

Personnel ceilings have had a minimal direct impact on the operations of the Forest Service. Officials expressed more concern about the insidious effect of restrictions on hiring permanent full-time help. Ceilings have impaired the recruiting position of the Service in recent years and have imposed major restrictions on the intake of young professionals in all disciplines. This development, if not corrected, will have serious implications for the Service in the future. It was reported that a critical age gap is already developing in the workforce.

The Forest Service has long misused temporary appointments and furloughs to circumvent ceiling restrictions and accomplish programs. In the process, the Service has lost control over the size of its regular full-time work force which now exceeds both ceiling and congressionally funded permanent full-time employment levels by several thousand positions.

The FS has over 5,000 employees in nominal part-time positions who are actually working full-time schedules. The typical tour of duty is a WAE schedule consisting of 25-pay periods of full-time work (40 hours a week) and one pay period of less than full-time work (32 hours a week). (A full work year consists of 26 pay periods.) Some relatively few of the over 5,000 employees are also working a 39-hour a week schedule.

There are currently no restrictions on making nominal part-time appointments, and Forest Service managers are limited only by fiscal constraints and the need to keep funds in reserve for legitimate seasonal help. The Service is trying to develop and issue a policy which conceivably would limit the number of future appointments, but the project was not near completion when this report was prepared.

The Forest Service contracts extensively for work that could be performed in-house, but it is not clear how much this picture would change if ceilings were relaxed. Uneconomical contracts for architectural and engineering services and for reforestation work were reported, but no examples were made available. The dependence on contractors

for engineering services has resulted in a loss of in-house skills which, in one official's opinion, will have its heaviest cost in the increased risks to the Nation's natural resources.

For some activities, managers have little discretion about how much work should be done in-house as the Forest Service establishes contracting quotas for the field organzation. Reforestation and maintenance are two such activities.

6. Impact of Ceilings on the Indian Health Service

Since August 1, 1975, the IHS has been operating without any disparity between congressionally authorized positions and ceiling. Therefore, the Service could attribute no current operating problems to ceiling restrictions.

The IHS reported over 100 employees working substantially full-time but who are not being charged against permanent full-time ceiling. It was reported that some of these employees have been serving under temporary appointments for extended periods with none of the benefits of career status. To comply with Civil Service instructions and as a matter of equity, the conversion of these employees to permanent full-time status should be given early attention.

IHS contracts for services in 3 main areas:

(a) Medical care and services - A recent study showed comparative costs of $34.60 versus $15.11 per out-patient visit for the service as provided by contract and by two Service Units in the Oklahoma area. It was also reported that medical services like x-ray and laboratory work could generally be performed at less cost in-house if qualified personnel were available.

(b) Construction of sanitation facilities - This kind of work usually lends itself to in-house performance unless the job is big and specialized equipment is required. One of the former type contracts was reported where contractor bids ranged from $3,765 to $7,655, and the work was ultimately done in-house at a cost of $2,926.

(c) Maintenance - No meaningful comparative costs were developed for these services.

7. Office of Management and Budget and Civil Service Commission Roles in the Ceiling Process

The OMB and the CSC expressed their views on ceiling matters in correspondence which is reproduced in the Appendix to this report.

Both the Departments of Interior and Agriculture agreed that the CSC takes a strong position against the improper use of temporary employees and especially deplores the practice of rehiring the same "temporary" employees year after year for on-going activities. The Departments disagreed, however, about the Commission's interest in controlling nominal part-time appointments. Thus, the Forest Service feels free to use 25-pay-period WAE appointments, while the National Park Service feels constrained to limit such appointments to a maximum of 22 pay periods so as to give them more the appearance of legitimate part-time employment.

I. INTRODUCTION

A. Directive

By directive dated July 29, 1975, the Committee requested that a study be made of the impact of Office of Management and Budget imposed personnel ceilings on the operations of the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Forest Service, and the Indian Health Service. The Committee requested that particular attention be given to:

(1) The extent to which ceiling limitations have forced these bureaus to use temporary help and part-time work schedules, and to contract out to accomplish their missions.

(2) The extent to which these bureaus are contracting for services or using temporary and nonfull-time help when the same work could be done at less cost and more efficiently by permanent full-time staff.

(3) The program impacts on bureau operations attributable to actions required to conform with ceilings.

B. Scope of Inquiry

This report is based on information obtained by interview; analysis of congressional hearings and reports, budget justifications, studies, correspondence, reports and other statistics concerning staffing and contracting for services; and the review of applicable regulations, directives and instructions.

To obtain information on ceilings, appointments, contracting out, and the use of temporary and nonfull-time help in lieu of permanent staff, the Investigative Staff interviewed budget and procurement personnel, and key program officials in each of the bureaus studied. Interviews were also conducted with a number of management officials at the departmental level in the Departments of Agriculture and Interior to get their views on the ceiling problem.

Regional and field operations were discussed with office directors and key members of their staffs in a total of 18 activities including 3 National Park Service regional offices and 3 park areas; 2 Bureau of Land Management State offices and the Denver Service Center; 2 Fish and Wildlife Service regional offices and 1 Wildlife Research Center; 3 Forest Service regional offices and 1 Forest and Range Experimental Station; and 2 Indian Health Service area offices. A

representative number of Forest Service employees were also interviewed at the regional level to get another perspective of ceiling related matters.

Outside sources of information included the Office of Management and Budget and the U.S. Civil Service Commission, each of which submitted a written report on ceiling matters at the request of the Investigative Staff.

C. Abbreviations

The following organizational names and abbreviations will be used interchangeably throughout the report:

National Park Service	NPS
Bureau of Land Management	BLM
Fish and Wildlife Service	FWS
Forest Service	FS
Indian Health Service	IHS

II. CEILINGS, APPOINTMENTS, CONTRACTS, AND STAFFING

A. System and Nature of Ceilings

Ceilings are maximum allowable agency employment levels. Their purpose is to control the size of the Federal establishment. In the absense of ceilings, it is believed that employment would increase at an unacceptably fast rate. Ceilings are administered by the Executive Office of the President, Office of Management and Budget (OMB). Instructions concerning basic concepts and procedures to be followed with regard to personnel ceilings are contained in OMB Circular No. A-64, as revised.

In brief, the process works as follows:

-- Each year the Federal budget request is prepared for the ensuing fiscal year by the agencies and the OMB, and is then sent to Congress for approval and appropriations.

-- During preparation of the budget request the agencies, in coordination with the OMB, establish funding and personnel levels for both permanent full-time and for other positions. These figures, in effect, represent the best compromised estimate of what the agencies need to do their jobs. Congress is then asked to appropriate funds to support indicated employment levels.

-- The OMB then comes back to the agencies after the Congress has acted and issues "end-of-the-year" ceilings which set limits on the number of funded positions which may be filled at the end of the fiscal year. (In the bureaus under investigation, the percentage difference between funded positions and authorized ceilings ranges from 0 to 16 percent.)

-- The OMB actually establishes two kinds of ceilings. These are for (1) permanent full-time (PFT) employment and for (2) total employment. By subtracting (1) from (2), the difference--called a "derived ceiling" or an "other than permanent full-time" (OPFT) ceiling--becomes, in effect, a limitation on the number of employees serving in temporary appointments or serving in permanent appointments but working a less than full-time schedule.

-- While OMB informally monitors the system at all times, strict compliance with ceiling limitations is required only on the last day of the fiscal year. On that date, permanent full-time and total employment must not exceed prescribed levels. The medium for reporting ceiling data to the OMB is Standard Form 113-A, a monthly employment report required by the Civil Service Commission.

While the OMB administers ceilings, all reporting and determination of agency compliance is done on the basis of Civil Service defined appointment authorities and work schedules. Thus, to understand the ceiling problem, some appreciation of the appointments process is necessary.

B. Nature of Civil Service Appointments

The Civil Service appointments structure has evolved over the years to a point where it often bewilders the understanding of persons trained in personnel matters. It is small wonder, therefore, that many managers and other interested individuals usually find themselves in a swamp when they try to contend with the system. It is the purpose of the following discussion to drain the swamp and to get the reader up on dry ground. In the interest of clarity, emphasis will be on the general rules and not on the exceptions, of which there are many but none of which has implications for more than a handful of employees.

Much of the confusion about appointments is attributable to the dual nature of every appointment. The first part relates to the duration of the appointment, namely, it may be of an on-going "permanent" nature or it may be for a time-limited or "temporary" period. The other part of an appointment relates to work schedule which may provide for full-time work (usually 40 hours a week/2,080 hours a year) or for less than full-time work.

Permanent Versus Temporary Appointment

A permanent appointment is one made to a position which has been established without time limit. Since most positions in the Federal service are established to support on-going functions, most appointments are permanent in nature. An employee appointed to a permanent position is assumed to be career oriented. Thus, such appointments are also sometimes referred to as "career" or "career-conditional" employment, and such employees are immediately entitled to career oriented benefits like Civil Service retirement, life insurance, health insurance, and tenure.

A temporary appointment is one made to a position which has been established for a time-limited period, almost always for a period of less than a year. Such positions are established mainly for 2 purposes: (1) for seasonal work like firefighting in the Forest Service, and (2) for periods of peak activity such as might result from the enactment of new legislation or other unforeseen workload developments. Temporary employment, since it is time-limited by definition, carries with it none of the career oriented benefits. A temporary employee is subject to social security but is not covered by the Civil Service retirement, life insurance, or health insurance programs. Subject to some limitation, he does earn annual and sick leave, but he does not have tenure and may be separated at any time by the official who appointed him.

It should be noted at this point that not all seasonal and peak workload-type positions are filled with temporary appointments, and neither are all on-going positions necessarily filled with permanent appointments. As will be developed subsequently in this report, such departures from the intent of the system have been forced, in part, by personnel ceilings.

Full-time Versus Less Than Full-Time Employment

Regardless of the duration of the appointment, that is, permanent or temporary, an employee may be hired to work a full-time schedule or (with his consent) a less than full-time schedule. A full-time schedule usually consists of an administrative workweek of 5 days of 8 hours each with a total of 2,080 hours a year. Most employees in the Federal work force are on a full-time schedule.

A less than full-time schedule may cover a variety of tours of duty, the more common of which are explained below:

-- "Part-time" work usually implies that the employee is regularly employed on a prescheduled tour of duty which is less than 40 hours a week. Critical to this type of less than full-time employment is the prearranged tour of duty which the employee works every week.

-- "Intermittent" work implies employment on an irregular or "as needed" basis, with no prearranged tour of duty. At one time, this was referred to as WAE employment because the employee got paid only for the time "when actually employed."

-- WAE, "career seasonal" and "subject-to-furlough" employment refer to work schedules not recognized in Civil Service Commission instructions or regulations. These are expressions, however, that have been adopted by the bureaus covered in this study (excepting the Indian Health Service) to cover essentially the same kind of tour of duty. Under this arrangement, an employee is usually scheduled to work full time (40 hours a week) for a specified number of months or pay periods at the end of which time he is "subject to furlough," that is, subject to being placed on leave without pay, for all or some part of the time remaining in the work year. In some instances, the "furlough" time will be pre-arranged, that is, scheduled in advance. In other instances, it will be taken at the convenience of the employee or of the Government. There is no fixed pattern. Much of the focus of this report will be on employees working such tours of duty; because, however well intentioned is the original concept of this kind of employment, it has degenerated to a point where it now serves as little more than a subterfuge for circumventing PFT ceiling restrictions.

In summary, an employee may be appointed as a permanent or temporary employee, depending on the on-going or time-limited nature of the position for which he is recruited. Regardless of type of appointment, he may be hired to work a variety of work schedules. Generally (the few exceptions are not noted here), eligibility for benefits and tenure are determined by type of appointment and not by work schedule; career benefits are accorded to employees serving under permanent appointments but not to these serving under temporary appointments. The treatment of employees for benefit purposes is summarized in Table 1 on the following page.

Table 1: Civil Service and Other Fringe Benefit Treatment by Type of Appointment and Work Schedule

Type of Appointment	Work Schedule	Fringe Benefits						
		Retirement	Life Insurance	Health Insurance	Annual Leave	Sick Leave	Other	Tenure
Permanent	Full-time	Civil Service	Yes	Yes	Yes	Yes	Federal employees compensation and unemployment benefits available to all employees without regard to type of appointment	Yes
	Part-time (regular tour of duty)	Civil Service	Yes	Yes	Yes prorated	Yes prorated		Yes
	WAE/"career seasonal"/ "subject to furlough"	Civil Service	Yes	Yes	Yes prorated	Yes prorated		Yes
	Intermittent	Social Security	No	No	No	No		Yes
Temporary	Full-time	Social Security	No	No	Yes	Yes		No
	Part-time (regular tour of duty)	Social Security	No	No	Yes prorated	Yes prorated		No
	Intermittent	Social Security	No	No	No	No		No

SOURCE: Federal Personnel Manual (WAE/"career seasonal"/"subject to furlough" employment is not recognized in the FPM; this table reflects actual practice in the bureaus studied.)

C. The "Ceiling Game"

The treatment of employees for ceiling purposes is another matter. In the ceiling count, only employees serving under permanent appointments and working a full-time schedule are charged to PFT ceiling. All others, that is, all employees serving under temporary appointments (regardless of work schedule) and all employees serving under permanent appointments but working a less than full-time schedule, are charged to OPFT ceiling.

Since ceilings apply only on the last day of the fiscal year, agencies have considerable flexibility in establishing their own employment levels within the year. There are dangers, however, in operating at a permanent full-time employment level in excess of approved ceiling. When end of the year permanent full-time employment is likely to exceed approved ceiling, the situation can only be corrected by conducting a reduction-in-force. Reductions-in-force have a domino effect and generally disrupt agency operations. Therefore, to avert the need for "riffing" staff at the end of the year, agencies generally try to operate safely within permanent full-time ceiling limitations.

The same restraints do not operate to hold down temporary and nonfull-time employment levels. Temporary employees have no tenure; they may be separated without notice and without having to use reduction-in-force procedures. Permanent part-time (regularly scheduled tour of duty) employees count againt ceiling only if in pay status on the last day of the month; intermittent employees count only if in pay status at any time during the month; and, the rules for counting WAE/"subject-to-furlough"/ "career-seasonal" employees are not even addressed by the Civil Service instructions for reporting employment figures.

With little more than this background, it is easy to play the annual "ceiling game." The objective is to provide the OMB with employment figures showing that, on the last day of the fiscal year, the agency is operating within authorized staffing ceilings. This will often require the nominal separation of some part of the work force charged to OPFT ceiling. Temporary employees, having no tenure and therefore being the most vulnerable, are the first to go. The jobs from which these employees are separated may not be vacated for long, however. They may be, and often are (the Investigative Staff was advised), filled again immediately after the June 30 reporting date either by the same employee, if reachable, on a Civil Service certificate, or by another temporary employee. Similarily, and if necessary, work schedules for permanent nonfull-time employees can usually be adjusted so as to exclude the employee from the end of the year OPFT ceiling count.

An interesting variation of the "ceiling game" was reported by an Indian Health Service official. Several years ago, this bureau was hard pressed to fill all of its PFT ceiling slots and was concerned about reporting the deficiency for fear of losing the positions. Therefore, by the simple expedient of charging a number of temporary employees who were improperly working in on-going functions to the PFT ceiling, it was made to appear as though the bureau was operating at a full-employment level.

The bureaus covered in this report were unanimous in complaining about having to play the ceiling game year after year. It was criticized on the basis of wasting manpower, generating volumes of unnecessary paperwork, impugning the credibility of Government employment figures, confusing employees, and accomplishing nothing. When evaluated in terms of its purpose, namely, to bring agency employment levels within ceiling limitations for one day, the cost effectiveness of the exercise would appear to be highly questionable.

The OMB has apparently also had some second thoughts about the value of the ceiling exercise. This past year (FY 1975) OPFT ceiling requirements were waived for the land management bureaus covered in this study. The decision seems to have been precipitated a year earlier (FY 1974) when the Southwest Regional Office of the Forest Service with the tacit approval of the Department of Agriculture made no effort to bring down its OPFT employment by June 30 because the fire season in the area was at its height at that time. There have not as yet been any signals from the OMB to indicate what future policy will be.

D. Contracting for Labor Services

Contracting for labor services is another alternative available to a bureau official faced with ceiling limitations and inability to hire personnel to accomplish an assigned and funded task. Instructions concerning "whether commercial and industrial products and services used by the Government are to be provided by private suppliers or by the Government itself" are contained in OMB Circular No. A-76, as revised. The revision is dated August 30, 1967. In general, the instruction provides that prior to converting an existing contract or establishing a new function in-house, a cost comparison must demonstrate significant savings by in-house performance. No cost comparison is generally required to support a decision to contract for new work. The costs to be considered in making an analysis are also covered in the instruction.

The Investigative Staff was advised by a Department of the Interior procurement official that until this year no reports had been required under A-76 since its issuance. At the time it was issued the audit organization of the Department made a review to determine compliance with the inventory requirements of the Circular. The auditors found a consistent pattern of inconsistency in interpreting and applying the criteria in the Circular and, especially, in determining its scope. No further actions were required by the OMB, or taken by the Department until May 1 of this year when an inquiry was received from the OMB concerning implementation of the Circular. The new interest was triggered by the recent establishment in the OMB of the Office of Federal Procurement Policy as mandated by P.L. 93-400.

E. A Staffing Overview

In FY 1975, the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Forest Service, and the Indian Health Service had, in total, a congressionally funded employment level of 48,398 permanent full-time positions and corresponding employment ceilings totaling 43,415 positions. The ceilings for all "other" positions totaled 31,404. Reported end of the year actual employment totaled 43,443 permanent full-time employees and 43,654 other employees working under temporary or less than full-time appointments. This information is shown for FYs 1974, 1975, and 1976 in Table 2 on the following page.

TABLE 2: PERMANENT FULL-TIME AND OTHER EMPLOYMENT BY BUREAU AND BY FUNDED POSITIONS, EMPLOYMENT CEILINGS, AND END OF FISCAL YEAR EMPLOYMENT

Bureau	Positions, Ceilings and Employment	Permanent Full-Time 1974	1975	1976	Other Than Permanent Full-Time 1974	1975	1976
National Park Service	Funded Positions	8,164	8,496	8,546	-- 1/	--	--
	Approved Ceilings	7,222	7,118	7,165	6,845	7,169	7,417
	Percentage Difference	11.5	16.2	16.2	N.A.	N.A.	N.A.
	June 30, employment	7,261	7,301	- -	6,866	10,115	--
Bureau of Land Management	Funded Positions	4,214	4,981	5,123	-- 1/	--	--
	Approved Ceilings	3,999	4,542	4,684	2,096	2,238	2,238
	Percentage Difference	5.1	8.8	8.6	N.A.	N.A.	N.A.
	June 30, employment	4,031	4,530	--	2,024	3,065	--
Fish and Wildlife Service	Funded Positions	4,214	4,373	4,589	-- 1/	--	--
	Approved Ceilings	4,035	4,138	4,206	1,250	1,604	1,604
	Percentage Difference	4.1	5.4	8.2	N.A.	N.A.	N.A.
	June 30, employment	4,040	4,145	--	1,250	1,637	—
Forest Service	Funded Positions	22,176	22,386	22,920	-- 1/	--	--
	Approved Ceilings	19,500	19,600	20,000	19,780	19,780	20,500
	Percentage Difference	12.1	12.4	12.7	N.A.	N.A.	N.A.
	June 30, employment	19,469	19,590	--	22,269	28,055	--
Indian Health Service	Funded Positions	7,805	8,162	8,346	-- 1/	--	--
	Approved Ceilings	7,729	8,017	8,162	651	613	613
	Percentage Difference	0.1	1.8	2.2	N.A.	N.A.	N.A.
	June 30, employment	7,729	7,877	--	738	782	--

1/ Congress funds "other" man-years, not positions

Table 3, on the following page shows that, of the employees working under other than permanent full-time appointments, some 69 percent were temporaries, that is, serving in appointments limited to 30, 60, 90 days, etc., or, at the most, 1 year; and the remaining 31 percent were career employees working less than full-time schedules. Employees in the latter group are generally eligible for Civil Service benefits; those in the former group are generally not eligible.

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TABLE 3: OTHER THAN PERMANENT FULL-TIME EMPLOYMENT BY BUREAU AND BY TYPE OF APPOINTMENT AS OF JUNE 30, 1975.

Type of Appointment	Bureau				
	National Park Service	Bureau of Land Management	Fish and Wildlife Service	Forest Service	Indian Health Service
Temporary 1/ (all tours of duty)	7,723 3/	2,160	837	18,678	721
Permanent 2/ (non full-time work schedule)	2,392	905	800	9,377	61
Total "Other than permanent full-time employment"	10,115 3/	3,065	1,637	28,055	782

1/ These employees are generally ineligible for Civil Service benefits.
2/ These employees are generally eligible for Civil Service benefits.
3/ Include Job Corps employment which is subject to separate ceiling and and monthly reporting; excludes 125 under Disadvantaged Youth Program not subject to ceiling.
N.B. Employment figures for all agencies may include some personnel in positions that are not subject to employment ceilings.

The NPS, BLM, FWS, and FS are among the principal bureaus through which the Federal Government carries out its responsibilities for conserving and managing the Nation's natural and wildlife resources. In recruiting for staff, they look for many of the same skills and talents. Over the years, they have also had in common the problem of coping with ever increasing workloads under stringent employment constraints and, until recently, IHS shared this problem with the land management bureaus. From FY 1974 through FY 1976 funded employment levels for the 5 bureaus studied increased in total by 2,951 positions, a reflection, in part, of workload increase. Over the same period, approved employment ceilings were increased by only 1,732 positions.

III. USE AND MISUSE OF TEMPORARY AND NONFULL-TIME HELP IN LIEU OF PERMANENT FULL-TIME STAFF

A. General Findings

The Investigative Staff found that personnel ceilings have not effectively limited employment but have resulted in artificially contrived staffing patterns. To accomplish mission objectives, the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, and the Forest Service (and to a lesser degree the Indian Health Service) contend that they have had to resort to the improper use of temporary help and nominal part-time employees who are actually working full-time schedules. The resultant situation is already impairing the efficiency of these bureaus and, if not corrected, will also have serious implications for the credibility of Federal employment statistics.

Credibility of employment statistics

Table 4 on the following page shows that the NPS, BLM, FWS, and FS have lost control over the size of their full-time work forces. Actual FY 1975 full-time employment for these bureaus--that is, the total of employees charged to permanent full-time ceilings plus nominal part-time employees and temporary employees working in ongoing functions-not only exceeded approved ceilings by a total of 9,372 positions or 26 percent, but even exceeded full-time employment levels funded by Congress by 4,534 positions or 11 percent.

TABLE 4: PERMANENT FULL-TIME EMPLOYMENT CEILINGS, FUNDED EMPLOYMENT LEVELS, AND ACTUAL FULL-TIME EMPLOYMENT BY BUREAU.

Bureau	PFT Employment Ceiling	Funded Employment Level	Actual Full-Time Employment			Excess Full-Time Employment	
			Charged to PFT Ceiling	Charged to OPFT Ceiling 1/	Total	Over PFT Ceiling	Over Funded Levels
National Park Service	7,118	8,496	7,301	2,117	9,418	2,300	922
Bureau of Land Management	4,542	4,981	4,530	836	5,366	824	385
Fish & Wildlife Service	4,138	4,373	4,145	590	4,735	597	362
Forest Service	19,600	22,386	19,590	5,661	25,251	5,651	2,865
Indian Health Service	8,017	8,162	7,877	111	7,988	(-29)	(-174)
Totals	43,415	48,398	43,443	9,315	52,758	9,343	4,360

1/ Includes both temporary employees working in positions that have been on-going for more than one-year and permanent non full-time employees working at least 35 hours a week or working a full-work week for at least 10 months (22-pay periods) a year (for a further breadown see Table 5 on page 18).

Note: Date current as of June 30, 1975 except for column headed "Charged to OPFT ceiling" which reflects data generally current in October, 1975.

Of more significance for credibility purposes, these 4 bureaus were staffed with a total of over 44,000 employees who were working substantially full-time schedules but reported only some 35,000 at the end of FY 1975 and, in accordance with current reporting procedures, charged the others off as seasonal and intermittent help. To exacerbate the credibility problem the actual full-time employment figures for these bureaus are reflected nowhere in employment statistics represented by the Executive Branch to be an accurate picture of the size of the Federal work force. The Civil Service Commission publication "Federal Civilian Manpower Statistics" treats such employees as "temporary," "part-time (regularly scheduled)," or "intermittent," leaving the reader with the implication that they are in and out of the work force. The Office of Management and Budget publication, "The Budget of the United States Government, 1976," does not show them as part of the regular work force at all.

Analysis of Personnel Not Counted
In the Full-Time Workforce

The Investigative Staff next tried to: (1) identify these employees who were not treated as part of regular staff in the personnel statistics, and (2) determine how this employment situation came about. Table 5 on the following page shows that about 17 percent of these positions are filled by temporary employees.

TABLE 5: EMPLOYEES CHARGED TO "OTHER THAN PERMANENT FULL-TIME CEILING" WHO ARE ACTUALLY WORKING IN PERMANENT FULL-TIME POSITIONS 1/

Bureau	Temporary Employees in Permanent Positions	Permanent Employees in Non Full-Time Positions	Totals
National Park Service	736	1,381	2,117
Bureau of Land Management	44	792	836
Fish & Wildlife Service	98	492	590
Forest Service	658	5,003	5,661
Indian Health Service	71	40	111
Totals	1,607	7,708	9,315

1/ A full-time position was defined as (1) a position that has been on-going for more than one year and filled by a temporary employee; or (2) a position filled by an employee serving under a permanent appointment in a part-time capacity and working at least 35 hours a week, or working a full-work week for at least 10 months (22-pay periods) a year.

Note: While specific reporting dates vary, this information is generally current for October, 1975.

The positions are not temporary, that is, established with a time limit but the employees serving in them are. In some instances this can reach a ridiculous extreme as in the case of a maintenance man working for the NPS in the Mid-Atlantic Region who was hired year after year and who was killed in a fatal accident after 20 years of service as a "temporary" employee. Fortunately for his family, the accident was work related, and the family was entitled to Federal employee's compensation. Otherwise the family would have been entitled only to social security survivor benefits because the employee did not have coverage under the Civil Service retirement or life insurance (or health insurance) programs. After 20 years of Federal service, he was still not treated as a career committed employee.

In other cases, the temporary positions may represent jobs filled over the years by a series of temporary employees, none of whom individually has worked for excessive periods of time (over 1 year is usually considered excessive) but who collectively have kept the job filled and the function on-going for many years. In the time available for the study, the Investigative Staff was unable to get a breakdown between temporary employees in this category and those who had been working for more than 1 year on a succession of such appointments.

The remaining 83 percent of the workers who are actually full-time employees but are not counted as such are career employees who are working nominal part-time schedules to circumvent full-time ceiling restrictions. These schedules cover typically 2 kinds of tours of duty. Some of these employees are working part-time tours of duty, that is, a regularly scheduled tour of at least 35 hours a week (based on observations of the Investigative Staff in the field, a 39-hour-a-week schedule is commonplace). The remaining employees (by far the larger number) are working tours of duty that consist of 10 to 11 1/2 months of full-time work (40 hours a week) and of leave without pay for either all or part of the remainder of the year. The Forest Service refers to this tour of duty as "WAE," the National Park Service usually uses the expressions "career seasonal" or "subject to furlough;" and the Bureau of Land Management and the Fish and Wildlife Service tend to use these expressions interchangeably. The Indian Health Service does not have employees on this kind of work schedule. The Forest Service designation--that is, "WAE"--will be used to cover employment of this kind for the remainder of this report.

"Permanent temporary" employees that is, temporaries improperly hired year after year, have long been used by Executive Branch agencies to circumvent PFT ceiling constraints, but the WAE ("full-time part-time") appointment is a more recent refinement of the same subterfuge. The evolution of the WAE concept was explained to the Investigative Staff by a Forest Service personnel official, but the explanation is probably no less applicable to the other bureaus studied.

WAE employees were initially used for true seasonal work (for example, firefighting in the Forest Service, interpreting in the National Park Service, survey work in the Bureau of Land Management, etc.) and, as was considered proper at the time for seasonal employees, served under temporary appointments. Usually such employment was for no more than the 2 or 3 months which represented the period of peak workload. The idea of giving such employees permanent appointments evolved, in part, to give stability to the seasonal work force by rewarding those willing to return year after year with fringe benefits coverage and, also in part, to cut down the paperwork involved in appointing and separating temporary employees each year. In the early 1960s, workload increased at a faster pace than PFT ceilings and, in an effort to keep pace with workload, WAE help were worked for increasingly long periods. By the late 1960s, many WAE personnel had become substantially full-time employees, and the problems associated with the improper use of this kind of appointing authority were becoming evident. No efforts were made to resolve the problems, however; and with the future ceiling curtailments of the 1970s, the practice of using WAE appointing authority to hire permanent full-time staff became institutionalized.

Implications for Efficiency

While there is certainly a place in the Civil Service appointments structure for part-time and for WAE employment, these authorities if used improperly, that is, mainly for the purpose of circumventing ceiling limitations, may generate other equally perplexing problems and result in the buildup of an overall work force that is more costly, less efficient, and less effective than a work force adequately staffed with bona fide full-time employees. Based on the comments of many officials at all levels of organizations, the Investigative Staff can only conclude that the bureaus studied (IHS excepted) are well down this road. The main problems cited were these:

-- Restrictions on hiring permanent full-time staff have generally impaired the competitive recruiting position of these

bureaus. (Today's tight labor market is to some extent mitigating the immediate recruiting problem in some disciplines.) Officials complained bitterly about the frustrations and the time wasted in having to explain to bright young college graduates why employment with the organization has to be on something less than a full-time basis. At best, the prospective employee gets a negative impression of the Federal Government as an employer; at worst, he looks elsewhere for work.

-- The emphasis on hiring personnel on a less than full-time basis has encouraged turnover and contributed to instability of the work force, because many employees once so hired, waste little time in looking elsewhere for full-time work.

-- The recruitment problem working in tandem with the turnover problem is resulting in the buildup of a work force made up of something less than the best talent available and not the type of employees that these bureaus should be trying to attract. Thus, the better talent is either dissuaded from accepting Federal employment by the idea of part-time work or, if hired, is soon attracted elsewhere by the offer of a full-time job, and the bureau is left with a work force made up of "second best" employees. Another factor contributing to this problem is the Civil Service Commission referral policy. It was reported that some Commission offices will refer an applicant to fill a WAE position only if he has expressed an interest in nonfull-time work (not that the work is actually less than full-time). Admittedly, this finding is difficult to document, but the opinion that the WAE situation is contributing to a lowering of the quality of staff was expressed by so many responsible officials that it is equally difficult to discount.

-- The lack of Civil Service instructions addressing WAE employment along with the lack of uniform departmental or bureau policies governing such employment is creating inequities, providing an opportunity for employee organizations to make issues, and providing an opportunity for employee complaints, grievances and appeals. The Federal Personnel Manual has not caught up with WAE employment. It does not address such issues as how to treat such employees for hiring, promotion, conversion, reduction-in-force, or fringe benefit purposes; it does not even define a WAE tour of duty. Similarily, to date, the departments and bureaus covered in this study have no well articulated policies on these matters. As a result, actions are not being accomplished in a uniform manner and employees are not being treated fairly. Conversion to permanent full-time status is a good case in point.

It was stated that for some employees, the conversion from WAE to permanent full-time status is regarded as highly as a promotion. Yet none of the bureaus has a publicized conversion policy which is commonly understood and equitably administered. Thus, some few employees are converted to full-time status in a matter of months, some in a matter of years, and others never get converted. On the basis of discussions with personnel and other management officials and with a representative number of WAE employees themselves, it is difficult for the Investigative Staff not to conclude that, by and large, conversions are dictated by little other than the exigencies of the situation.

-- The improper use of WAE appointments in combination with the lack of uniform practices for dealing with such employment is encouraging the development of a dual work force with 2 classes of employees. If the trend is allowed to continue, there is a strong likelihood of creating an elite, high-salaried group of employees consisting largely of professionals and managers who will monopolize the permanent full-time ceiling slots, and another low-salaried group of employees consisting of the clerks, technicians, the minorities, and the women who will get what is left (in this case, the nonfull-time jobs).

B. Specific Findings

1. National Park Service

For FY 1975 the NPS had a personnel ceiling of 7,118 permanent full-time positions and 7,169 other positions. The Service did not meet its end of the year ceiling targets. Actual permanent full-time employment numbered 7,301 (183 employees over ceiling) and other employment was 10,115 (2,946 employees over ceiling).

The excess in permanent full-time employment was, in part, a carry over from FY 1974 when the NPS reported 33 employees over ceiling. Early in FY 1975, it became evident that the NPS would again not get down to ceiling by the end of the year unless further permanent full-time employment was curtailed. Accordingly, in October 1974, an employment freeze was imposed, and no further hiring that would increase the Service's permanent full-time employment count was allowed (this did not restrict transfers within the Service as such actions would not affect the overall count). The freeze was not effective, however, in enabling the NPS to get down to ceiling by the end of FY 1975 because the expected attrition rate did not materialize.

Hence, the NPS is still operating under a permanent full-time employment freeze. The Investigative Staff was advised that only some 60 exceptions have been approved since the freeze was imposed and of this number 26 were approved to give permanent full-time status to park policemen upon completion of training. While in training status, these same employees are charged to OPFT ceiling for reasons difficult to explain since they are appointed on a career basis and work a full-time schedule.

The NPS commonly uses temporary and nonfull-time help to accomodate the seasonal nature of many of its activities. In 1975, the seasonal work force peaked at over 11,000 employees in July. The NPS also commonly misuses temporary and part-time help because of insufficient permanent full-time staff. The Investigative Staff found that the Service has some 2,117 employees (or about 1 out of every 5 employees in the regular work force) who are working in substantially full-time jobs but who are not being counted as full-time help. Of the total, over 700 are temporary employees improperly serving in on-going positions, and almost 1,400 are career employees working nominal part-time schedules.

In an effort to control the size of the nonfull-time work force and the misuse of WAE appointing authority, such appointments are now limited to a maximum of 35 hours a week or 10 months a year and must be reviewed and approved by the NPS headquarters personnel office. However, an indeterminable number of employees hired before these criteria were adopted are still working longer schedules (for example, 37 hours a week or 11 months a year). The NPS criteria were incorporated in a Departmental instruction still in the draft stage at the time this report was written. There was no assurance, however, that the 35 hour a week/10 month a year maximums would be retained as at least one bureau was holding out for allowing longer tours of duty.

The difficulties attributed by NPS officials to improper use of nonfull-time help followed the general pattern of personnel management problems discussed under General Findings in this chapter of the report. Recruitment, turnover, and morale difficulties were cited. The NPS has no conversion policy, and an employee may work for years without any assurance of acquiring permanent full-time status. Officials similarly deplored the need for misusing temporaries from the standpoints of such employment being unfair to the employee who is deprived of benefits; of being bad for the morale of permanent staff who lose help as quickly as it is trained; and of being wasteful and inefficient especially in terms of the manpower and paperwork

required to hire, separate, and often rehire such employees for no purpose other than to pay lipservice to the rules of the ceiling game.

2. Bureau of Land Managment

For FY 1975, the BLM had an adjusted permanent full-time ceiling of 4,512 positions and 2,238 other positions. End of the year permanent full-time employment numbered 4,530 (18 employees over ceiling) and other employment was 3,065 (827 employees over ceiling). Unlike the other bureaus studied, the BLM got a substantial position increase in 1975 (767 additional positions funded by Congress, 543 authorized by the OMB) to staff energy related programs.

The BLM has legitimate needs for seasonal help and uses temporary and less than full-time employees extensively. Seasonal and intermittent employment peaked at over 3,400 employees in July 1975. The Bureau is also improperly using temporary help and part-time schedules for work that could be done more efficiently by permanent full-time staff.

The Investigative Staff found that the BLM has over 800 employees (or about 1 out of every 6 employees in its regular work force) who are working substantially full-time but are being counted as seasonal on-and-off the rolls help. A handful of these employees are improperly used temporaries, but the overwhelming number are career employees working tours of duty of from 35 to 39 hours a week, or from 10 to 11 1/2 months a year on a full-time (40 hours a week) basis.

BLM headquarters imposes on its field organization no limits on numbers of WAE appointments "to the extent this type of appointment is appropriate," or on maximum work schedule. At one time, such appointments were limited to no more than 10 months but this policy was changed within the past year to stay competitive with the Forest Service's more liberal practices. The new policy is in conflict with the proposed Departmental draft on WAE employment and the differences will have to be reconciled before the Departmental directive can be issued.

The Investigative Staff found that until about 6 months ago, no professional positions in BLM were filled with WAE appointments with the consequence that many applicants who were qualified for entrance level professional positions were hired as technicians on a WAE basis. The feeling on the part of some of these employees that they are performing professional work without commensurate compensation is causing

morale problems. Further, since professionals are now being hired with WAE appointments, it is quite possible for a situation to develop where professionals and technicians will be doing substantially similar work but will be paid at different salary rates.

BLM offices have no organized plan for giving full-time employment status to nominal part-time employees. Several years ago, however, the BLM did go in the other direction and direct the mass conversion of some 50 blue-collar employees from permanent full-time status to nonfull-time status so as to open up some ceiling points. The action resulted in a number of complaints and congressional inquiries, but the positions are still being filled on a less than full-time basis.

3. Fish and Wildlife Service

For FY 1975, the FWS had permanent full-time and other personnel ceilings of 4,138 and 1,604 positions respectively. Actual end of the year permanent full-time employment was 4,145 (7 employees over ceiling) and other employment was 1,637 (33 employees over ceiling).

To keep down the permanent full-time ceiling count, the FWS has been operating under a modified freeze on outside hiring since December, 1974. Exceptions must be approved by the Director of the Service who, for the most part, has limited his approval to hiring for specialized occupations new to the Service and for staffing of new programs.

Seasonal employment in the FWS peaked to a high of almost 1,700 positions in July 1975. Of this number, 590 were employees reported as working a substantially full-time schedule but who were not counted as part of the regular work force. Some 100 of these employees were temporaries being improperly used, and the remainder were nominal part-time employees, many of whom were working 39 hour a week schedules (some current effort is being made to limit such tours to 36 hours a week, but this would not affect employees already on the rolls). The FWS also has some employees on WAE schedules but generally does not use this authority as extensively as the NPS or the BLM.

The problems attributed to the unusual employment situation and emphasized by FWS officials included its watering down effect on the quality of staff, and the frustrations of the ceiling exercise with the many petty but time-consuming demands it imposes on staff at all levels of organization. It is the commonly held view that nonfull-time positions (even 39 hours a week) attract lesser qualified personnel; but, as permanent

full-time vacancies do develop, there are pressures to convert employees already on the job. Thus, the system tends to build up and perpetuate mediocrity in staff. On ceilings, one high-level regional official said that an "inconceivable" amount of time was wasted in controlling hours of nonfull-time employees and in tracking ceilings, "you put them on and take them off, and all for what purpose?". Another official in the same office added the thought that as long as any significance is attached to ceilings, the impression is given that an agency can do its job within the confines of crippling manpower constraints which is no more than a deceit.

The FWS has no policy for assuring nonfull-time help regular employment, and conversions appear to be dictated more by exigency than by considerations of equity. The Investigative Staff also found evidence of conversions being used at the end of the fiscal year in order to match employment with permanent full-time ceilings so as not to report any vacant positions. This is another refinement of the ceiling game.

4. Forest Service

For FY 1975, the Forest Service had a permanent full-time position ceiling of 19,600 and an other position ceiling of 19,780. Actual end of the year permanent full-time employment reported was 19,590 (10 employees under ceiling), and other employment reported was 28,055 (8,275 employees over ceiling).

The justification submitted to the OMB for being far over ceiling for temporary and part-time employment stated in part:

> "In past years***we have delayed seasonal employment---or employed, terminated, and re-employed to meet the ceiling count date. The time and effort required to process the termination and re-employment documents puts a drain on the administrative time which could be applied more effectively on higher priority activities, and are counter productive, particularly during times of high unemployment. Such actions have increased the costs and are adversely affecting employee morale and productivity."

The Forest Service has many bona fide needs for intermittent and seasonal help. Such employment (temporary and nonfull-time) peaked to a high of over 30,000 in July 1975. At the same time, the Forest Service has for years been improperly using other than permanent full-time appointing authorities solely to circumvent ceiling restrictions. In the process, the Forest Service has built up a regular full-time work force with not only

in excess of 5,600 employees over ceiling but with almost 3,000 employees over the permanent full-time employment level funded by Congress for FY 1975.

Of the total temporary and nonfull-time work force (reported at 28,055 employees at the end of FY 1975), over 5,000 were de facto full-time employees, and another 600 were temporary employees serving in positions that should have been filled with permanent full-time staff. Almost all of the 5,000 employees reported as part of the seasonal work force were working in nominal part-time jobs with a typical work schedule of 25 pay periods of full-time work (40 hours a week) and 1 pay period of less than full-time work (32 hours a week). Some few of these employees may also have been working a part-time schedule of from 35 to 39 hours a week. The Investigative Staff found that monitoring of less than full-time schedules is minimal and spoke to several employees who never had been required to take even the nominal "furlough."

The increase in the use of WAE employees and other part-time help has been marked in recent years. Over the same period of time permanent full-time employment (for statistical purposes) has been cut back significantly. Permanent full-time employment for the Forest Service peaked in 1967 with 22,570 workers reported; in 1975 the reported figure was 19,590, for a cutback of 2,980 employees. The corresponding figures for nonfull-time employment were 7,114 in 1967 and 9,377 in 1975 for an increase of 2,263 employees. One region visited by the Investigative Staff reported an increase over the past 9 years of from 649 to 2,282 in WAE employment alone.

Almost all WAE help is used in the National Forest System branch of the organization and not for research activities (except for possibly a few in support positions). At the present time, the regions and their field units have authority to make WAE appointments in unrestricted number. The only limitations are fiscal constraints and the need to keep funds in reserve for legitimate seasonal help. The Service has no uniform method of converting WAE help to permanent full-time status. In one region it was estimated that an employee would wait, on the average, about 6 years to get converted; in another region the estimate was 2 or more years depending on the job and on other more nebulous considerations.

The Forest Service is currently trying to develop and issue a much needed uniform policy on conversions and new hires which conceivably would limit the number of future WAE appointments. Work was progressing but the project was not near completion at the time this report was prepared.

The problems attributed by Forest Service officials to the WAE employment situation closely parallel the general problems identified earlier in this chapter and need not be repeated here. To get another view on such employment, the Investigative Staff interviewed some two dozen employees who were working nominal part-time schedules. The employees interviewed were mostly clerks but a handful of other workers (blue-collar, technicians and one professional) were also represented. Some had been working for less than one year, others for over 6 years. The employees, without exception, were happy with Federal employment but would have felt better with permanent full-time status. Several indicated an uneasiness about tenure, and several expressed unhappines about losing money for days on leave without pay. While WAE employment was explained upon recruitment, a number of the employees indicated a less than full understanding of the explanation and said they just wanted a job. The employees were either unaware of or confused about conversion practices and indicated that little, if any, in-house publicity is given when conversions are made or as to who is converted. Several perceived grade as well as service as being a factor in determining who was to be converted with higher level employees getting preference consideration for full-time vacancies.

5. Indian Health Service

For FY 1975, the IHS had a permanent full-time ceiling of 8,017 positions and ceiling for other positions of 613. Actual end-of-the-year employment was 7,877 permanent full-time employees (140 under ceiling) and 782 temporary and nonfull-time employees (169 over ceiling). In August 1975, IHS's permanent full-time ceiling was increased to 8,162 positions, which figure corresponds exactly with the congressionally funded level of positions for FY 1975.

Thus, the constraint on IHS employment is not one of ceiling but of funding. In this regard, it has been estimated that the current level of IHS operations constitutes only about two-thirds of the level required to provide quality medical services and care for the Indians.

The IHS reported over 100 employees working full-time but who are not being charged against the permanent full-time ceiling. Since IHS now has the ceiling to accommodate these employees, their conversion to permanent full-time status should be given early attention.

It was reported that some of these employees in the Albuquerque region have been working under temporary appointments for extended periods (up to 6 and 7 years) with none of

the benefits of career status. This is because the IHS is of the opinion that permanent full-time employment cannot be funded with money appropriated for construction and facilities because the appropriation does not provide for positions. If this is so, the prohibition is in conflict with Civil Service instructions that direct agencies to fill permanent full-time positions with career staff and, as a matter of equity to the employees involved, the conflict should be reconciled.

The Investigative Staff also found 39-hour-a-week appointments being used in the regions to hold down the permanent full-time ceiling count but, unlike the land management bureaus, the IHS has not as yet gotten into WAE-type employment.

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IV. CONTRACTING VERSUS IN-HOUSE PERFORMANCE OF ASSIGNED AND FUNDED TASKS

A. General Findings

Contracting Decisions are not Supported by Cost Studies

The National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Forest Service, and the Indian Health Service have generally moved toward more contract work in recent years. On the important issues, however, of (1) the amount of the increase attributable to staffing limitations, and (2) to what extent the additional contracting is for work that could be done at less cost in-house, the evidence is conflicting and inconclusive.

On the first issue, a number of officials (probably the majority) reported that almost all of the contracting done by their organizations was in the best interest of the Government. Thus, even if ceilings were relaxed, the overall contracting picture and the mix between the amount of work done by contract and by in-house staff would not change materially. Other officials, however, disputed this view and reported that personnel ceilings have directly resulted in contracting despite cost and other advantages to be gained by in-house performance.

On the second issue, good information is even more elusive. The Investigative Staff found that contract decisions are seldom based on documented cost analyses and that, even when such studies are attempted, the results are often of questionable validity and are not convincing in showing the cost advantages of either contracting or in-house performance. This should be kept in mind in reviewing subsequent references to potential savings in this report. These estimates are based on studies made by the bureaus. The Investigative Staff examined the studies only in sufficient detail to determine the makeup of the estimates, and none of the assumptions on which costs were based were questioned. The Investigative Staff found that usually only direct labor costs were considered in developing estimates for in-house performance. Similarly, assumptions made about contractor overhead costs and profits were often based on little more than rules-of-thumb and lacked any objective credibility.

Cost comparisons of contracting versus in-house performance are not common practice for a number of reasons, including the lack of any incentive for making such studies and the lack of staff time, expertise, and guidelines for estimating costs accurately. Bureaus and their suboffices have little incentive to make exhaustive cost comparisons since it is the prevailing

feeling that additional ceiling would not be made available anyway, regardless of the outcome of the study. On the matter of the feasibility of making good cost comparisons, the Investigative Staff found that Circular A-76 is for all practical purposes an inoperative document. Contracting and budget officials with whom A-76 was discussed were either not familiar with it, did not understand it, or were critical of its lack of clarity and its built-in bias in favor of contracting. Consequently, it has been of no value in supporting contract or in-house performance decisions.

How Contracting Decisions are Made

The Investigative Staff was given the impression that comparative costs are a function of so many other variables--that the same factors making for a contract being advantageous in one situation may dictate in-house performance at another time or in another place. A partial listing of these other variables would include: the one-time or recurring nature of the work; the location of the work and contractor availability; the labor market for hiring additional Civil Service help; the need for specialized equipment or facilities; the quality level required; the timing factor and the need for completing the work within, for example, seasonal deadlines; the need for complying with contracting quotas as established at the bureau or higher organizational levels; and socioeconomic considerations.

While the interplay of these variables will usually dictate the alternative most advantageous to Government, the Investigative Staff found a lack of consistency, at times, difficult to explain. For example, in the Southwest much of the current emphasis of the land management bureaus is on development and conservation of the cultural and archeological resources in the area. The Southwest regional office of the the National Park Service considers contracting the preferable way to accomplish its archeological workload because the work is sporadic, and the universities in the area have highly

qualified faculty personnel and graduate students ready and available to do the work, thus keeping Government costs down. The State Office of the Bureau of Land Management (also located in Santa Fe, New Mexico) likewise contracts out most of its archeological work, but only because of manpower constraints. Officials in this office believe that an in-house archeological staff would be more responsive to BLM needs in terms of quality and of meeting deadlines so that other related work like large-scale earth moving projects would not have to be held up. The regional office of the Forest Service in the same

area (Albuquerque) has gone from in-house performance to contracting for archeological services and back to in-house performance, experience having proven to this office's satisfaction that contracting was more costly and less effective. None of these offices had any hard cost figures to support their convictions.

A current NPS study to set up a campsite reservations system for the national parks is a timely illustration of how contract decisions are not necessarily supported by cost analyses. Because the last contract for campsite reservations ended in a fiasco, the Service has been moving ahead slowly with establishing the new plan and it is not expected to be operative until the summer of 1977. While a firm decision has not yet been made on who will do the work, all indications are that it will be another contractor effort. No cost comparisons with in-house performance have been made to show in one way or the other that contracting is the way to provide this service at least cost to the camper. The inclination to use a contractor in lieu of in-house performance is based on: (1) tight ceilings--it is estimated that 2 or 3 permanent full-time personnel would be required in addition to an undetermined number of "other" man-years; and (2) the lack of in-house "know-how" about reservations systems and the related computer technology.

B. Specific Findings

1. National Park Service

In testimony before the House Committee on Appropriations in February 1975, the Director of the National Park Service expressed the intention of having developed and making available to the Committee comparative data that would show the cost advantages or disadvantages of contracting over in-house performance for a range of the NPS activities. Such a study was made, and the report was given to the Investigative Staff. It shows that the NPS contracted for some $15 million in services in FY 1975, with about $6.7 million going into maintenance activities, $4.4 million to research activities, and $4.0 million to other kinds of services (appraisals, construction, design, interpretation, etc.)

In summary, the report concluded that maintenance work can generally be done at less cost in-house, unless the costs of materials and supplies are included, in which case contracting is usually the preferable alternative; research activities

can be accomplished at less cost by contract (no reasons given); and "other" activities go both ways but, on balance, can be done (it would appear) at less cost in-house. The thrust of the recommendations in the report was to encourage more contracting, especially in the grounds maintenance, fee collection, and campground management areas.

Unfortunately, the validity of the report is highly questionable. In all 3 regions visited by the Investigative Staff, there was no high-level awareness of the study, and it was only with some difficulty that the source of the regional input to the report was identified.

Other data developed for the Investigative Staff provided a "mixed bag" of cost analyses, gross cost comparisons, and general rules covering situations where contracting or in-house performance is usually preferable. Some of this information is summarized below.

-- In March, 1972, a contract was awarded in the amount of $233,087 for the mapping of the Buffalo National River area in connection with acquisition of the lands. NPS estimates (developed by the land acquisition staff) indicate that the area could have been mapped by in-house staff (if available) at a savings of $141,787. While this proved to be a better than average contract, problems were nonetheless experienced, and much of the work had to be redone.

-- The mapping and preparation of legal descriptions for the Big Cypress National Preserve is currently being done in-house. Based on the work completed to date (about 35 percent of the project) and experience with contractual mapping in other areas of the NPS system, an estimated savings of $1.6 million has already been realized, and the quality of the product far exceeds that normally received from a contractor.

-- The NPS currently has a staff of 27 in-house appraisers. It is estimated that with another 26 appraisers all work currently done by contract at a cost of $622,008 could be done in-house with a savings of $101,868. In addition, the quality of appraisal reports would be higher and their delivery more timely. (The Investigative Staff found a diversity of opinion, even within the NPS, about the desirability of doing appraisals in connection with land acquisition in-house. While it was generally agreed that in-house performance was more economical, cost considerations are sometimes more than offset by the need for an independent and supposedly more objective judgment.)

--As a general rule, contracting for maintenance services in the parks has been found to be advantageous for nonrecurring work and for jobs requiring specialized equipment or worker skills. The location of the park and its proximity to an area where contracting services are readily available and competition high is also an important factor. Thus, the overall experience of the National Capital Parks and the Golden Gate Recreation Area with contracting out for maintenance services has been good. Conversely, recurring work in park maintenance operations which can be done with sub-journeyman level skills or which requires performance in isolated areas can usually be done at less cost in-house. Thus, Platt National Park contracted for solid waste disposal and janitorial services for FYs 1969 through 1973. Because of lack of bidders, the park returned to in-house performance of the tasks in 1974. Based on the 1974 experience, a cost analysis indicates that the work could have been done in-house with a savings of over 10 percent in 1972 and of over 15 percent based on the 1973 bid.

-- Regardless of kind of contract, an overall feeling prevails among NPS officials that the quality of work accomplished by contract falls short of the quality expected from in-house personnel. One official attributed this to pride of workmanship and dedication to the organization. Another aspect of contracting commonly cited by NPS officials was the hidden cost of administration. These include contract supervision and the administrative work involved in issuing bids, payments, etc.

There was no clear consensus among NPS officials about how much contracting for labor services was attributable to ceiling constraints and about how much the picture would change if more personnel were available. Two regional offices stated flatly that the picture probably would not change at all; another gave the impression that some contract work, mainly in the maintenance area, would probably be done in-house.

In the opinion of one high level regional official, the contracting picture should be viewed in perspective. He indicated that the big push to contract anything remotely feasible came about four years ago. This resulted in a greatly expanded contracting effort including a number of uneconomic and otherwise unjustifiable awards. However, in the opinion of this official, most of these excesses have since been discontinued and, overall, the effort was worthwhile as it served the purpose of softening traditional hangups against contracting that had existed in the NPS.

2. Bureau of Land Management

Most of the contracting for the BLM is done by the Denver Service Center which has unlimited contracting authority. State Offices have contracting authority only to a maximum of $2,000 except for construction contracts where they may go as high as $10,000. Much of the so-called "contracting" done by the BLM for reclamation studies, soil inventories and related projects is by interagency agreement with another Government bureau (for example, the Bureau of Reclamation, Geological Survey, and the Soil Conservation Service) and not with a commercial supplier.

One BLM official cited survey work and resource inventories as being 2 major areas of BLM activity where too much dependence was being built up on contractors. Apart from the cost advantages of doing survey work in-house (no figures were provided to support this conclusion), it would be operationally desirable from the standpoints of maintaining an in-house capability and of placing BLM in a position to better respond to legal challenges. Much the same thinking applies to resource inventory studies where both quality considerations and the need for maintaining in-house expertise would suggest the desirability of more in-house performance.

In the Pacific Northwest where the BLM manages extensive timberlands, tree planting was cited as an activity where experience with contracting had been unfavorable. Deficiencies cited were a limited number of bidders, poor quality seedlings, and failure to get the planting done within critical seasonal deadlines. Because of this experience, an increased reliance is being placed on in-house performance for this activity, and it is expected that the contractor/in-house performance mix will approach a 50/50 ratio. At one time, 90 percent of the work was done by contract.

In the same region, an illustration was cited of a contractor (Portland State University) produced environmental analysis study which had to be redone because of shoddy work. The study was attacked by the Sierra Club and in the preliminary court proceeding, the judge warned that he would have to find for the plainiff, unless the archeological work were improved. As a result, the study is being redone at a cost of some $20,000 (cost of the original study was about $10,000). Officials in the State Office attributed the poor quality of the original study mainly to the lack of in-house archeological staff to oversee the contract.

An example was reported of uneconomical contracting involving mineral economic studies of which 3 are currently in progress in total amount of $112,000. According to BLM staff estimates, the $31,771 charges incurred in just getting the contractor started on one of these projects could have been done in-house at a cost of 2 man-months (GS-12 or GS-13) if a qualified employee had been available to do the work (the Denver Service Center just recently lost such a man).

3. Fish and Wildlife Service

The Investigative Staff found that ceilings have resulted in some contracting for research activities that is considered operationally undesirable. By increasing its dependence on contracts, the Service loses its in-house expertise and the universities develop as the sole sources for such know-how. Further, there are significant other non-dollar costs associated with university contracting. One is represented by the demands made on staff time in supporting the contractor effort. Another cost is represented by the difficulty (if not impossibility) of changing the direction of such research, because the work is invariably performed by a graduate student and the parameters are limited by his specific study program.

Another illustration of operationally undesirable contracting concerns chemical analysis work to support the Environmental Contaminant Evaluation Research Program. About 50 percent of this work is now done in-house. Apart from possible cost advantages favoring more in-house performance, the contract laboratories are not fully qualified to do some of the more complex analyses and are unable to perform within desirable time frames. The impact which follows is that in-house scientists are diverted from pursuing the most promising lines of research because of the questionable validity of findings reported by the contract laboratories.

A number of examples were reported of research support activity done by contract which could be done at less cost in-house. Illustratively:

-- The cost of organochlorine hydrocarbon analysis for one sample done by staff is $75; a comparable analysis done by a contract laboratory is $110.

-- The cost of lead and mercury analysis by staff is $12 per sample; the comparable laboratory cost ranges from $15 to $19.

-- Research effort above and beyond that of routine analysis costs $25 per hour at the contract laboratory versus a staff provided similar service that would cost no more than $15 per hour.

-- Besides the direct costs of the analysis and research work cited above, there are indirect costs attached to contract performance such as packing samples in dry ice, air freight charges, vehicle charges for taking samples to the airport, and staff time devoted to packing and shipping. None of these costs are incurred when the samples are analyzed in-house. Also, samples sent to contract laboratories frequently require additional preparation which is not necessary when the work is done in-house. Carcasses, for example, must be skinned, ground up, homogenized, and subsampled. Most of these costs are reflected in the $75 charge cited above but extra charges are assessed if the work is done by a contract laboratory.

Illustratively, it was estimated that the cost of having 100 carcass samples prepared and analyzed by staff would be $8,050 versus $12,200 for a similar service from the contract laboratory. Based on the number of samples now done at the contract laboratory, annual savings would be about $15,000 if this work were done in-house.

In the 2 regions visited by the Investigative Staff, officials gave the impression that the contracting picture in their areas would not change (except possibly for biological services which is handled from Washington, D. C.) even if ceilings were relaxed. Most of this contracting is for maintenance-type services which these officials believe would generally cost more if done in-house.

4. Forest Service

The Investigative Staff found that the Forest Service had considerable difficulty in identifying contracts that could be performed more economically or efficiently in-house, other than in the most general of terms. A survey of the field organization which was restricted to the 4 contracting activities considered most amenable to in-house performance elicited some information. These findings, supplemented by comments and observations of officials interviewed by the Investigative Staff, are summarized below.

Architectural and Engineering (A&E) Services for Buildings and Related Improvements

The survey showed no consistent pattern for this activity. While some contracts were more cost effective, one particular contract for refrigerator design was reported where the work could have been done in-house at an estimated savings of 24 percent ($77,046 versus $62,026), if the personnel had been available. Similarly, it was estimated that a group of 9 small individual projects involving electrical and mechanical design services in the Southeastern region could have been done in-house at a savings of 50 percent. On large work like recreation areas or laboratory design, it was the consensus that contracting and in-house costs are about the same.

A spokeman for the Engineering Staff took a different view of contracting for A&E services. In the opinion of this official, unit costs do not tell the whole story. The real costs of a dependence on contracting are in the loss of in-house skills and in the increased risks to the land. In other words, you must do the work, or you will lose the skills. Without the skills you can no longer establish design criteria or supervise the project, and with contractors getting increasingly into these areas, responsiveness to Congress will be impaired. The contractor may design a well engineered bridge but not necessarily one that satisfies the needs of the Forest Service or is responsive to the current thrust of Congress (for example, ecology).

In connection with loss of skills, sanitary engineering in both water borne and solid waste, bridge design, and electrical engineering were cited as disciplines falling in this category. Region 5 (San Francisco) is currently the only region office with any in-house depth in the architectural engineering discipline.

Engineering Services for Roads, Trails, and Bridges

No meaningful cost comparisons were developed for these kinds of services. The explanation provided was that such work is either done widely in-house or through agreement with other Federal agencies such as the Federal Highway Administration.

Other Professional Services

Contract costs of land appraisals were estimated to be 50 percent less than in-house performance ($680 versus $1,350 per appraisal). This estimate, based on data submitted by one Forest Service region, is contrary to almost all of the other information developed by the Investigative Staff on contracting for appraisal services. The Forest Service survey developed no comparative information on scientific and research services.

A spokesman for the research organization indicated that much of the increase over the past 5 or 6 years in research grants and in work done by the universities on a cost-shared basis is attributable to ceiling limitations. This official saw 2 problems in going too far in this direction: (a) contractor personnel are usually not as well qualified to do the research as in-house trained staff with resultant delays in program completion, and (b) the Forest Service has underutilized laboratory capacity which could be used at no cost to Government while the contractor will add these costs to his total charge.

Another official in charge of a Forest Range and Experimental Station indicated that, while all of his current research contracting is in the best interest of the Government, the picture could change if inflationary trends continue. The universities now contribute about one-third of the costs of cooperative extramural research. If future funding constraints were to result in an inability of the universities to continue such a contribution, a reevaluation of the costs/benefits of contracting versus in-house performance will be necessary.

Forestry Work Projects

The Forest Service survey indicated generally that contracts for tree planting, timber inventories, site preparation, and thinning work varied from 9 to 40 percent less than projected in-house costs, but projected costs for in-house performance of similar services in a Midwest region varied from 3 to 22 percent less than contract costs. Contracting officials with whom the data were discussed were unable to account meaningfully for why some regions recognized cost advantages in contracting for these services while at least one region did not.

An explanation would have been academic in any event, as the Investigative Staff found that the regional offices are given contracting quotas for reforestation work which range from 50 to 90 percent of the overall amount of such work to be accomplished. FY 1975 targets were based on past experience,

not comparative costs. The targets, in effect, nullify the value of cost comparisons and do away with management discretion as to how much work should be done in-house. Similar contracting quotas are established for maintenance services, with the targets for FY 1975 being set at 10 percent over that accomplished in FY 1974.

5. Indian Health Service

IHS contracts for work that could be done in-house in three major areas: for medical care and services, for construction of sanitation facilities, and for general maintenance work. This work is done by contract mainly because of funding constraints, not ceiling limitations. Since August 1975, IHS has been operating with no gap between budgeted positions and approved ceiling. Thus, additional funding to support staffing increases would be required to go from contracting to in-house performance.

In the area of medical care, a recently completed study (March 1975) showed that the average contractor-care cost per outpatient visit was 154 percent higher than the direct care cost for such service as provided by the Shawnee and Tishomingo (Oklahoma) Service Units. Comparative costs were $34.60 versus $15.11.

In both regions visited by the Investigative Staff, officials also agreed that medical services such as x-ray and laboratory work could be done at less cost in-house if qualified personnel were available.

The equipment and facilities for this kind of work are generally available and underutilized. In one region (possibly others) the laboratory and x-ray work is done on a part-time basis by pharmacists, doctors, and other personnel who have the skills, taking them away from their main speciality.

Comparisons of costs for construction of sanitation facilities show that this kind of work generally lends itself to in-house performance unless the job is big and requires specialized equipment and capabilities not available to the IHS.

For example, in the Southwestern area one job was cited involving the installation of septic tanks and drainfields for which contractor bids ranged from $3,765 to $7,655; the item was deleted from the contract and done inhouse for $2,926 including material, labor, and vehicle costs. Another illustration cited in the same area involved water and sewer line

installations. The project was negotiated with an Indian contracting firm at a cost of $15,205. IHS estimated it could have done the work for $3,865. As an aside, it might be added that the only Indian on the project as completed by the contractor was the IHS inspector.

Maintenance contracts are mainly of two types; namely, for preventative services such as elevator or air conditioning repair, and for minor construction and remodeling. No comparative costs were developed on this kind of work.

An interesting situation prevails in the Pacific Northwest area which was reported to the Investigative Staff. The Portland Area Office of the IHS has no hospitals under its jurisdiction and must contract out for all in-patient care services. It currently has "contracts" (actually interagency exchanges of funds) in the amount of $98,000 with the Public Health Service hospital in Seattle and accounts for about 10 percent of the hospital's Average Daily Patient Load. Since both activities are part of the same parent organization (Department of Health, Education, and Welfare), the Area Director sees cost advantages to be gained by making the PHS hospital a facility to serve both its regular and IHS clientele and by making part of the IHS appropriation available once a year to cover the care provided Indian patients. If IHS staff could also be stationed at the hospital, the arrangement would have the further advantage of providing such personnel with a hospital environment (now lacking) in which to work, keep their skills current, and acquire meaningful experience.

V. IMPACT OF EMPLOYMENT CEILINGS ON OPERATIONS

A. General Findings

The Investigative Staff found that the main impact of employment ceilings has been in the staffing area.

Permanent full-time ceilings have forced the land management bureaus to contrive gimmicks for circumventing ceilings and to use nominal part-time help to accomplish mission objectives.

This has resulted in an artificial staffing situation which, in turn, has had an insidious impact on the operations of each of the bureaus probably extending far beyond what is immediately visible.

The direct and tangible implications of employment ceilings for operations of the land management bureaus are more difficult to ascertain. Some deterioration in resources, property, and in the quality of services provided is generally recognized. It is not at all clear, however, how much of the deterioration is because of ceilings and how much is attributable to funding restrictions. It is the opinion of the Investigative Staff that, on balance, funding restrictions are the more critical constraint, and that the overall problem (as perceived by the bureaus) could not be remedied without more money, as well as additional personnel.

B. Specific Findings

1. National Park Service

The NPS's problems related to "budget crunch" and personnel reductions have received wide publicity in the newspapers and other media. The "degradation" of the parks was the subject of recent testimony (December, 1975) submitted to a Subcommittee of the House Committee on Government Operations by the President and General Counsel of the National Parks and Conservation Association.

The Investigative Staff's findings indicate that some media coverage of severe pending curtailments in park operations has been exaggerated or distorted. For example, the National Capital Parks operating budget was not cut by 9 percent this past year as reported in the newspapers; rather the cost of operating the system had gone up by about that amount without a commensurate increase in operating funds.

The operating experience of the National parks this past year further suggests that some of the publicity given to the plight of the parks has at times been overstated. In March 1975, a 15-page report on predicted curtailment of park operations was developed by the NPS for the Senate Committee on Appropriations. The Investigative Staff was advised that most of these curtailments never materialized. The most serious cutback was in the visitor services program which resulted largely from shorter terms of employment for seasonal employees because of lack of funds. Many illustrations of such cutbacks were provided to the Investigative Staff.

In 2 of the 3 regions visited by the Investigative Staff, regional officials stated flatly that ceilings have not as yet had any material impact on operations, that is, required the closure of facilities or major curtailment of services. The parks in these regions have been able to keep pace with workload by using temporary and nonfull-time help and by contracting out for more services. On the other hand, in the third region and in 2 of the park areas visited by the Staff, officials asserted that ceilings have had adverse program impacts and cited a number of examples, of which the following are illustrative:

-- Camping areas at the Delaware Water Gap and at Shenandoah had to be shut down because of insufficient clean-up personnel; campsites in the former park area were cited by County officials for not meeting minimum health standards.

-- Independence National Historial Park has experienced unnecessary and otherwise controllable acts of vandalism (for example, the slashing of 5 paintings in the Second National Bank portrait gallery) and theft problems because of inadequate security staff.

-- Old City Hall (Independence National Historial Park) was completed and ready for the public in February 1975 but could not be opened until June 1975, because of the staffing situation; the opening of the Visitor Center at the same park was delayed two months for similar reasons.

-- Personnel restrictions required the National Capital Parks to reduce hours of operation at Visitor Centers and Visitor Information Contact Stations in all park areas, to reduce 7-day-a-week operations at the Nature Center and other areas to 5 days, and to eliminate programs like park-wide National Symphony Concerts.

-- Personnel restrictions have forced the National Capital Parks to reduce or eliminate hunting patrols (C&O Canal, Catoctin Mountain Park, and Prince William Forest Park), to reduce security activities (C&O Canal, Manassas and Antietam Battlefields), and to close parks at 6:00 PM rather than 9:00 PM (Manassas, Theodore Roosevelt Island, and Prince William Park).

Media coverage has also made reference to maintenance cutbacks citing, in particular, El Morro Castle in San Juan, Puerto Rico which "is losing perhaps its last battle--as waves wash away its natural sandstone foundations." The Investigative Staff found no similarly dramatic examples of maintainance problems but was advised of reductions in cleaning schedules for comfort stations, reductions in turf mowing schedules, reductions in the frequency of garbage and trash collections, and of other more mundane examples of curtailments of maintenance activity because of personnel shortages.

Several officials also noted that personnel constraints have resulted in much deferred maintenance, the long-range implications of which are difficult to measure. Illustratively, a road that should be resurfaced this year or a bridge that should be repaired, if left untended, will ultimately require total reconstruction.

In the view of one regional official, ceilings have had their main impact in imposing on the region a need for reviewing programs and reassessing priorities in accordance with the realities of the prospective staffing/funding situation. This will have an overall beneficial effect in this official's opinion because, in the process, a distinction will have to be made between those activities which are essential and those which are desirable.

2. Bureau of Land Management

The Investigative Staff found no specific programs on which the BLM was unable to deliver because of employment restrictions. However, ceilings have dictated that the Bureau continually reorder its priorities and direct manpower from on-going programs in order to be responsive to new workloads. For example, the Bureau is obligated under a court order to prepare some 212 environmental impact statements within the next 13 years. The court order resulted from a successful suit brought by the National Resources Defense Council to prevent the BLM from issuing livestock grazing permits.

To begin developing the environmental impact statements, personnel will have to be taken off of the range management and other programs and redirected to this new and peripherally productive effort.

Other workloads cited as hurting badly from a diversion of manpower include trespass abatement, processing of permits and leases, range use supervision, resource inventories, and design and supervision of project work.

The short-range implications of watered-down staffing for "base program" efforts include loss of revenues, more backlogging, a lower quality product and public dissatisfaction with having to wait for the Bureau to process permits and applications. The longer range implication will be in the deterioration of the public lands and resources beyond the level necessary or commensurate with present funding levels.

3. Fish and Wildlife Service

Spokesmen for the FWS cited several instances of employment ceilings resulting in inability of the Service to produce fully on mandated and other programs. For example, the Fish and Wildlife Coordination Act requires impact assessments on fish and wildlife populations in connection with land and water resource development projects undertaken by such agencies as the Corps of Engineers and the Bureau of Reclamation.

Such projects have earmarked funds for this support work which is transferred from the project development agency to the FWS, in theory the agency with the expertise to do the work; position ceilings, however, are not transferred. As a result, the transfer funds were not fully utilized in FY 1975, and a similar situation will exist in FY 1976 unless ceilings are relaxed. The inability of the Service to respond delays timely accomplishment of the projects, discourages agencies from planning Service involvement in future projects, disturbs the environmental community and, in the long run, will diminish the Service's expertise in one of its primary areas of responsibility.

The Native Involvement program under the Alaska Native Claims Settlement Act (ANCSA) was cited as a mandated program on which the FWS has been unable to produce. Congress authorized four positions for the program but, because of ceilings, only part-time personnel could be hired and no qualified applicants willing to accept part-time employment were located. As a result, the Service has been unable to meet its obligations mandated by ANCSA and 40 percent of the FY 1975 Native Involvement budget allocation was unused.

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Animal damage control, natural fish hatcheries, and wildlife refuges were identified as other program areas where because of ceiling limitations it has been necessary to get the work done with temporary and part-time help to the detriment of the quality and timely fulfillment of program objectives.

Employment ceilings have also obliged the FWS to reassess priorities. Positions associated with on-going work have been directed to support as effectively as possible actions that must be accomplished because of Congressional mandate, public interest and pressure, or the environmental crunch (for example, listing endangered species, preparing and reviewing environmental impact statements, completing wilderness studies, etc.). The trade-off has been less attention to on-going activity with the result that the overall capability of the Service to contribute to the protection and development of fish and wildlife resources is being diminished.

4. Forest Service

Personnel ceilings have not had much discernible direct impact on Forest Service programs. One official made some mention of campgrounds being closed down (no specifics provided), increased vandalism (Wasatch Forest), and increased aircraft accidents as being, in part, attributable to the ceiling problem. It was the overwhelming consensus, however, that ceilings have not forced the elimination of activities, the curtailment of programs, or in any other tangible way prevented mission accomplishment.

The Forest Service has long been compensating for permanent full-time ceiling deficiencies by hiring temporary employees year after year to work in on-going jobs and by working part-time help on full-time schedules. More dependence on contract services has also been a factor. Much emphasis was given to the adverse implications of having to conduct business in this manner. A number of these problems were reported in earlier chapters on misuse of nonfull-time help and on contracting for labor services. Other related problems that were brought to the attention of the Investigative Staff are discussed here.

Several officials expressed concern about ceiling limitations in terms of their impact on the recruiting position of the Forest Service. Ceilings have imposed major restrictions on the intake of young professionals in recent years.

This development, if not corrected, will have serious implications for the bureau in the future. The continuity of employee development has already been disrupted, and a critical age gap is developing in the work force.

Somewhat related are the lost training opportunities attributed to the increased dependence on contractors. The example of timber survey work was cited in one region. Until recent years, this region would have from 5 to 16 young foresters assigned to the function largely for career development purposes. The nature of the work provided excellent experience including exposure to other disciplines, and many of the employees so trained went on to better jobs. Now all of this work in the region is being done by contract, and the training opportunity is no longer there.

Another problem reported by a number of officials was best articulated by one who said that the artificial staffing situation has thrown the organization "off balance." By this he meant that management was wasting far too much time in determining how to get assigned and funded work done either without increasing permanent full-time employment or in accomodating to permanent full-time ceiling cuts. The enormous waste represented by this nonproductive effort was, in this official's opinion, immeasurable.

5. Indian Health Service

IHS was unable to attribute any adverse program impacts to personnel ceilings. Since August 1975, the bureau has been operating without any disparity between congressionally authorized permanent positions and ceiling. Thus, to improve the adequacy of IHS programs more staff would be required, but to support such staff, additional funding would first be necessary.

VI. EMPLOYMENT CEILINGS AS VIEWED BY THE OFFICE OF MANAGEMENT AND BUDGET AND THE CIVIL SERVICE COMMISSION

The ceiling control system is administrative in nature, and the two key organizations in the Executive Branch with responsibility for managing the system are the Office of Management and Budget and the Civil Service Commission To get the views of these agencies on ceilings and related matters, the Investigative Staff requested individual reports, including responses to a number of specific questions raised by the Staff.

Copies of these reports are reproduced in Appendices A and B. Both reports reflect a surprising unawareness of the extent to which employees counted in employment statistics as seasonal and intermittent help are actually working on a full-time basis (information made readily available to the Investigative Staff).

Early in the course of the study, the Investigative Staff became interested in the question of why WAE employment practices were not more uniform, that is, why the Forest Service felt free to work such employees for all but two days a year while the Department of Interior bureaus felt constrained to give such appointments more the appearance of legitimate part-time employment. The Investigative Staff found the answer to be in the role and interest of the CSC in other than permanent full-time employment as perceived by the Departments of Agriculture and Interior and, in turn, by their bureaus and field organizations.

The picture that comes across as reported to the Investigative Staff is as follows:

-- There is general agreement (both across agency lines and at all levels of organization) that the CSC takes a strong position against the improper use of temporary employees, and especially deplores the practice of hiring the same individuals for the same type of "temporary" work year after year. One personnel official stated that in his area (which covers several Civil Service regions), the CSC appears to be pleased that the organization has gotten away from the use of "permanent temporaries" even though the alternative has been nominal part-time appointments (no less a subterfuge for circumventing ceilings). The latter employees at least get career benefits.

This perception of the CSC position tends to be supported by the CSC report where most of the emphasis is on

improper use of temporary appointing authority and efforts to control it, rather than on improperly used nonfull-time employees of which there are many more.

-- There is disagreement, mainly across agency lines but also reflected at lower organizational levels, about the Commission's position on the improper use of furloughs and part-time schedules. The Department of Agriculture has taken no position on curbing the use of part-time and WAE help because there has been no dialogue with the CSC reflecting Commission concern about abuses. Similarly at the Forest Service and subordinate levels, it was reported that the CSC has neither endorsed nor been especially critical of the use of 25-pay-period appointments and similar devices.

On the other hand, the Department of Interior reports having had extensive discussions with the CSC about the problem. The initial reaction of the Department was to seek ceiling relief from the OMB, but when this was not forthcoming, the decision was made to develop a Departmental policy on the issue. The proposed policy (as discussed in Chapter 3) would limit WAE appointments to a maximun of 10 months and part-time appointments to a maximum of 35 hours a week. There was as yet no unanimity among the bureaus on issuing the policy as proposed at the time this report was being prepared.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 29 1975

Mr. C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee
Washington, D. C. 20515

Dear Mr. Anderson:

This is in response to your letter of October 3, regarding the operation of Executive Branch employment ceilings. Enclosed are answers to the questions submitted with your letter.

A brief discussion of the nature of the present employment ceiling system follows for background purposes.

First, the present employment ceiling system is an outgrowth of a much more rigid control requirement imposed on the Executive Branch by section 201 of the Revenue and Expenditure Control Act of 1968 (P.L. 90-364). Under section 201, agencies were required to report employment on a monthly basis and new hires were restricted to three persons for every four leaving the Federal service--until overall employment was reduced to a specified level that was to be maintained thereafter. In practice, the provisions of section 201 proved to be so inflexible and unworkable that Congress repealed it in less than one year (section 503, Supplemental Appropriation Act, 1969)--but only after assurance was obtained from then President Nixon that the Executive Branch would exercise tight control over Federal employment.

Second, employment ceilings exist, and have long existed, to constrain increases in the size of the Federal workforce--primarily because of the proper concern of the President, many members of Congress, and the public over the absolute numbers of employees on the Federal payroll, regardless of any other considerations. Without ceilings there would be no effective control over these numbers, and employment probably would increase at a faster pace than is now the case. Even with ceilings on part-time and temporary employment, their numbers (Executive Branch less Postal Service), increased by 40,000 (or 27%) over the last four years.

Finally, the employment control system--administered by OMB, pursuant to the policy guidance of the President--annually sets two ceilings in the aggregate (full-time permanent and total employment) for each agency in the Executive Branch--at the agency level. Each agency head has the flexibility to allocate assigned personnel resources so as to best accomplish the goals and objectives of the agency.

I trust the foregoing, as well as the more specific material contained in the enclosure, will be helpful in your investigation.

Sincerely yours,

Paul H. O'Neill
Deputy Director

Enclosure

cc: Dr. Phillip Schneider
Civil Service Com.

Enclosure

Responses to questions posed by C.R. Anderson, Chief of the Surveys and Investigations Staff, House Appropriations Committee, in a letter of October 3, 1975.

1. What was the size of the "permanent full time" (PFT) Federal workforce as reported by all Executive Branch agencies on June 30, 1975? What was the reported size of the "other than permanent full time" (OPFT) workforce on the same date? What were the corresponding figures on June 30, 1970?

A: The question refers to "permanent full time," or PFT employment, and "other than permanent full time" or OPFT employment. Corresponding terminology in general use in the Executive Branch is full-time permanent (FTP) and "other" employment which includes such categories as part-time permanent, full or part-time temporary, and intermittent employment (e.g., consultants, etc.). With those distinctions in mind, the Civil Service Commission's monthly publication "Federal Civilian Manpower Statistics" indicates (for the Executive Branch including the Postal Service):

	June 30, 1970	June 30, 1975
FTP	2,552,563	2,478,831
Other	331,740	369,191
Total	2,884,303	2,848,022

NOTE: These figures include employment in certain programs for disadvantaged persons (e.g., Worker Trainee Opportunity Program and a number of summer and/or disadvantaged youth programs) that are excluded from personnel ceilings. Employment in these programs, which peaks during the summer months, was 59,675 on June 30, 1970 and 48,341 on June 30, 1975.

2. What is your best estimate of the number of employees charged to OPFT ceilings who are serving in PFT positions? (For this estimate, consider a position as PFT if filled by (1) a temporary employee or by a succession of temporary employees for more than one year, (2) a permanent part-time employee working at least 35 hours a week, or (3) a permanent part-time employee working a full work week and for at least 10 months a year.)

A: The requested information is not available centrally at either OMB or the Civil Service Commission; nor do we have a sound basis on which to estimate such information.

3. How much of an increase (if any) do you estimate there has been over the past 5 years in the number of OPFT employees working in PFT positions?

A: The previous answer also applies to this question. As is noted in the covering letter, total OPFT employment has increased by 40,000 over the past 4 years.

4. The ceiling process has been justified on the basis of keeping employment levels under control. At the same time, there is ample evidence that the system encourages the improper use of temporary and part-time employees. How do you justify imposing a requirement on agencies which can be fulfilled only by violating sound personnel management policy and practices?

A: OMB does not concur in the conclusions stated in the question. Compliance with personnel ceilings does not require the violation of sound personnel practices. The present system of applying the ceilings to a specific date (i.e., June 30) allows an agency head maximum flexibility during the year. Where seasonal or other factors require significant temporary employment during the month of June, employment ceilings are set accordingly. Recently, the General Accounting Office urged OMB to relax the employment ceiling on temporary and part-time employees so that more of them could be employed. A copy of the OMB letter commenting on the recommendation is attached.

5. Explain how in the budget review process you convert an agency's request for OPFT man-years to an OPFT employment ceiling?

A: Under the provisions of Circular A-11 (Exhibit 22C), the agency requests end of year employment levels for full-time permanent and total employment. These requested levels are expected to be consistent with requests for average employment or work years and are reviewed accordingly. No conversion by OMB staff is required.

6. What does experience indicate with respect to employment levels (both PFT and OPFT) subsequent to the date on which ceilings apply? Do they remain relatively stable or usually go back almost immediately to pre-June 30 levels? Have the costs of requiring agencies to "play the ceiling game" ever been estimated? What worthwhile purpose is served by this exercise?

A: No evidence has been found that agencies release and rehire significant numbers of full-time permanent employees in order to remain within full-time permanent employment ceilings on June 30. A table showing full-time permanent employment in May, June, July, and August of 1971-1975 for the Executive Branch (excluding the Postal Service) and for several agencies with high employment is attached.

There have been some abuses by a relatively small number of agencies with respect to temporary employment. Those cases where a marked upward jump has repeatedly occurred after June 30 are being reviewed. In addition, the Civil Service Commission conducts audits in the various agencies on a continuing basis. Such audits are designed to illuminate any instances of the kind of "game playing" alledged, and when these are uncovered necessary steps are taken to ensure the future integrity of the system. Agency heads are expected, as good managers, to live within the resource limitations set by the President and the Congress and not to get around the spirit or intent of such limitations by resorting to questionable practices.

When the "other" employment ceilings are recommended to the President during the current budget review process, OMB will give special attention to this problem and agencies will be advised accordingly in the allowance letters to be sent out next January.

7. Are agencies under any constraint, legal or otherwise, not to exceed the "Total number of permanent positions" requested in the budget and funded by Congress? Are agency ceilings or agency imposed ceilings for particular programs, ever established at levels in excess of Congressionally authorized employment levels?

A: The ceiling control system is administrative in nature. Exceeding employment ceilings may result in the agency head receiving a written admonition.

With respect to the second part of this question, agency ceilings are established by OMB prior to the time at which the Congress authorizes employment levels--which rarely apply to an entire agency. We are not aware of any cases in which agencies set ceilings for particular programs within the overall agency ceiling that are in excess of Congressionally authorized employment levels. Of course, we would expect the agencies to stay within any Congressionally authorized employment levels.

8. Explain why in the budget formulation and review process, it would not be practicable to come up with just one set of employment figures so the Congress would have assurance that an agency could hire permanent staff in numbers commensurate with funded employment levels and, at the same time, the Administration would be satisfied that the size of the Federal workforce would not increase at an unacceptably fast rate?

A: At one time during the mid-1960's, only one set of employment controls was used--a control on full-time permanent employment. In fact, the resultant rapid growth in total Federal employment ultimately was reflected in section 201 of the Revenue and Expenditure Act of 1968 (P.L. 90-364). Under the present system, utilizing two ceilings (one for full-time permanent, a second on total employment) the Administration has been able to satisfy itself (and the Congress) that the size of the Federal workforce has not increased at an unacceptably fast rate.

Controlling full-time permanent employment is important because it is most significant in terms of tenure of the incumbents and costs to the taxpayers. The addition of permanent employees often results in insistence that a new workforce base has been created, that the base should not be reduced, and that the subsequent budget must include increases to cover the annual costs of the new base. It is just as important to control "total" employment so as to maintain appropriate limits on the numbers of temporary and intermittent employees on the Federal payroll and to prevent a repetition of the 1965/66 experience with respect to overall employment.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

8/27/75

Mr. Forrest R. Browne
Director, Federal Personnel
and Compensation Division
U. S. General Accounting Office
441 'G' Street, N.W., Room #4001
Washington, D.C. 20548

Dear Mr. Browne:

This is in response to your request for comment on the subject draft report (B-159950) concerning the elimination or relaxation of personnel ceilings for part-time employees on a test basis.

We certainly agree with the emphasis in the draft report on the desirability of part-time employment and on the need to find appropriate ways to make it easier for part-time employees to be hired. However, we are not at all certain that the central personnel ceilings are producing the problems outlined in your report.

As the report suggests, one way to determine the validity of the premise is to test the effect on operations of removal of employment ceilings. Five years ago the Navy Department under "Project REFLEX" tested the effect of elimination of employment ceilings on the operation of certain laboratory facilities. The results were inconclusive. The General Services Administration is now undertaking a project to test the idea in agencies outside the Defense Department.

It is our view that many of the problems discussed in the draft report result from a failure to take advantage of the considerable flexibility that exists under the current ceiling system. We believe that the personnel ceiling system can accommodate the varying needs of agencies, especially for part-time employment. First, when an agency's employment ceiling is set during the fall budget process, consideration is given to requests for part-time and temporary employment commensurate with the agency's perceived needs to cover periods of unusual workloads. Second, ceilings are provided to the agency as a whole, and each agency head has discretion to allocate and reallocate that ceiling among the bureaus and

elements of the agency. Finally, the personnel ceiling is applicable only to one day out of the year--June 30. The agency head can (within dollar limitations) exceed that ceiling during the year so long as the ceiling can be reached in an orderly manner by the end of the year.

However, employment ceilings exist to constrain increases, primarily because of the proper concern of the President, many members of Congress, and the public in the number of employees on the Federal payroll, regardless of any other considerations. Without ceilings, there would be no effective control over these numbers, and employment probably would increase at a faster pace than is now the case. Even with ceilings on part-time and temporary employment, their numbers (Executive Branch less Postal Service) have increased by 40,000 (or 27%) over the last four years. Full-time permanent employment has declined by 40,000 over the same period.

In summary, we believe that it is fundamentally desirable to control the number of employees on the Federal payroll and that the present system provides the necessary flexibility for agency heads to accommodate the needs of their agencies for peak loads for part-time employment. The 40,000 increase in part-time and temporary employment over the last four years gives some indication of the present ceiling system's ability to provide for new needs through this means. We do not believe that further relaxation of these ceilings is necessary to accommodate the objectives that the report addresses.

Sincerely yours,

/s/

James T. Lynn
Director

cc: DO Records
Director's Chron
Director
Deputy Director
Mr. Preston
Mr. McOmber
Mr. Modlin
Mr. Strauss (Return-#6236)
Mr. Oberlander (Return-#6236)

BRD:RSB:GStrauss/DLeuthold:fsw - 8-19-75
Retyped BRD:RSB:GStrauss:fsw - 8-26-75
Retyped & not recirculated - BRD:DMcOmber:fsw - 8-27-75

Full-time permanent employment (excluding exempt categories)
Executive Branch (excluding Postal Service), and selected large agencies

Year/Month	Exec. Branch	Agriculture	Defense-Mil. Funct.	H.E.W.	Interior	Treasury
1971						
May.....	1,949,929	83,178	1,071,140	103,542	57,214	89,844
June.....	1,955,543	84,252	1,062,741	104,283	57,570	90,135
July.....	1,958,485	84,486	1,062,621	105,439	57,498	90,741
Aug.....	1,960,823	84,698	1,062,053	106,388	57,844	91,054
1972						
May.....	1,916,545	82,601	1,019,039	106,393	56,521	96,053
June.....	1,910,863	82,511	1,009,562	105,764	56,892	95,728
July.....	1,891,657	81,320	994,011	105,946	56,166	95,590
Aug.....	1,894,365	81,508	994,497	106,134	56,303	95,896
1973						
May.....	1,886,975	81,949	972,609	113,491	56,511	98,528
June.....	1,874,417	81,715	957,310	114,307	56,771	98,087
July.....	1,851,962	79,425	942,646	115,156	55,732	96,598
Aug.....	1,854,599	79,537	943,679	116,659	56,017	97,424
1974						
May.....	[illegible],580	78,590	965,496	125,277	57,486	103,925
June.....	[illegible],304	79,621	973,778	126,692	57,568	104,391
July.....	1,916,993	78,941	970,669	127,004	57,518	104,541
Aug.....	1,915,333	79,188	967,493	127,480	57,856	105,033
1975						
May.....	1,910,036	78,625	953,257	128,445	58,268	106,785
June.....	1,914,352	79,133	954,721	129,285	58,088	108,138
July.....	1,918,186	78,864	953,452	129,924	57,882	108,807
Aug.....	1,911,713	78,599	950,158	128,869	57,714	108,335

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO
Appendix B
Page 1
YOUR REFERENCE

Mr. C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee
House of Representatives
Washington, D.C. 20515

Dear Mr. Anderson:

This is in response to your letter of October 24, 1975, regarding employment ceilings and their impact on the personnel management activities of several Federal agencies.

The improper use of temporary appointments and other devices to avoid ceiling restrictions has been a matter of increasing concern to us. We have attempted to provide a comprehensive response to your specific questions on the basis of information presently available to us.

1. What are Civil Service restrictions on filling permanent full-time positions with employees serving under temporary appointments or with employees serving under permanent appointments but working less than a full-time schedule (less than 40 hours per week or less than 26 pay periods a year)?

   Commission requirements provide that permanent continuing positions in the competitive service, whether full or part time, be filled through the career-conditional appointment process. This ensures that the Federal Government's permanent work force is composed of the best qualified people available and that employees serving in continuing positions receive all the rights and benefits accorded to them by law. Any use of temporary appointments for continuing positions, solely to avoid ceiling restrictions, is contrary to the intent of our appointing regulations.

   The use of temporary appointments in Federal agencies is restricted to situations where neither the work nor the position is expected to continue for any length of time.

For example, temporary limited appointments, the most widely used form of temporary appointment, are only authorized in situations when agencies certify that they are for:

- positions not expected to last more than 1 year, or
- seasonal positions, other than career-type positions, or
- part-time and intermittent positions that are not clearly of a continuing nature, or
- continuing positions when temporarily vacated for periods of less than 1 year, or when filled by persons 70 years or older.

Agencies make the determination whether a position is to be continuing or temporary when they request a certificate of eligible candidates from the Civil Service Commission. If it appears to our examiners that an agency's justification for using temporary limited appointments does not meet one of the above criteria, the request for candidates is not approved.

In May 1974, we reminded our field offices of the importance of closely scrutinizing agency requests for temporary appointments. A copy of that communication is attached.

2. What is Civil Service policy on making permanent appointments to permanent full-time positions and nominally furloughing such employees to circumvent permanent full-time ceiling constraints? What is your assessment of the increase (if any) in the use of this type of appointment for this purpose over the past several years?

The Commission considers improper any attempts to use otherwise legitimate personnel management practices like temporary limited appointments or furloughs, solely to circumvent ceiling restrictions. In addition to adversely affecting the employees themselves, these techniques distort an agency's true employment needs and make it even more difficult for it to get adequate manpower.

While we have no hard and fast data on the improper use of furloughs, we have indications that some agencies are turning to such practices as a way to beat the crunch

3.

between workload demand and ceiling limitations. Agencies which have the workload and the funds, but not enough permanent ceiling spaces, are tempted to resort to improper use of furloughs, temporary appointments, part-time work schedules and contracting out to accomplish their mission.

3. Do ceiling constraints imposed by the Office of Management and Budget generally make it necessary for agencies to disregard sound personnel management policy and practices in their use of temporary and part-time help? Has this problem ever been discussed with the Office of Management and Budget? If so, with what results?

As several agencies have reported to your Committee, there is little doubt that ceiling limitations have encouraged agencies to make questionable use of temporary appointments or part-time and intermittent work schedules. The Forest Service, for example, hires the same individuals for the same type of "temporary" work year after year. While each individual may work only on a temporary basis in any given year, the cumulative effect is to have temporaries in substantially continuing positions. In addition, the Forest Service's use of "WAE" employees ("when actually employed"), who are supposedly "part-timers," results in many of them working 50 weeks a year.

Aside from being a misuse of hiring authorities, these practices are inconsistent with sound personnel management, and can only result in less effective government performance and poorer service to the public. Temporary appointments, for example, usually attract less than the best-qualified people available. Filling permanent positions with temporary employees often means the loss to the Federal service of higher quality talent and greater productivity on the job.

We have alerted OMB to current problems attributable to ceilings and have suggested alternatives including fundamental changes in the way ceilings are computed. Our discussions on the subject are continuing. It is worth noting that several years ago, in response to our request, OMB modified ceiling policy to permit a full-time permanent ceiling space to be split into several part-time jobs without an additional charge against the ceiling.

4. In the bureaus being investigated for the Committee on Appropriations, what is your best estimate of the total number of employees who are being charged to other than permanent full-time ceilings but are actually working in permanent full-time positions? In this regard, how representative are these bureaus of executive branch agencies as a whole?

4.

Because of varying employment levels, there are no exact figures on the numbers of employees being charged to "other" ceiling but actually working on a full-time permanent basis. As identified by each agency, here are rough estimates of the number of other than full-time permanent positions which could be considered substantially permanent in nature:

Forest Service	4 to 5 thousand (out of a total employment of 30,000.)
National Park Service	about 2,100 (out of a total employment of 18,000.)
Fish & Wildlife Service	about 650 (out of a total employment of 6,000.)
Bureau of Land Management	about 600 (out of a total employment of 8,000.)
Indian Health Service	none (out of a total employment of 8,646.)

Because the cited agencies generally have large fluctations in their workload, they have somewhat different employment patterns from executive branch agencies as a whole. In this sense their ceiling problems are probably more acute.

5. Based on findings of the Commission's personnel management evaluation program, have restrictions on hiring permanent full-time staff in any way impaired the competitive recruiting position of any of these bureaus?

We believe that ceiling restrictions have had an adverse impact on the competitive recruiting position of most of the cited agencies.

Agencies tell us that they lose "good people" because they are unable to offer these temporary and other than full-time permanent employees the same benefits that normally accrue to regular career employees even though these employees work substantially full time. Employees become disillusioned after several years and leave for other jobs in which they can be promoted, build career tenure and receive the career benefits. Most employees seek temporary and other than full-time positions only after failure to secure permanent employment. While the situation is not as bad as it would be in a less competitive employment market, the impact has been felt nonetheless.

5.

The Indian Health Service appears to be an exception in that our evaluation reports show no problems arising from OMB ceilings on permanent, full-time positions.

6. What other personnel problems in those bureaus (if any) does the CSC attribute to improper use of temporary and part-time help because of ceiling constraints?

Turnover in these positions is great because of employees seeking the career benefits cited earlier. Additional recruiting time and training of new employees are additional cost factors. Productivity is lowered as new employees experience much nonproductive time in the early stages and further costs are incurred in having supervisors and older staff devoting time to training new employees.

7. Do you have any suggestions to correct these problems?

Several changes have been suggested to improve Federal manpower controls. These include:

- replace numerical personnel ceilings with an overall manpower "dollars" ceiling. This would give the agency head broad staffing flexibility to accomplish the agency's mission.

- replace the "full-time permanent" and "other" categories of ceiling with a single total ceiling figure which would be computed on a full-time equivalent basis. Full-time, part-time, intermittent and all other categories of employees would be counted in this figure according to the percentage of a full-time staff year they equalled.

Either of these approaches would alleviate some of the problems that we have referred to.

I hope that this information has been responsive to your inquiry. If we can be of further assistance, please let us know.

Sincerely yours,

Raymond Jacobson
Executive Director

Attachment

UNITED STATES CIVIL SERVICE COMMISSION

CSC OPERATIONS MEMO

Date: MAY 15 1974

SUBJECT: Misuse of temporary limited appointments

TO: Regional Directors

FROM: Edward A. Dunton
Deputy Executive Director

We note that all regional offices and the Washington Area Office have now issued letters to agencies on the misuse of temporary limited appointments. Each of these letters has emphasized the impropriety of making--and extending--temporary limited appointments to positions that are really continuing in nature but are treated as "nonpermanent" only because of ceiling limitations on permanent positions.

We cannot emphasize too much the impropriety of these appointments. We feel strongly in the central office that making temporary limited appointments under these circumstances is a serious abuse of our system. The resultant denial of benefits to employees cannot be condoned. The Chairman made these views known in a number of the "Under Secretary" meetings held recently, and the same message will be given to agencies at an upcoming IAC meeting.

We call upon all Commission offices to make certain that there is no slackening of efforts to eliminate this misuse of temporary limited appointments. You can be assured of central office support in your efforts should that be needed.

INQUIRIES: Program Development Division, BRE, 202-632-6817

CSC CODE: 316, Temporary and Indefinite Employment

INFORMATION COPY TO: Area Managers

EXPIRATION DATE: May 31, 1975

SUMMARY OF SUGGESTIONS SUBMITTED BY INTERESTED AGENCIES FOR IMPROVING FEDERAL MANPOWER CONTROLS

1. Eliminate ceilings and let the positions authorized by Congress and the funds appropriated be the sole controlling factors (National Park Service, Bureau of Land Management, and the Indian Health Service).

2. Eliminate all position controls and let appropriations alone control program levels (Bureau of Land Management, Forest Service, and the Civil Service Commission).

3. Replace "permanent full-time" and "other" categories with a single total figure computed on a man-year equivalent basis (Fish and Wildlife Service, Civil Service Commission, and the Department of Agriculture).

Energy Conservation Programs

Mr. Yates. I submit for printing in the record a report completed by the investigative staff of the committee titled "Energy Conservation Programs of the Federal Energy Administration and the Energy Research and Development Administration." In addition I submit the comments of FEA and ERDA on that report.

[The report follows:]

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

A REPORT TO

THE COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

on the

ENERGY CONSERVATION PROGRAMS

of the

FEDERAL ENERGY ADMINISTRATION

and the

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Surveys and Investigations Staff

March 1976

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

March 19, 1976

MEMORANDUM FOR THE CHAIRMAN

Re: Energy Conservation Programs of the
Federal Energy Administration and the
Energy Research and Development Administration

By directive dated July 25, 1975, the Committee requested that an investigation be made of the energy conservation programs of the Federal Energy Administration and the Energy Research and Development Administration.

The investigation has been completed, and the results are set forth in this report.

Respectfully submitted,

David A. Schmidt, Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee

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SUMMARY AND OBSERVATIONS

The Nation's drive to achieve energy self-sufficiency calls ideally for a two-pronged approach. First, a major energy conservation effort must be initiated to reduce total energy consumption and to shift consumption to sources other than oil. Second, the United States must be geared technologically not only to expand the production of its existing principal energy resources but also to develop new energy sources. Simply stated, the two strategies which must be married to guarantee achievement of a positive national energy policy are generally referred to as "demand reduction" (or energy conservation) and "resource development" (or energy supply increase).

The demand reduction strategy stresses the conservation ethic; that is, using existing energy sources most efficiently and in a cost-effective manner. This strategy maintains that saving energy is cheaper than producing new energy to compensate for waste and that energy conservation will make more net energy available per dollar spent than any other energy supply option.

For at least the next 5 years or so, it is generally conceded, demand reduction or energy conservation is the only way available for the United States to make measurable progress toward the goal of energy self-sufficiency and to buy the time needed to develop new energy sources.

One approach toward demand reduction is to have the country lower its standard of living in some respects; for example, by exchanging larger cars for smaller ones. Although this measure has been widely accepted, to most Americans it appears undesirable to continue very far in this direction.

The other approach to conservation is to improve the efficiency with which energy is consumed, and the useful directions suggested by this approach include insulating buildings better, increasing the efficiency of space- and water-heating systems, and upgrading industrial processes. Because conversions of this type require substantial investment, and their cost-effectiveness in normal accounting terms is not clear, much leadership, public education, and incentives will be needed to realize and exploit this potential for increased energy efficiency. If the insatiable appetite for energy historically demonstrated by Americans to satisfy an energy intensive lifestyle is not altered significantly within the next 5 years or so via a real commitment to demand reduction, the gains which are anticipated from new source growth beginning approximately in 1980 will be seriously

diminished, if not wiped out.

Six major opportunities for increasing energy efficiency have been identified: in the buildings sector (including residential and commercial), which accounts for 32 percent of the total energy consumed in the United States, (1) design and build more efficient new structures and appliances, and (2) improve energy efficiency of existing buildings and homes; in the industrial sector, which accounts for some 43 percent of the Nation's energy consumption, (3) improve efficiency of industrial processes and equipment; in the transportation sector, which accounts for approximately 25 percent of the total energy consumed, (4) improve efficiency of motor vehicles, and (5) reduce vehicle miles traveled; and in the utilities sector (also equated with electric energy systems), (6) cut fuel required to generate each kilowatt of electricity.

The Federal Energy Administration (FEA) was established effective June 28, 1974, and prescribed to make such plans and direct and conduct such programs related to conservation of all forms of energy to assure that adequate provision is made to meet the energy needs of the Nation. FEA is scheduled to expire on June 30, 1976. The strategy adopted by FEA to specifically address its mandate relative to energy conservation calls for reducing the energy demand growth rate in the United States, and developing and implementing programs that increase the efficient use of energy.

FEA's responses to the aforementioned opportunities now total 22 "major" energy conservation programs in varying degrees of implementation, and consideration is being given to implementing 4 more.

The Energy Research and Development Administration (ERDA) was established effective October 11, 1974, and mandated to bring together and direct Federal activities relating to research and development (including demonstration of commercial feasibility and practical applications) on the various sources of energy, to increase the efficiency and reliability in the use of energy, and to carry out the performance of other functions. It was intended that ERDA assume national technical leadership in all matters of energy conservation by undertaking programs to reduce U.S. dependency on petroleum imports and reduce the use of domestic energy supplies by increasing efficiency.

The rationale and focus of the overview energy conservation program initiated by ERDA in response to this mandate are detailed as follows:

Energy conservation is an important part of the Nation's plan to provide abundant domestic sources of energy. Oil and natural gas, main elements in the current supply system, are in short supply; use of these sources must be reduced and, ultimately, replaced by more abundant and more reliable ones. Thus ERDA's energy conservation program is directed toward a more timely and efficient transition by developing technologies that can improve the efficiency of energy supply, delivery, and energy use in buildings, industry, and transportation. ERDA officials anticipate that the agency's conservation effort will yield both immediate and continuing benefits and will buy the valuable time needed to develop and demonstrate new energy supplies. Conservation, too, through more efficient technologies, will reduce the impact of the emerging energy supply system upon the Nation's economy and lifestyles.

Technically, ERDA's conservation effort is organized into buildings conservation, industrial process efficiency, transportation efficiency, electric energy systems (which are analogous to the "utilities sector" mentioned earlier in connection with FEA), and energy storage and conversion for use in electric energy systems and the buildings, industry, and transportation sectors.

The energy conservation program costs obligated by FEA during the period FY 1975 through FY 1976 are expected to reach $56.8 million. The passage of the Energy Policy and Conservation Act, on December 22, 1975, not only indicates FEA's life will be extended, but it greatly expands the mandatory role assigned to FEA in the area of energy conservation. In order to properly implement that expanded role, it will be necessary for FEA to submit a supplemental request for additional funds for FY 1976 and an updated and realistic budget submission for FY 1977 which will significantly hike the $56.8 million figure mentioned above.

It is also shown that seven other Federal entities, in implementing counterpart energy conservation programs to those of FEA for the period FY 1975 through FY 1977, will require $63.3 million, and ERDA will require approximately $236.7 million to implement its proposals during the same period.

The known aggregate program costs at this time, therefore, amount to $356.8 million, a total which can be expected to climb dramatically when the additional resources yet to be identified and requested by FEA for FY 1976 and FY 1977 are included.

Foremost among the formal coordination mechanisms utilized by FEA and ERDA to synchronize their conservation activities

is the Energy Resources Council (the Council). The purpose of the Council is to provide a means for the coordination of energy policy matters at the Presidential level; it focuses on broad policy formulation, with particular emphasis upon policies and activities involving two or more departments or independent agencies, and the development of an overall energy policy framework in order to provide an integral context for the development and implementation of Federal policy toward management of energy resources and initiatives.

To date, the Council has been instrumental in initiating and delegating responsibilities in at least four energy conservation programs. Each of these programs represents an interagency effort involving anywhere from 2 to 24 Federal departments and agencies, and all of these programs have included support by FEA in the form of funding and/or policy guidance. The Council has also been instrumental in the formation of several interagency task forces created to provide coordination for Federal agencies working on specific energy conservation problems.

For some, the Office of Management and Budget (OMB) is of equal importance as the Energy Resources Council as a formal, high level coordination mechanism since OMB, as part of its budget review, exercises oversight responsibility for major policy decisions relative to energy matters.

On the operating but still formal level, FEA, to date, has negotiated memorandums of understanding with the Departments of Agriculture, Commerce, and Transportation, and the Environmental Protection Agency, relative to three programs of joint interest. ERDA officials also consider that the cost-sharing approach being adopted with industry for cosponsored, long-range research and development activities, an approach ERDA hopes to sell more extensively in the future, is a valuable, even an ideal, coordination technique.

Informally, intra-agency task forces and work committees, and, of course, the perennial "professionals of like interests getting together over a cup of coffee," were cited as additional mechanisms used to encourage harmonious and effective interactions.

The mechanisms established and reportedly being implemented to coordinate the energy conservation programs of FEA and ERDA certainly appear varied and well-intentioned. Is their effectiveness as apparent? Obviously perfection is impossible, and here it can be demonstrated that reality does move away from perfection.

An FEA official cited the memorandum of understanding as an effective coordination technique which has been adopted by FEA to promote interagency programmatic consistency; interestingly, however, this mechanism has been employed in but two of the eight energy conservation programs being jointly funded by FEA and other Federal agencies. In the third instance where this technique has been utilized, between FEA and the Department of Agriculture, the program involved is one considered to be "under development" by FEA and one for which FEA has yet to allocate specific monetary support.

The rationale offered by an FEA spokesman for such limited use of this mechanism is fraught with ambivalence. It was his contention that the memorandum of understanding, albeit an effective interagency coordination technique, is a tool to fall back on only as a last resort since its adoption suggests the participants were in basic disagreement as to how best to achieve a program's goals and could not resolve their differences amicably.

FEA's assumption of responsibility for the technology transfer and public education roles in connection with interagency conservation programs has not automatically promoted the harmony, mutual reinforcement, and the absence of conflict and duplication that the coordination mechanisms said to be employed are expected to avoid.

FEA's participation with the Department of Agriculture (Agriculture) in the Energy Conservation in Agriculture Program has been an extremely limited one. FEA did assist in drawing up the program's guidelines; however, actual operation of the program, including day-to-day management, is maintained in the hands of Agriculture personnel. The fruits of this program will be a series of conservation papers or guidebooks relative, for instance, to the dairy and poultry industries, and a compendium of energy research in the production sector of U.S. agriculture. Such new technology, Agriculture personnel insist, would best be transferred or made available to the appropriate users through the already established and undeniably successful Cooperative Extension Service. FEA, on the other hand, intends to have information extracted from these guidebooks and made available to trade organizations by FEA's regional offices in the form of an agrarian "tip of the week."

In the same vein, a representative of the National Bureau of Standards, Department of Commerce, noted that FEA's roles in the Voluntary Appliance Labeling and the Voluntary Appliance Efficiency Programs, at least to date, have been confined to technical and education support. According to this

individual, the Department of Commerce has been engaged in technology transfer to its constituents for years with a minimum of confusion on the part of industry and the public. Why is it suddenly necessary for FEA to assume this function? For him, such a procedure is unnecessarily duplicative, more costly, and less likely to effect the desired result.

A spokesman for a national organization of State government executives believes that, more and more, FEA is attempting to mold itself into an action-oriented or operational agency with its own energy conservation programs and activities. Any such shift can be accomplished only at the expense of FEA's role as a policymaker and coordinator between States and a variety of Federal agencies, and it is inevitable that FEA's effectiveness as a coordinator will decline as the "vested interest syndrome" sets in.

This spokesman was also extremely critical of FEA's propensity, via its representatives in the field, for carrying on activities with governmental entities below the State level without coordinating such activities with the counterpart State agencies. Such actions ignore the possibility that a local government may have an already assigned role or priority in a statewide plan and generally result in "one local government being played off against another."

Representatives of a regional energy policy office complained of a definite lack of coordination within FEA. It has been this group's experience that each of the three FEA regions with which this group is familiar acts autonomously, implements programs in its own way, and is seemingly oblivious to the activities of the adjacent regions or of the programs being imlemented by their national headquarters. Such a lack of comprehensive planning and internal coordination on the part of FEA at the "grass roots level" not infrequently results in adjoining FEA regions dispensing conflicting, even contradictory, information concerning related problems and programs. This is particularly irksome when one attempts to obtain regional data only to discover that such data might or might not be collected, depending on individual whim, from region to region.

A State education official views FEA's activities in the area of energy conservation education as advertising, not education; to be effective, an education program must be followed up and evaluated, and it is here that FEA drops the ball. As evidence of the lack of program coordination and serious intent which has been demonstrated to date, this educator displayed two large cardboard cartons which contained approximately 8,000 bumper stickers bearing such messages as "I'm 55. Drive me."; "Driving 75 is sheik. Driving 55 is chic."; and "The faster you

drive, the richer they get." These bumper stickers were unsolicited, shipped airmail, and included no cover communication or instructions from FEA. Much to his dismay, he can't seem to give them away.

One of the principal distinctions between FEA and ERDA conservation efforts concerns whether or not conservation products or systems are commercially available. FEA perceives itself as being responsible for marketing any already existing, on-the-shelf conservation product or system in order to promote cost-effective energy use. ERDA's responsibility, on the other hand, is to develop and test new technologies, demonstrate them, and create an environment that will interest manufacturers in making the product commercially available and enable them to do so.

During a recent congressional appearance, an FEA spokesman presented what was supposed to represent the official position on joint responsibility in this area. It was said in February 1976 that FEA and ERDA would work together in identifying potential new products and in phasing technology from commercialization to market acceptance--specifically, ERDA would provide technical material and backup and FEA would provide the "medium for reaching the end user."

An ERDA official noted that the "medium" for reaching the end user mentioned in the official statement before Congress, a term which did not appear in the material reviewed and approved by ERDA prior to its formal presentation, is interpreted by ERDA as "delivery mechanism," and use of such a term clearly implies assumption by FEA of an unlimited technology transfer function.

But this certainly is not the marketing role envisioned by ERDA for itself.

FEA contends it is responsible for developing the overall policy and analysis of energy conservation options and providing the mechanism (information delivery systems) to stimulate the adoption of commercially available techniques, products, and materials. That is, FEA perceives itself as the organization which was intended as the mechanism to stimulate the use of existing "products" and reduce institutional barriers (the social, economic, and legal constraints to energy conservation) so that the "products" and "services" will be used by the ultimate consumer. FEA also insists that, in keeping with its overall policy responsibility and in order to utilize what it describes as the extensive, experienced, and effective marketing organization which already has been built up and is domicilied in FEA's regional offices, the

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marketing or transfer of even new energy conservation technologies would best be effected through FEA.

ERDA officials, too, have taken the position that ERDA's enabling legislation directs it to assume a marketing role as a corollary to its basic responsibility for conducting research, development, and demonstrations of commercial feasibility for new technologies in energy conservation. For them, technology transfer or marketing, to be effective, must be a continuing process which begins ideally with the selection of an industrial partner at the inception of or very early in a project and concludes with the marketing of the results of the project, if successful, by the same partner. To do otherwise, that is, to introduce a new party as a marketing agent somewhere else in the development stage, would only delay and complicate the process.

It is not surprising, therefore, to learn from an examination of available ERDA program documents that ERDA, during FY 1976 and FY 1977, intends to implement programs and projects involving public education, technology transfer/marketing, and research and development in software areas.

It is quite apparent, then, that FEA and ERDA are headed on a collision course as to who is best suited to market both the near- and long-term solutions being sought in the energy conservation area.

It has been suggested that the ideal way to avert such a collision and preclude the overlapping and duplicative marketing roles which now appear inevitable for FEA and ERDA is to assign total responsibility for energy conservation to one Federal agency. If, however, both FEA and ERDA are permitted to continue in their currently assigned roles, it is the opinion of the Investigative Staff that, as a minimum, it will be necessary for Congress to clearly and unequivocally stipulate which of these two agencies it considers best suited to market the solutions being sought in the energy conservation area.

It is to be noted that, aside from those directly associated with FEA at headquarters or in the field, the public and private energy conservationists contacted by the Investigative Staff throughout the United States unanimously opted for having the technology transfer or marketing function performed by the developing agency, in this case ERDA. One of the more interesting and most widely held reasons for such unanimity is that FEA's regulatory image makes its advocacy role suspect relative to energy conservation. For many of these individuals, energy regulation and the implementation

of voluntary energy conservation programs are mutually exclusive principles which should not be addressed by the same Federal agency.

FEA has argued that the marketing of even new energy conservation technologies would best be effected through FEA because of the extensive, experienced, and effective marketing organization which nas already been built up and is domiciled in FEA's regional offices.

As a matter of practice, the Investigative Staff solicited comments from individuals with whom it came in contact throughout the United States concerning the extent of their awareness of the 26 energy conservation programs being impelemented or under consideration by FEA. Only five of these programs were recognized with any degree of regularity.

It was determined at the FEA regional offices visited by the Investigative Staff (3 in all) that an average of only 6 of the 26 programs touted as major energy conservation efforts of interest to FEA's national headquarters were being implemented on the regional level--the remainder reportedly were being operated "out of Washington."

Such limited awareness of and actual participation in FEA's total energy conservation strategy in the field, in the opinion of the Investigative Staff, presents a far less rosy picture of FEA's claimed preeminence in the marketing area.

I. INTRODUCTION

A. Directive

By directive dated July 25, 1975, the Committee requested that an investigation be made of the energy conservation programs of the Federal Energy Administration (FEA) and the Energy Research and Development Administration (ERDA). The investigation was to include an examination of the mechanism for coordinating the programs of these two agencies, the extent of overlap and duplication, and the appropriate allocation of responsibility between FEA and ERDA in energy conservation programs.

B. Scope of Inquiry

At Washington, D.C., the Investigative Staff interviewed appropriate management, fiscal, and policy planning officials cognizant of energy conservation activities being implemented and/or planned by the headquarters offices of FEA and ERDA. The Investigative Staff reviewed pertinent legislative acts, and regulations, guidelines, studies, reports, and other data promulgated by the headquarters offices of the aforementioned Federal agencies. The program managers and/or administrative personnel affiliated with related energy conservation programs being implemented at the Department of Agriculture, the Department of Commerce (including the National Bureau of Standards), the Community Services Administration, the Environmental Protection Agency, the Department of Housing and Urban Development, and the Department of Transportation were also solicited for information relative to the scope and objectives of their activities.

Interviews were also conducted at Washington, D.C., with representatives of the National Governors' Conference, the American Public Power Association, the American Institute of Architects Research Corporation, and Public Technology, Incorporated, a nonprofit, tax-exempt public interest organization established as an institutional mechanism for applying available technologies to the problems of State and local governments.

To further develop the information requested in the Committee's directive, the Investigative Staff visited the States of California, Colorado, and Illinois, where officials and/or staff members representing FEA regional offices; State and local governments; one 10-State regional organization designed to solve energy-related problems; Federal, State, and private research laboratories; and a variety of industrial concerns furnished comments and materials relating to the

energy conservation efforts being undertaken by their respective organizations.

II. HISTORICAL PERSPECTIVE

A. Federal Energy Administration

The Federal Energy Administration (FEA) was established by the Federal Energy Administration Act of 1974, effective June 28, 1974, and assigned responsibility for such actions as are taken to assure that adequate provision is made to meet the energy needs of the Nation. To that end, FEA was prescribed to make such plans and direct and conduct such programs related to the production, conservation, use, control, distribution, rationing, and allocation of all forms of energy as are appropriate.

The Federal Energy Administration Act of 1974, and, therefore, FEA, is scheduled to expire on June 30, 1976.

One of the activities initiated by FEA to carry out its mandate is the Office of Energy Conservation and Environment, whose objective it is to reduce the energy demand growth rate in the United States and to develop and implement programs that increase the efficient use of energy. In pursuit of that objective, it seeks to enlist participation by broad segments of the American community in programs that effectively encourage the efficient use of energy and in energy conservation activities.

Simply stated, "conservation of energy" has been defined as the more efficient use of existing energy (electricity and the fossil fuels--oil, coal, and natural gas) sources and the elimination of wasteful habits of energy consumption. Too, energy conservation is considered to be the implementation of cost-effective energy substitutes such as labor to manage energy use, investment (capital) in more energy-efficient equipment and systems, and materials with high thermal qualities. Therefore, conservation is the use of energy in a cost-effective manner.

FEA officials identified six major opportunities for increasing energy efficiency as follows: in the buildings sector (including residential and commercial), which accounts for 32 percent of the total U.S. energy consumption, (1) design and build more efficient new structures and applicances, and (2) improve energy efficiency of existing buildings and homes; in the industrial sector, which accounts for some 43 percent of the Nation's energy consumption, (3) improve efficiency of industrial processes and equipment; in the transportation sector, which accounts for approximately 25 percent of the total energy consumption, (4) improve efficiency of motor vehicles, and (5) reduce vehicle miles traveled; and in the

utilities sector, (6) cut fuel required to generate each kilowatt of electricity.

To serve as responses to the above opportunities, FEA's Office of Conservation and Environment has 22 energy conservation programs now under way and 4 others in the process of being developed, brief descriptions of which were furnished as follows:

1. Buildings

Project Conserve

Heating and cooling single-family homes account for nearly 9 percent of all energy used in the United States. Reduction of energy consumption in these residences is a major goal of FEA, and most homeowners can achieve substantial energy and dollar savings by adopting recognized and easily implemented energy conservation measures.

Project Conserve is a computer analysis program to assess a home's energy improvement needs and to calculate potential dollar and energy savings that can be achieved through five recommended inexpensive energy-conserving actions, such as thermostat setting reductions or the addition of caulking or weather stripping. Between now and the fall of 1976, each of the 47 million homeowners in the United States will be asked to fill out a questionnaire on the characteristics of his home, such as the type of construction, the amount of existing insulation, and the number of storm windows. The completed form will provide information about home energy use for the computerized calculations.

It is estimated that Project Conserve will save the equivalent of 90,000 barrels of oil per day and, at the same time, increase public awareness of energy conservation.

Lighting and Thermal Operations for Commercial Buildings

More than 3 percent of all the energy used in the Nation is used for lighting commercial buildings; heating and cooling these buildings take another 7 percent of the country's total energy supply. The Lighting and Thermal Operations for Commercial Buildings Program seeks to reduce this national energy use by 25 percent through voluntary application of energy-efficient guidelines. The guidelines, developed by FEA and backed up by actual experience in both Federal and non-Federal buildings, prescribe specific energy-efficient levels for both interior lighting and indoor temperatures, as well as suggestions for energy-conserving building operations.

The program is carried on by FEA regional employees who meet with commercial building owners and managers. They explain the program's objectives and the energy and dollar savings that can be realized by adopting the guidelines. In addition, a Lighting and Thermal Operations Award Program has been established to recognize those participants who achieve a 30-percent saving in energy use over a period of 1 year.

Low-Income Weatherization

Low-income persons have been hardest hit by rising fuel prices. As a group, they spend about 11 percent of their income on energy used in the home compared to about 4 percent for middle-income persons. Low-income persons are more likely to live in poorly insulated homes, and they are least likely to have the money necessary to make energy-conserving home improvements.

The Low-Income Weatherization Program (if and when the Weatherization Assistance Act of 1975 is enacted and funded by Congress) is aimed at reducing high fuel costs for low-income people and simultaneously saving thousands of barrels of petroleum per year. It will provide grants to State governments for materials such as ceiling insulation, caulking, weather stripping, and other such materials to winterize units occupied by low-income persons, particularly the low-income elderly and handicapped.

Enactment of the Weatherization Assistance Act of 1975, as presently envisioned, would allow FEA to make grants to States of up to $55 million a year (enough to winterize about 485,000 homes) for 3 years.

Voluntary Appliance Labeling

The Voluntary Appliance Labeling Program is designed to encourage manufacturers to provide consumers with information on the energy consumption of major household appliances and to encourage buyers to use this information to purchase more energy-efficient appliances. From inception, in April 1973, the program was conducted by the Department of Commerce, and, more recently, FEA has provided technical and educational support.

Appliances covered by this program include room air conditioners, refrigerators, freezers, water heaters, clothes washers and dryers, dishwashers, ranges and ovens, and central heating and air-conditioning equipment. Under this program, appliances would be labeled to provide consumers with accurate information on how much energy each is likely to consume. With

this information, consumers will be able to find out how much this energy will cost and how it compares in this respect to other appliances in the same class. This will hopefully encourage consumers to purchase more energy-efficient appliances, which may cost more initially but will be cheaper in the long run because of reduced energy costs over the lifetime of the appliance.

Voluntary Appliance Efficiency

The Voluntary Appliance Efficiency Program was initiated in January 1975 as a result of the President's call for an overall 20-percent energy efficiency improvement in major new household appliances by 1980. These appliances (water heaters, refrigerators, freezers, ranges, television sets, room air conditioners, clothes washers and dryers, and dishwashers) accounted for about 8 percent of total U.S. energy consumption in 1972, or the equivalent of 2.9 million barrels of oil per day. From the outset, this program was administered by the Department of Commerce, with FEA providing program support. Efficiency improvement targets were established for each of the products covered by the program and published in June and July of 1975; and, by August 1975, FEA officials report, approximately 95 percent of the appliance industry by dollar volume had committed themselves to support the 20-percent goal mentioned above.

It is noted that, as of December 22, 1975, the Energy Policy and Conservation Act mandates both of the aforementioned appliance energy conservation programs, shifts the responsibility for implementing them from the Department of Commerce to FEA, and adds these additional products: home heating equipment, humidifiers, dehumidifiers, and a "catchall" group of products which consumes more than 100 kilowatts per year.

2. Industry

Voluntary Industrial Energy Conservation

Because of industry's heavy influence on domestic energy consumption, it is considered essential that industry set an example for the rest of the Nation by reducing wasteful energy practices and adopting more energy-efficient equipment. To encourage industry to undertake such energy conservation actions and to lead the Nation in adopting an energy conservation ethic, FEA, in cooperation with the Department of Commerce and industry, has developed and is implementing a voluntary industrial energy conservation program. This program focuses on 10 of the most energy-intensive industries which account for over 50 percent of the industrial energy consumption--aluminum, baking, cement,

chemicals, copper, glass, meat packing, paper, petroleum refining, and steel.

Substantial energy savings can be realized in each industry, while also reducing overall costs and improving productivity. FEA organized and held meetings and technical workshops with over 200 industrial firms and 20 trade associations to assess their energy conservation potential and to establish conservation programs, goals, and reporting systems. These industries have established goals improving energy efficiency by 10-15 percent by 1980.

FEA and the Department of Commerce will monitor the achievement of these goals, while continuing to encourage and assist the industries to expand their conservation efforts. Such assistance includes the direct exchange of information on conservation technologies, practices, and programs between the Government and individual companies.

The recently enacted Energy Policy and Conservation Act mandates that FEA, in consultation with the Department of Commerce and ERDA, shall establish and maintain an industrial energy conservation program (a) to promote increased energy efficiency by American industry, and (b) to establish voluntary energy efficiency improvement targets for at least the 10 most energy-consumptive industries.

Waste Oil Utilization

As much as one-half of the 1.1 billion gallons (which equates to more than 70,000 barrels per day) of waste lubricating oil generated annually from automotive and industrial sources in the United States is not reused and is lost from a resource recovery point of view through dumping, land spreading, road oiling, incineration, and direct discharge to waterways and municipal sewers. There are no technical barriers to physically recycling dirty and contaminated lubricating oil or using it as feedstock in the manufacture of other petroleum products. This loss is related primarily to the adverse economics of various collection and recovery systems.

The Waste Oil Utilization Program is designed to increase the collection and utilization of waste oil through State and local efforts, to create useful market demand for waste oil in areas of the country where there has been little demand, to assist the re-refining industry, and to increase awareness of the potential for recycling waste oil through publicity and industrial education programs.

It is noted that the Energy Policy and Conservation Act

assigns principal responsibility for implementation of a recycled oil utilization program to the Federal Trade Commission (FTC), with support being supplied by the National Bureau of Standards and the Environmental Protection Agency (EPA).

Up to this point, an FEA official revealed, the level of effort expended by FEA relative to its Waste Oil Utilization Program has been minimal. One-quarter of one man's time has been devoted to collecting and making available a waste oil recycling information kit to conservation activists in order to alert them to the potential for energy efficiency in this area, and, secondly, to preparing information relative to model waste oil legislation for consideration by five States. This official does not anticipate that the Energy Policy and Conservation Act will result in any increased level of effort on the part of FEA in this program area.

3. Transportation

Vanpool

The Vanpool Program is a demonstration effort to encourage the use of employer-sponsored vans for carrying employees to and from work. The average vanpool (a cross between a carpool and a subscription bus) carries 10 employees, including the assigned employee/driver, travels approximately 40 miles round trip per day, and saves the equivalent of about 89 barrels of oil per year. Other benefits from this program would include reduced congestion and pollution, reduced commuting costs for participants, and less land used for parking.

It is the objective of FEA's Vanpool Program to encourage corporations in three to five urban areas to design and implement individual vanpool programs for their employees. It is expected that as the benefits of vanpools to participating individuals and company sponsors become widely recognized, companies in other metropolitan areas will want to utilize vanpools.

Voluntary Fuel Economy Program for Trucks and Buses

Trucks and buses (vehicles of 10,000 pounds or more) presently consume almost 2 million barrels of fuel per day, or about 20 percent of the fuel used by motor vehicles annually. Under the aegis of the Energy Resources Council, the Department of Transportation (DOT), FEA, and EPA developed a voluntary truck and bus fuel economy improvement program. Motor carriers, vehicle and automotive parts suppliers, and trade organizations have been asked to subscribe voluntarily to the goal of this

program--to permit the industry as a whole to haul more goods and people with less fuel.

Among advocated ways to improve truck and bus fuel economy are: application of new fuel-efficient technologies (e.g., turbocharged diesel engines and aerodynamic devices to reduce wind resistance) and adoption of improved operating practices (e.g., minimizing idling time, observing the 55-mile-per-hour (mph) speed limit, and accelerating more slowly). As a result of this program, FEA and DOT, together with other Federal agencies, will be reviewing Federal and State regulations which may inhibit fuel-efficient use of trucks and buses.

New Car Fuel Efficiency

The President's Program for Improved Auto Fuel Efficiency, announced on October 8, 1974, called for auto manufacturers to voluntarily improve, by 1980, the fuel economy of their new cars by 40 percent over 1974 levels. The manufacturers have agreed to achieve this goal if the President's proposals on auto emissions are accepted. Achievement of a 40-percent improvement (which translates into an overall average of 19.6 miles per gallon in 1980, or a 29-percent reduction in new car fuel consumption) requires the auto manufacturers to implement technological improvements, reduce the size and weight of their vehicles, and/or increase sales of small cars.

The Energy Resources Council assigned the task of developing the New Car Fuel Efficiency Program to DOT, in coordination with FEA and EPA. To date, FEA officials report, the auto manufacturers have demonstrated their intent to adhere to their commitments, not only by improving the fuel economy of their current production models, but also by investing a significant amount of capital in making future models more efficient. This effort, coupled with increasing consumer demand for cars with high gas mileage, is expected to insure that new car fuel consumption is significantly reduced by 1980.

The Energy Policy and Conservation Act mandates implementation (including the establishment of average fuel economy standards for passenger cars beginning in model year 1978) and enforcement of the New Car Fuel Efficiency Program by DOT, with support from EPA.

New Car Labeling

FEA's Office of Energy Conservation and Environment and EPA jointly manage this voluntary fuel economy labeling

program for new automobiles. There are two components of this program. One is the "1976 Gas Mileage Guide for New Car Buyers," which is the official government list of the miles-per-gallon ratings of the 1976 cars and light-duty trucks. The second component is the FEA-EPA label, which is voluntarily displayed by most auto manufacturers on their vehicles, indicating the miles-per-gallon rating for that vehicle. An estimated 7.2 million labels will be placed on 1976 automobile and light-duty truck models, and 4 million pamphlets listing comparative auto fuel economies will be distributed for use by new car buyers. Because of EPA's testing of new car fuel economy and the resulting labeling program, useful information is now being made available to the customer which, it is hoped, will increase demand for fuel-efficient automobiles and light trucks.

The recently enacted Energy Policy and Conservation Act calls for mandatory automobile labeling to be administered by EPA in consultation with FTC, DOT, and FEA.

4. Utilities

Utilities Conservation Action Now

Utilities Conservation Action Now (UCAN) is a program initiated by FEA's Office of Energy Conservation and Environment in August 1975 to elicit the active participation of electric and gas utilities, regulatory agencies, and environmentalists in conserving electricity and natural gas. FEA will work cooperatively with each of these organizations to develop specific action plans to conserve energy. The list of utility conservation measures to be undertaken by participants is expected to include, but not be limited to, such diverse issues as rate reform, load management, consumer use information, insulation consultation/financing, building programs, interior environment standards, annual energy audits, energy-efficiency awards and promotion, and solid waste utilization to help insure balanced efficient energy growth.

In April 1976, hopefully, FEA and each UCAN participant will sign a letter of understanding formally committing the participating organization to its action plan. During this process and thereafter, FEA will continue to monitor the program and provide national coordination and other support.

FEA representatives expect that this program can result in a savings of up to the equivalent of 1.5 million barrels of oil per day as the coal and nuclear base capacity is increased, a reduction of incremental capital requirements by as much as $49 billion as capacity factors are increased,

and an improved ability to cope with natural gas shortages. The ultimate goal is not only to save energy, but also to reduce consumer costs for natural gas and electricity.

Federal Intervention in State Regulatory Hearings

At the invitation of State and local regulatory commissions, FEA is intervening amicus curiae in State regulatory hearings to articulate national energy policy. The objectives of these FEA interventions are to (a) advocate structural rate revisions to reflect marginal cost (peak pricing on a daily and seasonal basis), (b) advocate the adoption of load management practices and technologies, (c) advocate consumer (end-use) conservation practices, and (d) transfer information about the effectiveness of various load management techniques as obtained through the demonstration projects now being sponsored by FEA.

These interventions, which, as of the fall of 1975, have occurred in six States, are expected to assist in insuring a more efficient electrical energy future that is consistent with the national energy policy.

Electric Utility Demonstration Projects

FEA's Office of Energy Conservation and Environment, in cooperation with nine local regulatory commissions, is funding nine demonstrations of innovative electric rate structures and load management techniques. The demonstrations will assess consumer response to the new rate structures, show the effectiveness of load management practices and technologies, and promote electricity conservation.

These projects support FEA's efforts to encourage utility energy conservation efforts. The projects include experimental peak pricing, "lifeline" (a certain small amount of power would be provided below cost either to the poor or to all consumers), and inverted rate (since the costs of producing power are no longer declining, those who cause growth should pay the price) structures, various load control technologies (storage heaters and ripple systems), and conservation activities. The projects are supported by FEA, State, and local regulatory agencies, and individual utility systems. The goal of these efforts is to identify proven methods of increasing the overall efficiency of generation, transmission, and use of electricity. Ultimately, it is hoped, such improved efficiency will result in reduced consumer costs, as well as energy savings.

Natural Gas

The Natural Gas Program encompasses a combination of activities designed to reduce the use of natural gas in all consuming sectors of the economy. Such activities include consumer education; agreements with the 10 States most heavily impacted by the 1975-1976 shortage to stimulate development of natural gas conservation demonstration programs and funding of specific demonstration projects by those States; the conduct of nationwide competitive natural gas conservation demonstration programs by States and support of the most promising projects; and the study of opportunities for conservation within the natural gas industry itself, including production, transport, and distribution.

The types of conservation actions which might be appropriate for demonstration projects (and implemented through cooperative agreements managed by State regulatory agencies) include the curtailments/terminations of (a) use of natural gas for ornamental lighting and other nonessential purposes, (b) new gas service hookups, (c) use of natural gas under industrial boilers, and (d) use of natural gas for electricity generation; and the implementation of rate-related incentives to effect end-use conservation.

5. Cross-Sectoral

State/Federal Energy Conservation

The voluntary State/Federal Energy Conservation Program has been under development by FEA and the National Governors' Conference since early 1975 based on mutual recognition that energy conservation actions are urgently needed, not only at the Federal but also at the State level of government. The State/Federal program does not prescribe specific energy conservation actions. Instead, it does provide a foundation from which an individual State may develop and implement a comprehensive energy conservation action plan tailored specifically to its needs.

Such a plan presumably would include such actions as incentives for energy conservation (e.g., tax credits, special bus lanes), disincentives (e.g., energy-use taxes, restrictions on urban automobiles), subsidies to improve energy efficiency (e.g., bicycle lanes, improved mass transmit, weatherization programs for low-income citizens), regulatory changes (e.g., electric utility load management programs), and education programs.

The State/Federal Energy Conservation Program, with

target goals for 1976, 1977, and 1980, provides a framework within which each State participant is encouraged to collect energy-use data; project future trends in energy use; identify and analyze potential conservation actions; set energy conservation goals; announce and implement (through its Governor) an action plan for the State; and monitor, evaluate, and modify the plan as necessary. It is intended that FEA regional offices and headquarters be prepared to aid the States in collecting data and, upon request, will provide technical assistance to help establish and improve State energy conservation efforts.

The State Energy Conservation Program, as set forth in the Energy Policy and Conservation Act, is similar, in many respects, to the State/Federal Energy Conservation Program initiated by FEA in early 1975. The State Energy Conservation Program calls for the establishment of energy conservation goals for the reduction of projected State energy consumption in 1980. Such goals would have to be based on consumption forecasts, individualized for each State. Furthermore, the program is voluntary--as was the program initially envisioned by FEA--in that no State is penalized if it does not elect to participate.

There are, however, some important differences between the original voluntary program and the program established by the Energy Policy and Conservation Act. First, the new legislation authorizes $50 million for each of FYs 1976, 1977, and 1978, and, because States would only receive these funds if they commit themselves to the objectives of the program, the moneys represent a substantially greater incentive for State participation than would have existed under the original program. Second, the provisions of the Energy Policy and Conservation Act require that every State plan include, as a minimum, five specific energy conservation actions. Formulation of the guidelines for the development and funding of the State Energy Conservation Plans mandated in the new legislation is expected to be a complex task.

Federal Energy Management

The Federal Energy Management Program (FEMP) is designed to improve energy efficiency in all Federal facilities and operations. During FYs 1974 and 1975, goals of reducing anticipated energy consumption by 7 and 15 percent, respectively (below FY 1973 rates of use), were established, and agencies were asked to implement conservation measures (e.g., reduced lighting levels, thermostats set to cooling levels of 78 degrees in summer and heating levels of 65 to 68 degrees in winter, and reduced energy consumption of motor vehicles and military ships

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and planes) to meet these goals. The Federal Government reduced its anticipated energy consumption approximately 25 percent over the entire 2-year period--the equivalent of more than 250,000 barrels of oil per day worth $1.6 billion.

Standards and guidelines for newly constructed Federal buildings, renovation of existing buildings, and improved motor vehicle efficiency are presently being developed as part of an overall energy conservation plan that will reduce even further the amount of energy consumed by the Federal Government. This plan includes a long-term goal and an institutional framework for continued management attention to energy conservation in addition to major initiatives such as those noted above.

The recently enacted Energy Policy and Conservation Act mandates that the Executive Branch develop a 10-year plan for saving energy in Federal buildings and that energy conserving procurement standards be set for Federal Government operations.

Policy Analysis (Conservation Studies)

FEA's Office of Energy Conservation and Environment is conducting an extensive policy analysis program to identify new opportunities for conservation, to analyze policy options for achieving these opportunities, and to develop new programs to reduce energy use. The analysis covers all major energy-using sectors including transportation, buildings, utilities, and industry. In addition, special studies are under way in the conservation implications of solid waste, land-use policy, agricultural production, consumer behavior, and potential conservation policy options for the years beyond 1983.

Conservation Advertising

The Office of Energy Conservation and Environment of FEA is conducting a public service advertising campaign through radio, television, print, and other media to make the public aware of the energy crisis facing the United States; to alert the public to the benefits of adopting energy conservation measures; to stimulate rapid adoption of techniques, methods, and changes in consumption patterns which increase efficient use of energy; and to provide reinforcement and reminders to those who do conserve energy.

Conservation Education

FEA officials indicate that a broad range of education strategies is being employed to reach all segments of the American public with in-depth information on the nature of America's energy dilemma, alternative solutions to that

dilemma, and instructional material for conservation actions. Among the programs now in place is an energy conservation youth training system which utilizes the talents and energies of high school students to motivate and train young children. Other programs under way are a citizens' training program which will employ regional institutes throughout American to train community leaders, an energy interpretative model program for use in park and recreation areas, a curriculum on energy conservation for high school science teachers, and energy conservation education materials for use by youth organizations (e.g., 4-H, Boy Scouts, Girl Scouts, Future Farmers of America).

Consumer Research

The main objective of energy conservation policies and programs of FEA is to increase the energy-conserving behavior of the American consumer. FEA is trying to encourage a general conservation ethic as well as accelerate the use of specific energy-conserving goods (such as insulation). The conservation ethic manifests itself in desirable energy conserving behaviors, such as turning off unneeded lights, carpooling, or taking a bus, and an increased market demand for energy-efficient goods and services.

The purpose of this Consumer Research Program is to determine for FEA how this popular encouragement can be done most effectively, to test how effectively it is being done, and to determine the factors in both the public and private sectors that facilitate and inhibit this process.

Solid Waste Recovery

The Nation's solid waste stream, both municipal and agricultural, represents a significant renewable new source of energy. FEA and EPA are presently developing ways to encourage energy recovery from solid waste where it appears technically and economically attractive.

6. Under Development

Commercial Buildings Retrofit

The Commercial Buildings Retrofit Program is being designed to encourage owners of existing commercial buildings to reduce energy consumption by at least 30 percent by 1980 through the installation of new heating and cooling systems and insulation, and through other energy conserving actions requiring capital investments. An analysis of the applicability of an investment tax credit to stimulate such investment is currently under way.

School Auditing

A program is being developed and tested by FEA to establish energy conservation guidelines for schools.

Energy Efficiency Standards for New Buildings

The President has proposed legislation for energy conservation standards for new construction, with implementation of these standards to go to States and local communities. If enacted, the standards would be promulgated by the Department of Housing and Urban Development after consultation with related Federal agencies (FEA, the General Services Administration, the National Bureau of Standards, the Energy Research and Development Administration) and the National Institute of Building Sciences, and after public comment and consideration.

Energy Conservation in Agriculture

The impressive yields and productivity of modern agricultural technology are the direct results of high levels of energy use. U.S. agricultural production accounts for approximately 3 percent of the Nation's total energy consumption. Yet, it has been estimated that conservation practices and technology can achieve as much as a 20-percent savings.

The Department of Agriculture, with some support from FEA, seeks to establish a nationwide energy conservation program in this area. The first efforts are to identify fuel requirements and opportunities for conservation, to evaluate various conservation measures, and to publish a set of conservation guidebooks targeted for six specific agricultural operations: field crops, vegetable crops, orchard crops, livestock, dairy products, and poultry. Also being assembled is a comprehensive compendium of energy research projects (1,250) related to agricultural production.

B. Energy Research and Development Administration

The Energy Research and Development Administration (ERDA) was established by the Energy Reorganization Act of 1974, approved on October 11, 1974, and was activated on January 19, 1975, by Executive Order 11834 of January 15, 1975. The purpose of that legislation was to reorganize and consolidate Federal activities relating to research and development on the various sources of energy "to develop, and increase the efficiency and reliability of use of, all energy sources to meet the needs of present and future generations, to increase the productivity of the national economy and strengthen its position in regard to international trade, to make the Nation

self-sufficient in energy, to advance the goals of restoring, protecting, and enhancing environmental quality, and to assure public health and safety."

To best achieve those objectives, improve Government operations, and assure the coordinated and effective development of all energy sources, the Energy Reorganization Act of 1974 mandated ERDA to bring together and direct Federal activities relating to research and development on the various sources of energy, to increase the efficiency and reliability in the use of energy, and to carry out the performance of other functions.

Among the responsibilities assigned to ERDA by the Energy Reorganization Act of 1974 are:

> "* * * creating and encouraging the development of general information to the public on all energy conservation technologies and energy sources as they become available for general use, and * * * in conjunction with the Administrator of the Federal Energy Administration shall, to the extent practicable, disseminate such information through the use of mass communications;
>
> "* * * encouraging and conducting research and development (including demonstration of commercial feasibility and practical applications) in energy conservation, which shall be directed toward the goals of reducing total energy consumption to the maximum extent practicable, and toward maximum possible improvement in the efficiency of energy use. Development of new and improved conservation measures shall be conducted with the goal of the most expeditious possible application of these measures * * *."

One of the specific activities initiated by ERDA to carry out its mandate is the Office of Conservation. The objective of ERDA's Office of Conservation is to assume national technical leadership in all matters of energy conservation by undertaking programs to reduce U.S. dependency on petroleum imports and reduce the use of domestic energy supplies by increasing efficiency.

The strategy adopted by the Office of Conservation to accomplish its objective both near- and mid-term includes: encourage and support the installation of energy-efficient existing technologies (0 to 5 years); develop and implement

new energy-efficient technologies (0 to 10 years); develop and implement systems which will reduce the dependence on petroleum and natural gas (0 to 10 years); and disseminate information about existing and new technologies concerning efficient energy systems (continuing). The energy conservation program undertaken by ERDA, like that of FEA, will concentrate effort within each of the major energy users--buildings, industry, transportation, and utilities (electric energy systems).

Information and material furnished by ERDA officials detail the rationale and focus of the Office of Conservation's overview program as follows:

Energy conservation is an important part of the Nation's plan to provide abundant domestic sources of energy. Oil and natural gas, main elements in the current supply system, are in short supply; use of these sources must be reduced and, ultimately, replaced by more abundant and more reliable ones. Thus ERDA's energy conservation program is directed toward a more timely and efficient transition by developing technologies that can improve the efficiency of energy supply, delivery, and energy use in buildings (residences and commercial), industry, and transportation. In the near term (1975-1980), successful implementation and market penetration of conservation projects can stretch supplies of oil and gas and buy the time needed to develop new energy sources. In the mid term (1980-1985) or long term (1985-2000), it is the program's objective to accrue significant, cost-effective energy savings without a corresponding loss in reliability or environmental quality.

Because of the urgency of the energy situation, it is ERDA's intention to focus on rapid development and deployment of technologies that will begin soon to conserve vital energy resources. To achieve a real impact quickly, ERDA programs are addressing not only the problem of making a technology workable but also the social, legal, and institutional problems that must be overcome so that the technologies will be put in place and begin to conserve energy immediately. Part of this effort to move energy-saving technologies "onto the street" and into homes, factories, and vehicles, where they will produce real results, is a campaign to disseminate factual information to individuals, industries, and governmental bodies.

ERDA's approach also focuses on and contains a mid-term and long-term conservation strategy that is expected to bring continuing cost-effective improvements in coming years.

ERDA's examination of its major proposals in the energy conservation area is said to have included consideration of each project from concept through implementation and market penetration in order to determine when energy savings might begin to be expected and to estimate a range of potential energy savings which might be attainable.

The initial estimates of impact for each project have been aggregated by ERDA representatives and are included in the following table:

Potential Energy Savings

Thousands of Barrels of Oil Per Day--Equivalent

1977	1978	1979	1980	1985
35-55	105-215	425-670	1,400-1,750	6,300-8,800

In summary, ERDA officials anticipate that that agency's conservation effort will yield both immediate and continuing benefits and will buy the valuable time needed to develop and demonstrate new energy supplies. Conservation, too, through more efficient technologies, will reduce the impact of the emerging energy supply system upon the Nation's economy and lifestyles.

Technically, ERDA's conservation effort is organized into the following areas: buildings conservation, industrial process efficiency, transportation efficiency, electric energy systems (which equates to the "utilities sector" mentioned earlier in this report in connection with FEA), and energy storage and conversion.

1. Buildings

This program, initiated at ERDA in FY 1976, is directed toward increasing the overall efficiency of energy use in buildings, community systems, and consumer products, and increasing consumer awareness and acceptance of energy-efficient products and materials. Also, effort is continuing toward formulating a national program of resource recovery (both energy and materials) from urban waste. Full-scale demonstrations will be conducted, with the targets being a 20-30 percent reduction in energy use by 1985 and another 10-20 percent reduction by the year 2000.

Projects to be undertaken in connection with ERDA's

Buildings Conservation Program include the development of energy conserving materials and designs for new residences and office buildings and for retrofitting older structures; development of methods to capture, store, and reuse heat now lost or rejected in appliances, buildings, and communities; demonstration of research related to development of energy efficiency standards for new buildings; assessment of utilizing urban waste as a resource; and research and development to identify institutional barriers to innovations and provide options to overcome them.

2. Industry

About half of the energy consumed by industry (or half of the some 43 percent of the total energy used in the United States) is rejected as waste heat, unused, or wasted as products of incomplete combustion that are wasteful and harmful to the environment. Also, many industrial processes could reuse or rework valuable materials, such as chemical by-products and scrap metal, with a net saving of both energy and natural resources. An important part of this program is to integrate processes applicable to all industry under the cagetory of "unit operation." This is to serve as a logical starting point for the Industry Conservation Program. As a result of research and development and cost-sharing demonstrations with industry, ERDA's target is to reduce industry's energy needs 20 percent by 1985 and another 10 percent by 2000.

Projects to be pursued include the development of new industrial processes to conserve energy and to permit substitution of coal for oil and natural gas; the development and demonstration of ways to use industrial waste heat beneficially; and the development and demonstration of heat pumps, heat transfer, and heat recovery systems to better manage process heat. In FY 1976, ERDA officials claimed, the major emphasis was on detailed system analysis to identify specific technological opportunities. In FY 1977, the more important and promising alternatives will have been identified and there will be full-scale research and development to prove their practicality and economic benefit in an actual industrial environment.

3. Transportation

Transportation consumes approximately 25 percent of all U.S. energy and accounts for 53 percent of the petroleum used in this country. The highest priority within the Transportation Energy Conservation Program will be placed on promoting the commercial demonstration and marketing of known energy-

efficient devices that offer real petroleum savings in the shortest possible time. In terms of highway vehicles, reducing energy consumption in autos, trucks, and buses will receive high priority. Research, development, and demonstration (RD&D) of new technologies in the air, pipeline, water, and rail modes will receive next preference for funding. In the long term, the dependence of the transportation sector on petroleum must be removed by developing propulsion systems which can run on electricity, flywheels, or alternate fuels such as methanol, or other synthetic fuels.

Projects to be implemented within the Transportation Energy Conservation Program include: demonstration of aerodynamic drag reduction devices, computer retrofit devices, more efficient transmissions and other components for conventional systems; development of long-range, high-performance electric vehicles; and long-range assessment of the impact of new transportation technology such as switching to alternate nonpetroleum fuels.

4. Electric Energy Systems

The Electric Energy Systems Program is closely coordinated with industry research and is aimed at assuring acceptable and efficient electric energy systems (electric utilities) technology to meet future needs. It emphasizes the total system and its reliabilities. Among the matters of concern are the environmental impact and public health and safety; lower electric energy cost to the consumer; conservation of scarce materials; support of high risk projects which have high potential payoffs and advanced concepts; and support of fundamental research on materials and components of the system.

The projects to be addressed within this program include: the study of the ecological and biological effects of high voltage fields; development of 1,200 kilovolts overhead alternating current and direct current transmission systems; development of superconducting and resistive-cryogenic underground transmission lines; development of compressed-gas-insulated underground cable and substations; studies of methods and impacts of distribution system automation and load management; and development of theory and tools for structuring and control of complex future electric energy systems.

5. Energy Storage and Improved Conversion

The Energy Storage and Conversion Programs are intended to develop the critical technologies and improved storage and conversion techniques for use in the electric energy systems,

transportation, buildings, and industry sectors. The technologies to be developed are expected to also have applicability to longer range programs such as solar energy. Because they provide supporting research and development for several end-use sectors, the energy storage and conversion projects are essential elements in ERDA's overall conservation program.

Projects of interest within these programs will include: development of techniques for storing energy in a variety of applications (batteries for utility and vehicle use, flywheels, superconducting magnetic energy storage, compressed air, thermal storage, and underground pumped hydro storage); exploration of techniques for the production and use of hydrogen; and development of improved conversion technologies such as fuel cells, waste heat recovery systems, improved materials and material fabrication techniques, combustion technology, advanced gas turbines, high temperature topping cycles, and components (such as heat exchangers, motors, bearings, generators) of improved efficiency and reliability.

C. Alternative Energy Strategies

The Nation's drive to achieve energy self-sufficiency (believed by many to be a much more attainable objective than "energy independence") calls ideally for a two-pronged approach. First, a major energy conservation effort must be initiated both to reduce total energy consumption and to shift consumption to sources other than oil. Second, the United States must be geared technologically not only to expand the production of its existing principal energy resources (coal, oil, natural gas, and uranium) but also to develop several new energy sources.

A major problem associated with establishing a positive national energy policy, however, is that the two strategies which must be married to guarantee achievement of the desired goal are diametrically opposed philosophies in competition for finite resources. Simply stated, these philosophies or strategies are generally referred to as "demand reduction" (or energy conservation) and "resource development" (or energy supply increase).

The demand reduction strategy stresses the conservation ethic, that is, using existing energy sources most efficiently and in a cost-effective manner. This strategy maintains that saving energy is cheaper than producing new energy to compensate for waste and that energy conservation will make more net energy available per dollar spent than any other energy supply option.

For at least the next 5 years or so (near term), it is generally conceded, there is only one way available for the

United States to make measurable progress toward the goal of energy self-sufficiency and to buy the time needed to develop new energy sources, and that is by conserving energy.

One approach toward demand reduction is to have the country lower its standard of living in some respects, for example by exchanging larger cars for smaller ones. This measure has been widely accepted; to most Americans, however, it appears undesirable to continue very far in this direction.

The other approach to conservation is to improve the efficiency with which energy is consumed. The useful directions suggested by this approach include insulating buildings better, increasing the efficiency of space-heating and water-heating systems, and upgrading industrial processes. Conversions of this type require substantial investment, and their cost-effectiveness in normal accounting terms is not clear. Therefore, much leadership, public education, and incentives will be needed to realize and exploit this potential for increased energy efficiency.

The resource development strategy, on the other hand, holds that the Nation's resources and efforts should be channeled and committed principally toward stimulating the production of existing sources of energy (nuclear power and the fossil fuels) and developing distant alternatives to fossil fuels (nuclear fusion, solar energy, geothermal energy, and wind), regardless of cost, environmental or monetary. Many individuals concerned with energy problems contend that a disproportionate commitment to this approach ignores or conveniently forgets the fact that fossil fuels and the new, albeit long-term, sources of energy being envisioned are finite resources and to consider even the promising future sources of abundant energy as panaceas for our energy dilemma is to be naive. Further, overdependence on this approach to bail us out of our energy woes also ignores the insatiable appetite for energy historically demonstrated by Americans to satisfy an energy intensive lifestyle which, if left unaltered, would seriously diminish the gains which are being anticipated from new source growth.

III. COST OF PROGRAMS - FY 1975 THROUGH FY 1977

During efforts to collect information relative to the actual scope of FEA's role in energy conservation, it became apparent that a number of FEA's programs had counterparts under way concurrently at other Federal agencies which, in some instances, were operating at a substantially higher fiscal level than was true at FEA. In recognition of this fact and in order to present a more accurate picture of the monetary requirements attendant with implementation of the new and still uncertain conservation ethic, the Investigative Staff considered it necessary to solicit information from seven additional Federal entities relative to the nature and scope of their energy conservation goals and interactions with FEA.

This is not to suggest that the Federal Government's total involvement in implementing energy conservation measures is represented only by FEA, ERDA, and the seven additional Federal organizations identified in the tabular data which follows relative to the energy conservation programs under the aegis of FEA. On the contrary, State and local government officials, and industry and utilities representatives, to cite but a few, when questioned as to how many Federal agencies are involved in energy conservation, invariably replied, "How many Federal agencies are there?" Such a response might be overly simplistic. But there is no gainsaying the fact that, given sufficient time, one would determine that many other Federal agencies are participating, at varying levels of fiscal effort, in energy conservation.

To illustrate, information has been set forth earlier in this report which notes that the Low-Income Weatherization Program, a limited version of which has been operated to date by FEA and the Community Services Administration, calls for providing grants to State governments for materials only to winterize housing units occupied by low-income persons. It is implied that implementation of this program will involve substantial volunteer labor or labor sponsored by the Comprehensive Employment and Training Act (CETA) of 1973 for the installation of such materials. Under CETA, the Secretary of Labor makes block grants to about 500 State and local units of government, the prime sponsors under the Act, who identify manpower needs in their areas and plan and provide the job training and other services required to meet those needs. Therefore, since the effectiveness of the Low-Income Weatherization Program is expected to be dependent upon CETA-trained labor, the Department of Labor could be shown to be participating in that energy conservation program. And, of course, Federal agency involvement in implementation of FEA's Federal Energy

Management Program is limitless; certainly, participation by the Department of Defense and the General Services Administration, to mention but two, must be substantial. Because of the constraints of time, however, the Investigative Staff limited its fiscal review to the costs which could be attributed to energy conservation programs with direct linkages to the programs being implemented by FEA.

The program costs associated with the energy conservation programs undertaken by FEA (expressed in terms of "obligations") and, where applicable, with the same programs by other agencies (expressed in terms of "obligations" or "appropriations") are summarized in the following schedule for the period FY 1975 through FY 1977.

FEDERAL ENERGY ADMINISTRATION AND OTHER AGENCIES
ENERGY CONSERVATION PROGRAMS

PROGRAM COSTS
(Dollars in Thousands)

Program	FY 1975 FEA	FY 1975 Other	FY 1976 Estimate FEA	FY 1976 Estimate Other	Transition Quarter Estimate FEA	Transition Quarter Estimate Other	FY 1977 Estimate FEA	FY 1977 Estimate Other	Total
Buildings									
Project Conserve	$ 200	$ -	$ 5,950	$ -	$ -	$ -	$ -	$ -	$ 6,150
Lighting and Thermal Operations for Commercial Buildings	3,150	-	1,150	-	-	-	-	-	4,300
Low-Income Weatherization	100	16,500[a]	250	16,500[a]	-	-	-	-	33,350
Voluntary Appliance Efficiency	-	1,000	-	-	-	-	-	-	-
Voluntary Appliance Labeling	490	378[b]	950	1,234[b]	-	-	-	1,100[b]	4,152
Subtotal	3,800	17,878	8,300	17,734	-	-	-	1,100	47,002
Industry									
Voluntary Industrial Energy Conservation	650	935[c]	10,000	1,071[c]	-	268[c]	-	1,131[c]	14,055
Waste Oil Utilization	-[d]	-	-	-	-	-	-	-	-
Subtotal	650	935	10,000	1,071	-	268	-	1,131	14,055
Transportation									
Vanpool	-	-[e/f]	3,250	-[e/f]	-	-	-	-	3,250
Voluntary Fuel Economy for Trucks and Buses	100	[e/f]	200	[e/f]	-	[e/f]	-	[e/f]	300
New Car Fuel Efficiency	-	6,400[e] 300[f]	-	6,000[e] 300[f]	-	1,250[e] 75[f]	-	300[f]	13,625
New Car Labeling	200	-[f]	600	-[f]	-	-[f]	-	-[f]	800
Subtotal	300	6,700	3,850	5,300	-	1,325	-	300	17,775
Utilities									
Utilities Conservation Action Now	100	-	750	-	-	-	-	-	850
Federal Intervention in State Regulatory Hearings	150	-	350	-	-	-	-	-	500
Electric Utility Demonstration Projects	1,550	-	5,300	-	-	-	-	-	6,850
Natural Gas	-	-	550	-	-	-	-	-	550
Subtotal	1,800	-	6,950	-	-	-	-	-	8,750
Cross-Sectoral									
State/Federal Energy Conservation	50	-	200	-	-	-	-	-	250
Federal Energy Management	650	-	100	-	-	-	-	-	750
Policy Analysis (Conservation Studies)	8,100	-	3,300	-	-	-	-	-	11,400
Conservation Advertising	300	-	1,100	-	-	-	-	-	1,400
Conservation Education	1,000	-	3,050	-	-	-	-	-	4,050
Consumer Research	300	-	400	-	-	-	-	-	700
Solid Waste Recovery	350	3,200[f]	4	2,445[f]	-	610[f]	-	2,445[f]	9,054
Subtotal	10,550	3,200	8,354	2,445	-	610	-	2,445	27,604
Under Development									
Commercial Buildings Retrofit	-[d]	-	2,100	-	-	-	-	-	2,100
School Auditing	-[d]	-	350	-	-	-	-	-	350
Energy Efficiency Standards for New Buildings	-[d]	-	1,600	500[g]	-	-[g]	-	100[g]	2,100
Energy Conservation in Agriculture	-[d]	130[h]	-	100[h]	-	25[h]	-	-[h]	255
Subtotal	-	130	4,050	600	-	25	-	100	4,805
Total	$15,500	$28,840	$41,504	$27,150	$ -	$2,228	$ -	$5,076	$120,098

[a] Community Services Administration
[b] National Bureau of Standards (NBS), Department of Commerce. Note: NBS FY 1975 figure is allocated as follows: Appliance Efficiency, $200,000; Appliance Labeling, $434,000; and Unallocated Appropriated Funds, $600,000
[c] Department of Commerce
[d] Funds from FEA's Policy Analysis (Conservation Studies) Program used, amount unknown
[e] Department of Transportation
[f] Environmental Protection Agency
[g] Department of Housing and Urban Development
[h] Department of Agriculture

As can be seen from a review of the foregoing schedule, FEA was unable to furnish any information relative to the levels of activity it expects to have under way on a program-by-program basis subsequent to FY 1976. This was attributed to the fact that FEA, as mentioned earlier, is scheduled to expire on June 30, 1976, and that possibility has mitigated against establishing firm and definitive levels of commitment subsequent to that date. For instance, a congressional budget submission, prepared prior to December 22, 1975, was made for FEA's Office of Energy Conservation and Environment which estimated obligations for FY 1977 in the amount of $11.2 million. Actually, one FEA official contends, that figure is now "completely irrelevant" in view of the approval on December 22, 1975, of the Energy Policy and Conservation Act.

It is the opinion of the FEA official that the passage of the Energy Policy and Conservation Act indicates FEA's life will be extended. Further, in order to properly implement the expanded mandatory role assigned to FEA by that new legislation, it will be necessary for FEA to submit a supplemental request to Congress for additional funds for FY 1976 and an updated and more realistic budget submission for FY 1977. Such requests have been prepared and submitted by FEA; however, because such projections were still under review by the Office of Management and Budget (OMB) as of January 1976, FEA fiscal representatives could provide no specific information in this respect other than to indicate that a "significant" amount of additional funding would be required to fulfill the mandates imposed with passage of the Energy Policy and Conservation Act.

It is to be noted that the foregoing schedule, under "Transportation," indicates some participation by DOT and EPA during FY 1975 and FY 1976 in the Voluntary Fuel Economy for Trucks and Buses Program, and by EPA in the New Car Labeling Program during the same period.

DOT and EPA representatives disclosed that, to date, no funds had been allocated expressly by their agencies for implementation of the Voluntary Fuel Economy for Trucks and Buses Program, and participation has been limited to incorporating benefits into this program which have accrued from other operating programs.

In connection with the New Car Labeling Program, an EPA official advised that his agency's effort in this regard has been minimal, about one-twentieth of a man-year to date, a level of activity that precludes significant measurement.

The program costs associated with the energy conservation programs to be pursued by ERDA (expressed in terms of "budget

authority," that is, "appropriations") are summarized in the following schedule for the period FY 1975 through FY 1977. It is to be noted an ERDA official disclosed that conservation financial projections for the years beyond FY 1977 are still under discussion with OMB. Because such projections have yet to be finalized (and remain a bone of contention since ERDA considers OMB's lower projections as unrealistic and unmindful of inevitable and substantial growth), the ERDA official added, this information could not be made available to the Investigative Staff at this time.

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U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
ENERGY CONSERVATION PROGRAMS

PROGRAM COSTS
(Dollars in Thousands)

Program	FY 1975 Actual	FY 1976 Estimate	Transition Quarter Estimate	FY 1977 Estimate	Total
END-USE CONSERVATION AND TECHNOLOGIES TO IMPROVE EFFICIENCY					
Buildings					
Commercial Buildings	$ -	$ 1,300	$ 350	$ 3,850	$ 5,500
Residential Buildings	-	850	225	3,075	4,150
Performance Standards	-	2,600	675	1,250	4,525
Community Systems	-	2,600	775	6,850	10,225
Urban Waste	2,400	1,750	750	1,650	6,550
Appliances	-	650	200	1,200	2,050
Technology	-	1,750	450	3,100	5,300
Dissemination and Transfer	-	1,050	125	625	1,800
Subtotal	2,400	12,550	3,550	21,600	40,100
Industry					
Unit Operation and Equipment Efficiency	-	1,050	300	2,150	3,500
Process Analysis and Modification	-	1,365	380	1,700	3,445
Alternative Fuels, Materials, and Processes	-	630	180	2,200	3,010
Agriculture and Food Processes	-	1,050	300	2,600	3,950
Industrial Information, Technology Transfer, and Analysis	-	105	40	2,780	2,925
Subtotal	-	4,200	1,200	11,430	16,830

(Continued)

(continued)

Program	FY 1975 Actual	FY 1976 Estimate	Transition Quarter Estimate	FY 1977 Estimate	Total
Transportation					
Implementation and Equipment	$ -	$ 570	$ 200	$ 1,300	$ 2,070
Heat Engine Highway Systems	7,797	8,516	2,100	14,790	33,203
Electric and Hybrid Systems	-	1,560	500	4,550	6,610
Nonhighway Transport Systems	-	500	100	500	1,100
Technology Studies	345	1,394	300	2,030	4,069
Subtotal	8,142	12,540	3,200	23,170	47,052
Improved Conversion Efficiency	2,252	8,900	2,000	15,000	28,152
Total End-Use Conservation and Technologies to Improve Efficiency	12,794	38,190	9,950	71,200	132,134
ELECTRIC ENERGY SYSTEMS AND ENERGY STORAGE					
Electric Energy Systems					
Systems Management and Structuring	1,000	4,000	773	6,810	12,583
Electric Power Transmission	14,670	8,130	1,800	12,890	37,490
Electric Energy Systems Implementation (Demonstrations)	250	5,800	200	1,260	7,510
Subtotal	15,920	17,930	2,773	20,960	57,583
Energy Storage	7,177	15,568	3,430	20,840	47,015
Total Electric Energy Systems and Energy Storage	23,097	33,498	6,203	41,800	104,598
GRAND TOTAL	$35,891	$71,688	$16,153	$113,000	$236,732

An examination of the foregoing schedules reveals that the energy conservation program costs expended by FEA during the period FY 1975 through FY 1976 are expected to reach $56.8 million and that the anticipated but yet undefined additional program costs for FY 1976 and FY 1977 will significantly bolster FEA's resource requirements in the immediate future. For the period FY 1975 through FY 1977, it can also be seen, other Federal agencies, in implementing counterpart energy conservation programs to those of FEA, will require $63.3 million, while ERDA indicates implementation of its proposals will require $236.7 million.

The known aggregate program costs at this time, therefore, amount to $356.8 million for the period FY 1975 through FY 1977, a total which can be expected to climb dramatically when the additional resources yet to be identified and requested by FEA for FY 1976 and FY 1977 are included.

IV. EXTENT AND EFFECTIVENESS OF COORDINATION

Several scholars familiar with the workings of federalism have noted that the word "coordination" is one of many definitions, and that it has been used in many senses. Coordination is sometimes a process, sometimes a result. Federal agencies are coordinated, so are levels of government, programs, and projects.

In terms of process, coordination may be lateral--consultation, sharing of information, and negotiation among equals, "mutual adjustment," if you will. It may be the settlement of a conflict by the decision of a "coordinator." Or it may be a combination of these--a process in which lateral coordination is expedited, facilitated, and even coerced by leadership and pressure from an independent or higher level coordinator during either the planning or operations stage of a project or program.

In terms of result, coordination means consistency, harmony, mutual reinforcement, and the absence of conflict and duplication. It may mean the consolidation of separate projects or programs into single undertakings serving the purposes of more than one program, agency, or government. Conversely, it may mean the division of single programs into clearly demarked segments that do not overlap.

Any examination of the available mechanisms for the coordination of the energy conservation programs of FEA and ERDA must and, for the purpose of this report, does include consideration of this activity in terms of process and result, as indicated above.

Foremost among the formal coordination mechanisms utilized by FEA and ERDA for the purpose of synchronizing their conservation activities is the Energy Resources Council (the Council).

The Council was established within the Executive Office of the President by Executive Order 11814 of October 11, 1974, and carries out its functions under the authority of the Energy Reorganization Act of 1974.

The purpose of the Council is to provide a means for the coordination of energy policy matters at the Presidential level. Through its role of facilitating interagency communciation, the Council, it is claimed, assures the presentation of consistent policy recommendations to the President. The Council focuses on broad policy formulation, with particular emphasis upon policies and activities involving two or more

departments or independent agencies, and the development of an overall energy policy framework in order to provide an integral context for the development and implementation of Federal policy toward the management of energy resources and initiatives.

The Council is chaired by the Secretary of Commerce, and its membership includes the Director of OMB, the Secretaries of eight additional operating departments, the Administrators of EPA, ERDA, FEA, and the General Services Administration (GSA), and others. The Administrator of FEA is currently serving as Executive Director for the Council, and, as a result, FEA provides substantial staff support. The Council has been described to the Investigative Staff as an organization which has been extremely active since its inception and which meets approximately once a week to consider energy-related matters.

To date, the Council has been instrumental in initiating and delegating responsibilities in at least four energy conservation programs: (a) New Car Fuel Efficiency; (b) Voluntary Appliance Efficiency; (c) Conservation Education; and (d) Federal Energy Management. Each of these programs represents an interagency effort involving anywhere from 2 to 24 Federal departments and agencies, and all of these programs have included support by FEA in the form of funding and/or policy guidance.

The Council has also been instrumental in the formation of several interagency task forces which have been created to provide coordination for Federal agencies working on specific energy conservation problems. Reportedly most active at the moment is the Transportation Task Force, comprised of representatives from DOT (designated as lead agency by the Council), FEA, ERDA, EPA, and the National Science Foundation.

The Council has also initiated formation of an Energy Conservation in Buildings Task Force for the specific purpose of providing multiagency input for the eventual implementation, if enacted, of the energy efficiency standards for new buildings proposal currently pending before Congress. The Department of Housing and Urban Development (HUD) has been designated by the Council as the lead agency in that task force, which, in addition to FEA and ERDA, also includes such diverse participants as GSA, the National Bureau of Standards, the National Aeronautics and Space Administration, the National Science Foundation, the Department of Defense, the Council on Environmental Quality, the Federal Power Commission, the Federal Home Loan Bank Board, the Department of Health, Education, and Welfare's Office of Education, and the Veterans Administration.

For some, OMB is of equal importance as the Energy Resources Council as a formal, high level coordination mechanism since OMB, as part of its budget review, exercises oversight responsibility for major policy decisions relative to energy matters, including energy conservation.

On the operating but still formal level, the Investigative Staff determined, FEA, to date, has negotiated memorandums of understanding with EPA and DOT relative to implementation of the Voluntary Fuel Economy Program for Trucks and Buses; with the Department of Commerce relative to the roles to be played by each in connection with implementation of the Voluntary Industrial Energy Conservation Program; and, finally, with the Department of Agriculture in connection with the Energy Conservation in Agriculture Program.

ERDA, too, recognizes the potential inherent in the memorandum of understanding as an effective interagency coordination technique and is now in the process of negotiating such an agreement with EPA in connection with the conservation research and development activity it expects to pursue relative to solid waste recovery.

ERDA officials also consider that the cost-sharing approach being adopted with industry for cosponsored, long-range research and development activities, an approach ERDA hopes to sell more extensively in the future, is a valuable, even an ideal, coordination technique.

Informally, intra-agency task forces and work committees, and, of course, the perennial "professionals of like interests getting together over a cup of coffee," were cited as additional mechanisms used to encourage harmonious and effective interactions.

The mechanisms established and reportedly being implemented to coordinate the energy conservation programs of FEA and ERDA certainly are varied and well-intentioned. Is their effectiveness as apparent? Obviously perfection is impossible, and here it can be demonstrated that reality does move away from perfection.

Although the memorandum of understanding was identified to the Investigative Staff as an effective coordination technique which has been adopted by FEA to promote interagency programmatic consistency, it is interesting to note that it has been employed in but two of the eight energy conservation programs being jointly funded by FEA with other Federal agencies. In the third instance in which a memorandum of understanding has been effected, between FEA and the Department of Agriculture relative

to the Energy Conservation in Agriculture Program, the program involved is one considered to be "under development" by FEA and one for which FEA has indicated it has yet to allocate specific monetary support.

The rationale offered by an FEA spokesman for such limited use of this coordination mechanism indicates obvious ambivalence. It was that official's contention that the memorandum of understanding is a coordination tool to fall back on only as a last resort since it suggests the participants were in basic disagreement as to how to best achieve a program's goals and objectives and could not resolve their differences amicably.

Information has been set forth earlier in this report which notes that FEA, ERDA, and the Department of Agriculture (Agriculture), to varying degrees, have been concurrently involved in energy conservation programs pertaining to agriculture.

Management personnel affiliated with the Energy Conservation in Agriculture Program at Agriculture pictured FEA's participation in this program as a limited one. FEA did assist in drawing up the program's guidelines; however, actual operation of the program, including day-to-day management, is maintained in the hands of Agriculture personnel. The end result of this program is to be a series of conservation papers or guidebooks relative, for instance, to the dairy and poultry industries, and a compendium of energy research in the production sector of U.S. agriculture which, Agriculture personnel believe, would best be "transferred" or made available to the appropriate users through the Cooperative Extension Service. FEA, on the other hand, intends to have information extracted from these guidebooks and made available to trade organizations by FEA's regional offices in the form of an agrarian "tip of the week."

The Agriculture management people question FEA's intention to utilize FEA's own transfer mechanism, rather than the already established and undeniably successful Cooperative Extension Service, and consider such a procedure as an unwarranted duplication of Federal services. The Agriculture representatives pointed out that the memorandum of understanding extant between their agency and FEA relative to this program has been accompanied by rather frequent contacts and excellent rapport on the working or program level; hopefully, therefore, the transfer mechanism eventually adopted and implemented will reflect at least a blending of these now diverse positions.

The Agriculture representatives were far less sanguine about coordinating their program with ERDA.

As a preliminary to the preparation and publication on June 28, 1975, of "Creating Energy Choices For The Future," ERDA's national plan and program for energy research, development, and demonstration to develop the necessary priorities for meeting the energy challenges confronting the Nation, Agriculture was solicited for recommendations concerning agricultural initiatives which should be addressed in any such comprehensive plan and program. The necessary research and compiling of information were completed in time to meet the deadline imposed by ERDA, yet ERDA's plan and program, as published in June 1975, contained no mention of the Agriculture input.

Thereafter, in October 1975, in a report entitled "An Analysis of the ERDA Plan and Program," the Office of Technology Assessment, U.S. Congress, and the Congress itself, criticized ERDA for the lack of an aggressive conservation program. It was only then that ERDA evidenced interest in exploring the potential of energy conservation in agriculture; it was then, according to the Agriculture representatives, that ERDA was "pressured" into this program area.

As a result of that experience, the Agriculture people consider the coordination between their agency and ERDA to be "a real problem"--they have little confidence that ERDA's involvement in the agriculture area is anything more than a cosmetic response to the congressional criticism leveled against its initial program, that such interest will be sustained, or that a full commitment has yet been made by ERDA to energy conservation in agriculture since the staff of its Office for Conservation has but one agricultural engineer assigned to it.

ERDA officials acknowledged acute awareness of the need to coordinate their energy conservation programs with the operating agencies at the Federal level charged with responsibilities in the same area. ERDA's only recent arrival on the energy conservation scene has mitigated against formal agreements having been promoted to date, but actions have been initiated to overcome this. To illustrate, the Investigative Staff was informed, ERDA and Agriculture are currently involved in creating a national research and development plan for agriculture which will serve as the formal coordination mechanism between the two agencies. Too, as mentioned earlier, ERDA is in the process of negotiating a memorandum of understanding with EPA relative to mutual interests in solid waste recovery as an energy conservation measure.

A representative of the National Bureau of Standards (NBS), Department of Commerce, revealed that the Voluntary Appliance Labeling Program and the Voluntary Appliance Efficiency Program,

from the outset, have been conducted by NBS, with FEA's roles in these programs being confined to technical and educational support. According to this individual, the Department of Commerce has been engaged in technology transfer to its constituents for years with a minimum of confusion on the part of industry and the public. Why it is suddenly necessary in regard to these two energy conservation programs to have FEA assume this function is beyond him. For him, such a procedure is unnecessarily duplicative, more costly, and less likely to effect the desired result.

It has been noted earlier in this report that, as of December 22, 1975, the Energy Policy and Conservation Act mandates both of the aforementioned appliance energy conservation programs and shifts the responsibility for implementing them from the Department of Commerce to FEA.

Information is also set forth earlier in this report which indicates that FEA, during FY 1975 and FY 1976, obligated a total of $350,000 in connection with implementation of the Low-Income Weatherization Program, and that the Community Services Administration, during the same period, acknowledged its total cost for the same program as $33.0 million.

A representative of the Community Services Administration advised the Investigative Staff that his agency, from the outset of its involvement in 1974, has considered the Low-Income Weatherization Program as an opportunity to save energy and help poor people at the same time, while FEA has taken the position that it should be considered an energy conservation program exclusively. With such divergent basic philosophies apparent, this individual continued, it is not surprising that the coordination between the program managers at his agency and FEA has been extremely limited, always strained, and invariably confined to FEA's complaining that the Community Services Administration does not maintain sufficient control over the funds being provided to States to implement the program and attempting to dictate to the Community Services Administration how, where, and why it should spend the funds appropriated to it by Congress specifically for this program.

To the best of this man's knowledge, the only active program participation FEA shared with the Community Services Administration occurred during the fall of 1975 when representatives from each of these agencies jointly toured the Federal regions throughout the United States with presentations of this program.

The Investigative Staff was advised that the Community Services Administration has requested no appropriation for this program for FY 1977 and that enactment of the Weatherization

Assistance Act of 1975 now pending before Congress would designate FEA as the lead agency and shift management of the program to FEA.

Officials associated with a private organization concerned with helping to transfer technology into products and systems for its subscribers, State and local governments, claim that a real frustration being experienced by State and local governments relates to the conviction that the numerous Federal agencies engaged in energy conservation are not really responsive to their needs. Each Federal agency has its own constituency, its own rules and regulations, even its own language; hence those who deal with them become confused. State and local governments are also concerned with who sets the priorities for the Federal agencies engaged in energy conservation. The consensus is that the priorities which have been set are not favorable to State and local governments and reflect the absence of any real input from them.

In this respect, mention was made of the Federal Intervention in State Regulatory Hearings Program being implemented by FEA. Since the early part of this century, major responsibility for the regulation of the electric power industry, especially the dominant investor-owned segment, has rested with State utility commissions and, as a result, all of these officials agreed, State utility commissions guard their roles in this area very jealously and would deeply resent any aggressive intervention by Federal authorities. Therefore, little optimism for the success of this program is held by these officials. More to the point, however, they did not believe that such a proposal could have been coordinated very effectively with knowledgeable people on the State level or that State representatives could have had much, if any, input into the decision to implement this program.

These same individuals pointed out that it is vital for this country to implement a carefully designed balance of the demand reduction (energy conservation) and resource development strategies if it is to resolve its energy crisis--anything else would be dangerously shortsighted. Unfortunately, however, emphasis on one or the other varies from area to area. Resource development is pushed as the solution in some western states because many of the new sources of energy are abundantly available in those regions. Even the Federal Government is guilty in this respect. They were unanimous in offering the opinion that too much emphasis is being placed on resource development by the Administration and attributed this imbalance to the fact that the completely fallacious stance that "energy conservation is not worth the money and would have a depressing effect upon an already depressed national economy" has been assumed by many

Federal officials, including a number at OMB.

A spokesman for a national organization of State government executives indicated that, historically, the States have looked to FEA to coordinate and resolve energy conservation activities of concern to States and a variety of Federal agencies. More and more, however, FEA is attempting to mold itself into an action-oriented or operational agency with its own energy conservation programs and activities. Any such shift, of course, can only be accomplished at the expense of FEA's role as a policymaker and coordinator, and it is inevitable that FEA's effectiveness as a coordinator will decline as what this individual identified as the "vested interest syndrome" sets in.

This spokesman was also extremely critical of FEA's propensity, via its representatives in the field, for carrying on activities with governmental entities below the State level without coordinating such activities with the counterpart State agencies. Such actions, he continued, ignore the possibility that a local government may have an already assigned role or priority in a statewide plan and generally result in "one local government being played off against another."

Representatives of a regional energy policy office directed by the governors of 10 States complained of a definite lack of coordination within FEA. It has been this regional group's experience that a lack of comprehensive planning seems to be manifest within FEA. To illustrate, these officials have found that each of the three FEA regions which fall within this group's area of interest acts autonomously, implements programs in its own way, and is seemingly oblivious to the activities of the adjacent regions or of the programs being implemented by their national headquarters in Washington. Such a lack of internal coordination on the part of FEA at the "grass roots level" not infrequently results in adjoining FEA regions dispensing conflicting, even contradictory, information concerning related conservation problems and programs. This is particularly irksome when one attempts to obtain regional data on energy-related problems only to discover that such data might or might not be collected, depending on individual whim, from region to region.

A recurring theme among industry representatives contacted by the Investigative Staff throughout the United States is that some conflict between the Department of Commerce and FEA has become apparent and has been evidenced by overlapping and/or duplication in implementation of the Voluntary Industrial Energy Conservation Program on the Federal level. The problem focuses on a struggle for control of the program; that is, which agency

is to deal directly with the industries involved. Historically, of course, the Department of Commerce performed this function on its own, and, according to these representatives, industry is quite comfortable in dealing with the Department of Commerce. The emergence of FEA as a policymaker relative to energy conservation, however, has added an extra dimension; now industry must deal with both the Department of Commerce and FEA relative to this issue and, as a result, may not always find that the rules and regulations to be followed are consistent. Almost without exception, these industry representatives see little or no value accruing to the Voluntary Industrial Energy Conservation Program from having management input being supplied by two separate Federal agencies.

A State education official advised the Investigative Staff that, aside from some FEA speakers appearing at meetings, the statewide energy conservation efforts undertaken by his office have received no direct support from FEA and, he is convinced, his organization "gives more ideas to FEA than it gets back." He was generally critical of FEA's efforts in energy conservation education; to be effective, an education program must be followed up and evaluated and it is here that FEA drops the ball. To him, FEA's activities in this area are basically advertising, not education.

As evidence of the lack of program coordination and serious intent which has been demonstrated to date, this official displayed two large cardboard cartons to the Investigative Staff which contained approximately 8,000 bumper stickers bearing such energy conservation messages as "I'm 55. Drive me."; "Driving 75 is sheik. Driving 55 is chic."; and "The faster you drive, the richer they get." These bumper stickers were unsolicited, were shipped airmail, and included no form of communication or instruction from FEA. Every visitor to this official's office is encouraged to carry some of the bumper stickers away. Much to his dismay, the bumper stickers are moving slowly--he can't seem to give them away.

It is to be noted that the Investigative Staff attempted to elicit evaluations or impressions of ERDA's program coordination in the field from representatives of industry and State and local governments throughout the United States. Almost without exception, the responses obtained indicated that, as of December 1975, ERDA's specific plans and programs relative to energy conservation were still unknown to such individuals and that ERDA's relatively recent arrival on the energy conservation scene has precluded their having obtained any real insight into its day-to-day operations as yet.

V. ALLOCATION OF RESPONSIBILITIES

At an appearance before a congressional committee during February 1976, a spokesman for FEA in the energy conservation area discussed FEA's relationship with ERDA, as follows:

One of the principal distinctions between FEA and ERDA conservation efforts concerns whether or not conservation products or systems are commercially available. FEA is currently directed to promote energy conservation measures and educate businesses, automobile owners and buyers, governments, public institutions, building owners, and the general public on technologies, systems, and other methods to improve the efficiency by which energy (electricity and the fossil fuels--oil, coal, and natural gas) is consumed. FEA, therefore, perceives itself as being responsible for marketing any already existing, on-the-shelf energy conservation product or system in order to promote cost-effective energy use.

ERDA's responsibility, on the other hand, is to develop and test new technologies, demonstrate them, and create an environment that will interest manufacturers in making the product commercially available and enable them to do so.

FEA and ERDA, according to this spokesman, are perceived as working together in identifying potential new products and in phasing technology from commercialization to market acceptance--specifically, he envisioned ERDA as providing technical material and backup and FEA as providing the medium for reaching the end user.

An ERDA official revealed that a rough draft copy of the statement made by the FEA spokesman before Congress in February 1976 was, in fact, reviewed and approved by ERDA energy conservation representatives. However, the essence of the ERDA-approved statement and of the one presented before Congress had been changed with the alteration of a single phrase.

According to this ERDA official, the rough draft statement submitted to ERDA for review and approval contained the sentences: "ERDA will provide technical materials and backup. FEA will provide the media materials." In final form, however, what were expected to be the above turned out to be: "ERDA will provide technical material and backup. FEA will provide the medium for reaching the end user." (Underscoring supplied.)

The ERDA official noted that the "medium" mentioned in the final and official statement is interpreted by ERDA as "delivery mechanism" and that use of this term clearly implies assumption by FEA of an unlimited technology transfer function.

But this certainly is not the technology transfer or marketing role envisioned by ERDA for itself.

"Technology transfer" has been defined to the Investigative Staff as the conveyance from the researcher and developer to the ultimate user of new and, hopefully, better ways of doing things; it may involve only information, that is, software techniques or "how to" instructions for accomplishing a particular goal, the proper and most efficient method of utilizing new hardware, or a combination of these.

From the outset of its contacts with the Investigative Staff, FEA has contended that it is responsible for developing the overall policy and analysis of energy conservation options and providing the mechanism (information delivery systems) to stimulate the adoption of commercially available techniques, products, and materials. That is, FEA perceives itself as the organization which was intended as the mechanism to stimulate the use of existing "products" and reduce institutional barriers (the social, economic, and legal constraints to energy conservation) so that the "products" and "services" will be used by the ultimate consumer. FEA has also insisted that, in keeping with its overall policy responsibility and in order to utilize what it described as the extensive, experienced, and effective marketing organization which already has been built up and is domiciled in FEA's regional offices, the marketing or transfer of even new energy conservation technologies would best be effected through FEA.

ERDA officials, too, consistently have taken the position that ERDA's enabling legislation, the Energy Reorganization Act of 1974, directs it to assume a marketing role as a corollary to its basic responsibility for conducting research, development, and demonstrations of commercial feasibility for new technologies in energy conservation. For them, technology transfer, to be effective, must be a continuing process which begins ideally with the selection of an industrial partner at the inception of a project and concludes with the marketing of the results of the project, if successful, by the same partner. To do otherwise, that is, to introduce a new party to the process as a marketing agent somewhere else along the line, would only delay and complicate the process.

It is not surprising, therefore, to learn from an examination of available ERDA program documents that ERDA, during FY 1976 and FY 1977, intends to implement programs and projects involving public education, technology transfer/marketing, and research and development in software areas. Noted among the planned projects expected to be pursued by ERDA are such titles as "Dissemination and Transfer" in the

buildings sector and "Industrial Information, Technology Transfer, and Analysis" in the industry sector. These projects call for the implementation of model training programs for State and local officials, the production of "how to" guidebooks, technical manuals, newsletters, and fact sheets, the establishment of State buildings energy conservation information centers, and the conducting of related seminars, workshops, and "hands on" demonstrations for potential users. Research projects unrelated directly to hardware development in the buildings and industry sectors will also be undertaken by ERDA, including one entitled "Institutional Impediments to Energy Conservation Community Planning and Design."

It is quite apparent, then, that FEA and ERDA are headed on a collision course as to who is best suited to market both the near- and long-term solutions being sought in the energy conservation area.

Eliciting observations relative to ERDA's activities in energy conservation was hampered by that agency's newness and limited presence in the field as of December 1975. The preponderance of statements made to the Investigative Staff indicated that ERDA's specific plans and programs generally were unknown. Governmental and private laboratory representatives, however, proved substantially aware of ERDA's intentions and indicated they perceived ERDA to be a hardware-oriented RD&D organization concerned principally with providing long-term solutions for end use energy conservation.

A number of those same people did point out that ERDA, in spite of its advanced technology image, is currently in the process of "tooling up" to perform a less exotic, more immediate energy conservation role. It was their opinion that ERDA's sudden decision to include addressing near-term solutions as part of its total energy conservation strategy was a response to recent congressional criticism to the effect that ERDA was not sufficiently concerned with the nontechnical aspects of energy conservation.

ERDA's belated entrance into the near-term energy conservation picture was confirmed by ERDA officials themselves. They admitted that congressional criticism of ERDA's overemphasis on a long-term, basically new hardware approach to energy conservation, as outlined in ERDA's first published national plan and program, had indeed caused ERDA to reorient its strategy. Added to ERDA's initial plan and program was the intention to accomplish positive energy conservation actions between 1975 and 1980, a goal that could only be achieved with the implementation of near-term, public education-type energy conservation programs.

A spokesman for a State-supported research institute advised the Investigative Staff that ERDA's apparent intention to have the national laboratories system serve as the focus of its field energy conservation program should be discontinued. It was his belief that the seven laboratories operated by the Federal Government under contract throughout the United States tend to "preserve their own empires" rather than to work effectively with States and smaller governmental entities. This criticism was seconded by the spokesman for a western regional energy policy organization; he thought ERDA would be better served if, instead, it would form its field areas to conform to the Federal region concept. Geographically, he noted, the national laboratories are widely dispersed, a fact that would frustrate many States' efforts at data collection and comprehensive problem solving, and inhibit the development of a strong working relationship between State and local governments and ERDA.

What were the comments offered by others relative to the proper allocation of responsibility as it concerns the marketing of energy conservation technologies?

Aside from those directly associated with FEA at headquarters or in the field, the individuals contacted by the Investigative Staff unanimously opted for having the technology transfer or marketing function performed by the developing agency, in this case ERDA. In general, no distinction was made by these individuals between on-the-shelf, existing technology and near- or long-term technologies which might require extensive research and development.

Two officials associated with a private research institute claimed: "The problem of transmission of complex communication from one group to another is already extensive, why interpose another layer between the researcher and the end-user." They also voiced agreement with the practice of introducing an industrial partner whenever possible during the early phases of a research and development project and consider it as an excellent way of avoiding eventual marketing problems.

A representative of a State-supported research facility expressed the conviction that technology transfer should be an integral part of the entire RD&D process; to address RD&D activities and the concomitant marketing questions separately is to encourage a breakdown in what should be a smooth, orderly, and uninterrupted process.

A group of executives affiliated with a large midwestern electric utility voiced opposition to a proposal (as suggested by some FEA representatives) which would introduce marketing

experts for the first time at about the time of the demonstration phase of a new development. They favor a marketing presence from the outset or during the earliest stages of a program under development as the procedure which offers the best opportunity for promoting effective and efficient product transfer to the user.

The examples cited above are but a few of the many which favored ERDA's preeminence in the area of technology transfer. Others were of the opinion that FEA does not now possess the necessary technical expertise, the engineers, scientists, and educators, for example, required to conduct an effective marketing program. To allow or direct FEA to obtain such personnel would be redundant since such capabilities already are available within ERDA.

There were also those who are critical of FEA's lack of association with the scientific community--as a policy organization it is overly committed to selling and advertising and has little or no real grounding in the technical aspects of energy conservation.

As can be seen, there is widespread support for ERDA's contention that research and development cannot be performed in a vacuum and that ERDA, rather than FEA, should be engaged in the social, economic, and legal analyses which must accompany the energy conservation programs expected to resolve our energy dilemma.

Another perception of FEA that surfaced regularly during contacts with industry and utilities representatives is that of FEA as a regulatory agency. It was pointed out to the Investigative Staff that FEA's regulatory and curtailment role in connection with fuel allocation inhibits its dealings, for instance, with the industrial concerns and utilities which are sought out as participants in the Voluntary Industrial Energy Conservation and the Utilities Conservation Action Now Programs. Implementation of these voluntary progams calls for the nongovernment participants to set targets for themselves. Unfortunately, the Investigative Staff was advised, there is a pronounced hesitancy on the parts of the industries and utilities involved to set realistic goals for fear that those goals might "become etched in concrete" with the regulators at FEA and come back to haunt them.

The consensus among these individuals is that FEA's regulatory image often makes its advocacy role relative to energy conservation suspect. As one respondent indicated, "An advocate should not be a policeman." For these individuals, energy regulation and the implementation of voluntary energy

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conservation programs are mutually exclusive principles which should not be addressed by the same government agency.

Interestingly, however, FEA's enforcement function is growing. Witness the expansion of this role, as indicated earlier in this report, as a result of the enactment of the Energy Policy and Conservation Act in December 1975 and that legislation's mandates to FEA in connection with a number of major and, until enactment of this legislation, voluntary energy conservation programs.

As a matter of practice, the Investigative Staff solicited comments from individuals with whom it came in contact throughout the United States concerning the extent of their awareness of the 26 energy conservation programs being implemented or under consideration by FEA and determined that only 5 were recognized with any degree of regularity--Voluntary Industrial Energy Conservation, Low-Income Weatherization, State/Federal Energy Conservation, Utilities Conservation Action Now, and Vanpool.

Awareness of these programs per se, however, did not necessarily mean a perception of FEA as the driving force behind the program. For most, the Vanpool Program is a successful energy conservation effort undertaken by the Minnesota Mining and Manufacturing Company on its own initiative and not as a program being implemented by FEA. None were aware of any real input having been provided by FEA to the Low-Income Weatherization Program as of December 1975; the Federal agency associated by them with this program is the Community Services Administration. To most of these same individuals, the Voluntary Industrial Energy Conservation Program was more a Department of Commerce than an FEA effort.

It was determined at the FEA regional offices visited by the Investigative Staff (3 in all) that an average of only 6 of the 26 programs touted as major energy conservation efforts of interest to FEA's national headquarters were being implemented on the regional level--Federal Energy Management, Lighting and Thermal Operations of Commercial Buildings, Utilities Conservation Action Now, State/Federal Energy Conservation, Conservation Education, and Low-Income Weatherization (via support to the Community Services Administration). When questioned as to the status of the remainder of FEA's energy conservation programs, the response from regional personnel usually indicated those were being operated "out of Washington."

As indicated earlier in this report, FEA has argued that the marketing of even new energy conservation technologies

would best be effected through FEA because of the extensive, experienced, and effective marketing organization which has already been built up and is domiciled in FEA's regional offices.

It is a far less rosy picture which emerges from the limited awareness of and actual participation in FEA's total energy conservation strategy to date reported to the Investigative Staff, as noted above. FEA headquarters' optimism in this respect must be questioned.

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FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

[illegible] 1976 OFFICE OF THE ASSISTANT ADMINISTRATOR

Honorable Sidney R. Yates
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

During our most recent presentation before your Subcommittee, several questions were raised concerning the findings of a report prepared by the Committee's Surveys and Investigations Staff on the Federal Energy Administration's (FEA) and the Energy Research and Development Administration's (ERDA) conservation programs. At that time, you conveyed a special concern about several of the references made in the report regarding the activities of FEA's Office of Energy Conservation and Environment. Although you stated that the report had not yet received formal approval and was not, therefore, an official report of the Committee, you expressed an interest in obtaining our response to its contents. We have since had an opportunity to examine the staff report carefully.

Although we can agree with some of the observations made by the staff, there are numerous references to our conservation efforts that are either incomplete or inaccurate. Unfortunately, these statements have the effect of providing the reader with what we believe is a misleading impression of our programs. Because I believe that it is essential that you and the remainder of the Subcommittee are provided with a more balanced analysis of our programs, we have prepared a detailed response to the report (see enclosures).

I look forward to discussing with you, in the near future, the issues raised by the report, and our response to it. In the meantime, if you have any specific questions concerning our response to the report or other matters concerning FEA's conservation programs, do not hesitate to call.

Sincerely,

(Signed) Roger W. Sant

Roger W. Sant
Assistant Administrator
Energy Conservation and
Environment

Enclosures

RESPONSE OF THE
FEDERAL ENERGY ADMINISTRATION
TO THE REPORT PREPARED BY THE
SURVEYS AND INVESTIGATION STAFF OF
THE COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES ON THE
ENERGY CONSERVATION PROGRAMS OF THE
FEDERAL ENERGY ADMINISTRATION
AND THE
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

The report prepared by the Surveys and Investigations Staff of the House Appropriations Committee has expressed concerns regarding the possible duplication of energy conservation programs already underway within FEA and those planned or just beginning within other agencies, particularly the Energy Research and Development Administration (ERDA). Because many of the concerns expressed by the report have arisen from the conflicting Congressional direction given the two agencies in regard to the transfer of energy conservation information to end-users, we welcome the reports conclusion that it is necessary for "Congress to clearly and unequivocally stipulate which of these two agencies it considers best suited to market the solutions being sought in the energy conservation area" (emphasis added). In this regard, we believe that the enactment of the Energy Policy and Conservation Act (EPCA) represents an important step forward, the provisions of which the drafters of the report apparently have not examined in detail. Title III of the EPCA directs the establishment of many specific conservation programs, including automobile fuel economy standards and labeling, appliance labeling and energy efficiency targets, industrial energy conservation, a program to provide technical and financial assistance for State energy conservation efforts, a ten-year plan for conservation in Federal buildings, energy efficiency standards to govern Federal procurement practices, public education to encourage energy conservation and efficiency, the review of the policies and practices affecting energy conservation instituted by several specified Federal agencies and, finally, a program to encourage greater recycling of waste oil.

The EPCA expressly gives the FEA lead role in the implementation of the State energy conservation program, the industrial energy conservation program and the public education efforts

established by the Act. Furthermore, the EPCA gives the FEA the major role in the implementation of the provisions related to appliance efficiency and labeling and requires that FEA develop and disseminate fuel economy booklets for new car buyers. Finally, although the remainder of the auto fuel economy program contained in the EPCA will largely be implemented by the Department of Transportation, we do expect to play a strong support role, particularly regarding those programs affecting Federal energy use.

It should also be noted that two other conservation proposals have passed both the House and Senate and may soon be enacted. They are the Building Energy Conservation Standards Act and the Weatherization Assistance Act. Under the Building Energy Conservation Standards Act, the Department of Housing and Urban Development would be given lead role for the development and promulgation of energy "performance" standards for new residential and commercial buildings. (Both ERDA and FEA will play strong supporting roles; ERDA because of its technical expertise in the development of building standards and FEA because of the State Energy Conservation Program mandated by the EPCA and its major responsibilities regarding Federal building energy conservation.) Under the Weatherization Assistance Act, FEA would be given the lead role for administering the program and funding State efforts to "weatherize" homes occupied by low income persons. The extent of the role of Community Action Agencies in actually implementing the program at the local level is an issue to be resolved by the Conferees.

Another important, but less definitive, means of providing Congressional direction to FEA's and ERDA's conservation efforts has been the annual authorization processes undertaken by the various oversight committees. Unfortunately, FEA and ERDA are under the jurisdiction of separate House and Senate committees. We are apprised, however, that both Committees are anxious to coordinate their oversight of the two agencies programs.

Although clear Congressional direction is vital in areas, such as energy conservation, where numerous Federal agencies are involved, there are available several administrative mechanisms capable of preventing--or at least minimizing--the overlap and duplication that sometimes arises. The Energy Resources Council, the Office of Management and Budget, Memoranda of Understanding, cooperative agreements and regular interagency contracts at all levels of responsibility are some of the mechanisms we have used to ensure that

the Federal conservation effort is well coordinated. With the full use of these mechanisms, and the continued support of the Congress, we are convinced that ERDA and FEA, in cooperation with other agencies, can establish an effective national conservation program.

The report prepared by the Surveys and Investigations Staff also emphasizes the importance of energy conservation to our national energy goals. We wholeheartedly agree. Conservation is critically important if we are to achieve our goals of energy self sufficiency in the 1980's.

The report correctly separates energy conservation into two broad categories: (1) measures that require some sacrifice in comfort or convenience by energy-users, such as reducing thermostats to 68 degrees, purchasing a smaller car or eliminating unnecessary lighting; and (2) investments in more energy efficient equipment, buildings or systems, such as installing ceiling insulation in a home or heat recovery equipment on an industrial process.

We disagree, however, with the conclusion stated in the report that the first category would necessarily "have the country lower its standard of living," while the second would not. Both categories of conservation actions have associated with them different kinds of costs and benefits. For example, reducing thermostats during the winter months may result in some loss of comfort, but it also results in significant dollar savings by reducing utility costs. On the other hand, installing ceiling insulation reduces utility costs by improving the thermal efficiency of the home, but it also requires some investment by the homeowner, whereas lowering the thermostat does not. Clearly, there are many economic and other tradeoffs which must be weighed by the energy-user before he/she adopts a conservation measure. For a particular energy user, buying a smaller car may be a much more attractive way of saving energy than improving the thermal efficiency of his home. Generally, however, the major conservation measures we have identified are all economically attractive and should, therefore, be appealing to virtually all energy-users.

FEA and ERDA have programs which involve conservation actions falling into each of the two categories, although both agencies emphasize those types of conservation actions that would not require significant change in the kinds of life styles to which most people are accustomed.

The distinction between FEA's and ERDA's conservation efforts revolves, instead, around whether or not the method or technology for conserving energy is commercially available - that is, it's effectiveness has already been demonstrated and, if it is a product, it can be readily purchased. As noted in the report, the potential for conservation in virtually every sector is large. The bulk of this potential during the next ten years can be achieved by using existing, commercially available techniques to improve the efficiency of energy use. Consequently, the role of the Federal Government, in further developing these existing technologies need only be minor. The major emphasis of the Federal effort should, instead, be on encouraging and assisting energy users, including individuals, businessmen and institutions to adopt these measures. We believe that one of the most effective ways to accomplish this task is to establish programs to disseminate reliable information on the costs and benefits of conservation measures.

Of course, the Federal Government should also have a major role in the research, development and demonstration of new, more energy efficient technologies and ERDA should take the lead in this area. Furthermore, we agree that the agency sponsoring the development of a new technology should have the major role in formulating the Federal efforts required to obtain widespread commercial application of that technology and that such efforts should be largely controlled by the agency that has the ongoing responsibility for conducting that research.

In addition to a summary of ERDA's and FEA's energy conservation programs, the Surveys and Investigations Staff included in the report a number of pointed criticisms of FEA's conservation efforts that were obtained during their discussions with various individuals both within and outside of the Federal Government. Although some of these criticisms reflected the valid concerns of persons knowledgeable of FEA's programs, many were simply the opinions of persons clearly uninformed about FEA's conservation effort. The fact that the Surveys and Investigations Staff included these comments in the report without, in most cases, giving any official of the FEA an opportunity to respond or, evidently, even attempting to determine whether or not the opinions expressed had any factual basis, reveals a serious flaw in the report. Because

the subject of the report, FEA's and ERDA's conservation programs, is of such vital importance to the Nation's overall energy program, a detailed response to those specific criticisms of FEA's conservation programs raised by individuals interviewed by the Surveys and Investigations Staff has been prepared and is attached.

Conclusion

Both ERDA and FEA were created by the Congress in response to growing concerns over the Nation's energy future. FEA was established in June of 1974 and ERDA was established in January of 1975.

Prior to the Arab oil embargo, there was only a small Federal energy conservation effort. Since then, however, the Federal monies dedicated to energy conservation have increased dramatically, from less than $10 million to approximately $135 million in fiscal year 1976. And, as the report states, Federal funding of energy conservation programs is likely to continue it's rapid increase during Fiscal Year 1977 and even beyond.

Very little was known about the potential for energy conservation prior to 1974 and even less about how the Federal Government might help achieve that potential. In less than two years FEA and ERDA have not only thoroughly explored innumerable opportunities for energy conservation, but have also formulated and begun implementing programs to encourage and assist energy-users to take advantage of these energy saving techniques. Clearly, during this hectic two year period we have made some mistakes. We believe these should be viewed, however, as an inevitable by-product of rapid program expansion and the uncertainty the Nation has faced in developing approaches to reduce energy consumption.

During this period of rapid expansion, the relationship between FEA's conservation efforts and those of other Federal agencies has not always been clear. However, with the passage of the Energy Policy and Conservation Act and the further development of specific energy conservation programs, we are convinced that these concerns have been largely resolved. Nevertheless, both FEA and ERDA will continue to give particular attention to coordinating our respective conservation programs and we can assure the Committee that duplication between the two agencies will be minimized.

ATTACHMENT

Response to Specific Statements Regarding FEA's Conservation Programs Included in the Report to the House Committee on Appropriations.

Agriculture

Report: "Management personnel affiliated with the Energy Conservation in Agriculture Program at Agriculture pictured FEA's participation in this program as a limited one. FEA did assist in drawing up the program's guidelines; however, actual operation of the program, including day-to-day management, is maintained in the hands of Agriculture personnel. The end result of this program is to be a series of conservation papers or guidebooks relative, for instance, to the dairy and poultry industries, and a compendium of energy research in the production sector of U.S. agriculture which, Agriculture personnel believe, would best be "transferred" or made available to the appropriate users through the Cooperative Extension Service. FEA, on the other hand, intends to have information extracted from these guidebooks and made available to trade organizations by FEA's regional offices in the form of an agrarian "tip of the week."

The Agriculture management people question FEA's intention to utilize FEA's own transfer mechanism, rather than the already established and undeniably successful Cooperative Extension Service, and consider such a procedure as an unwarranted duplication of Federal services."

Response: FEA has, during fiscal years 1975 and 1976, provided $460,000 to support efforts by the Department of Agriculture to establish an effective energy conservation program for agriculture. These funds have been used, in large part, for the development of technical guides and materials to provide useful information to farmers and other agricultural businesses on cost-effective conservation measures. The funds have also been used for the development of the energy use data necessary for formulating effective energy conservation programs for the agricultural sector. Under the provisions of our agencies' cooperative agreements, the Department of Agriculture has provided $230,000 of its own funds to support these efforts.

Although one may view FEA's participation in this program as a limited one in view of the fact that the work is largely performed by the Department of Agriculture, it is clear that the funds provided for this program represent a significant portion of FEA's budget for industrial energy conservation.

The Department of Agriculture has also shown considerable interest in conducting a research program to develop new techniques for conserving energy. Because funding research oriented programs is clearly not within FEA's jurisdiction, we have deferred to ERDA as the probable source of funding for such activities.

Finally, it is now, and has always been, FEA's intent to utilize the existing expertise and channels of the Cooperative Extension Service for the dissemination of the information on agricultural energy conservation. Neither FEA nor the Department of Agriculture has seriously contemplated using an "agrarian 'tip of the week'" as a major vehicle for disseminating information on conservation, but Agriculture has often distributed energy conservation "tips" during the past two years. Although the Cooperative Extension Service will be the major channel for disseminating information, FEA also intends to work with agricultural trade associations and cooperatives as additional vehicles for reaching the farmer.

In addition to FEA's direct support of the Department of Agriculture, we have also begun a pilot program with the States of Kansas and Nebraska to actually implement and evaluate conservation programs on farms within those States. The States have received initial funding of $40,000 each and it is our intent to provide up to $85,000 more for each State as the pilot program progresses. As with the Department of Agriculture's programs, the State efforts will rely almost entirely on the existing extension services as vehicles for reaching the farmer.

In conclusion, we have good reason to believe that our interactions with the Department of Agriculture have been successful in supporting the development of an effective program. Although we believe that the references made in the report

to the actual contributions FEA has made were inaccurate, we were gratified to see that the drafters of the report cited the "frequent contacts and excellent rapport" we have maintained.

Appliance Labeling and Energy Efficiency

Report: "A representative of the National Bureau of Standards (NBS), Department of Commerce, revealed the Voluntary Appliance Labeling Program and the Voluntary Appliance Efficiency Program from the outset, have been conducted by NBS, with FEA's roles in these programs being confined to technical and educational support. According to this individual, the Department of Commerce has been engaged in technology transfer to its constituents for years with a minimum of confusion on the part of industry and the public. Why it is suddenly necessary in regard to these two energy conservation programs to have FEA assume this function is beyond him. For him, such a procedure is unnecessarily duplicative, more costly, and less likely to effect the desired result.

Response: As stated in the report, FEA's contribution to the Voluntary Appliance Labeling and Efficiency Improvement Programs was limited. In addition to some direct funding of work by NBS, FEA provided support by incorporating appliances in the general public education program established by the agency. We also made recommendations to the NBS on aspects of the program in which we had developed expertise. Until the passage of the EPCA, formal contacts with the appliance industry were made solely by the Department of Commerce in its role as lead agency.

The provisions of the EPCA, as noted in the report, clearly shift the responsibility for implementing these programs from the Department of Commerce to FEA and the Federal Trade Commission and thus further clarify the Congressional intent regarding the relationships among the agencies involved.

Weatherization Assistance

Report: "Information is also set forth earlier in this report which indicates that FEA, during FY 1975 and FY 1976, obligated a total of $350,000 in connection with implementation of the Low-Income Weatherization Program, and that the Community Services Administration, during the same period, acknowledged its total cost for the same program as $33.0 million."

A representative of the Community Services Administration advised the Investigative Staff that his agency, from the outset of its involvement in 1974, has considered the Low-Income Weatherization Program as an opportunity to save energy and help poor people at the same time, while FEA has taken the position that it should be considered an energy conservation program exclusively. With such divergent basic philosophies apparent, this individual continued, it is not surprising that the coordination between the program managers at his agency and FEA has been extremely limited, always strained, and invariably confined to FEA's complaining that the Community Services Administration does not maintain sufficient control over the funds being provided to States to implement the program and attempting to dictate to the Community Services Administration how, where, and why it should spend the funds appropriated to it by Congress specifically for this program."

To the best of this man's knowledge, the only active program participation FEA shared with the Community Services Administration occurred during the fall of 1975 when representatives from each of these agencies jointly toured the Federal regions throughout the United States with presentations of this program."

Response: The Community Services Act of 1974 (P.L. 93-644), which was signed, with reservations, by the President in January 1975, authorized the Community Services Administration (CSA) to establish an "Emergency

Energy Conservation Services" program. The Act gives broad discretion to CSA to formulate and implement programs for the poor and near poor.

The subsequently published regulations and guidelines outline, in addition to winterization, such efforts as funding for consumer advocacy, payments of fuel bills, financial counseling, purchase of clothes and blankets, development of alternative energy sources, and development of transportation programs. As is readily apparent, the CSA program is a broad, open-ended poverty assistance program and is targeted toward different objectives than the proposed FEA program. In fact, less than one-half of the $33.0 million of CSA appropriations, cited in the report, has been spent for weatherization assistance.

CSA's predecessor, the Office of Economic Opportunity, began funding during 1974 a variety of small scale programs that fell within the general definition of "Emergency Energy Conservation Services." One of these programs was Project Fuel, a winterization project in the State of Maine. The success of this effort was the forerunner to the proposed Weatherization Assistance Act. Enactment of this Administration proposal, it was felt, would ensure that Federal weatherization efforts emphasized lasting improvements to the thermal efficiency of homes, thus saving energy and also providing low-income persons with some form of continuing relief from higher heating and cooling costs. The Administration's proposal would also help ensure that each State received funding commensurate with its population and need, rather than having funding determined by whether or not there were active Community Action Agencies in the area.

Because the proposed Weatherization Assistance Act was a direct result of the recent steep increases in energy prices and was viewed as a means of saving energy, we do not believe that it is comparable to most other forms of Federal assistance for low-income persons. This is not to say, however, that we believe that it should be viewed strictly as an energy conservation program. An

excerpt from FEA's statement before the Senate Banking, Housing and Urban Affairs Committee on February 13, 1975, clearly articulates the basic reasoning behind the proposed legislation:

> "Recognizing the adverse impact on low-income persons of higher energy prices and the inability of many to take advantage of the 15 percent (insulation) tax credit (also proposed by the President in January 1975), the President has proposed a winterization assistance program for low-income persons."

FEA's participation in Federal efforts to weatherize low-income homes has been twofold. First, we have developed draft guidelines and regulations in order to enable us to quickly implement the Weatherization Assistance Act upon its enactment. This will permit us to fund the States as soon as necessary monies are appropriated. Second, we have attempted to assist the Community Services Administration in developing their program to ensure that its funds are used effectively. We feel our efforts have been constructive, and can point to a letter dated July 23, 1975 to Frank G. Zarb, Administrator of FEA, in which the Director of CSA personally expressed his appreciation "for the fine Assistance and cooperation provided by your (FEA) staff." We anticipate such continued cooperation in the future.

Many of the inaccuracies contained in the report prepared by the Survey and Investigations staff could have been avoided had the staff discussed these questions with the FEA personnel responsible for the program. However, no such communications were attempted by the Investigations staff.

The Weatherization Assistance Act has now passed both the House and the Senate and we are hopeful that it will be enacted in the near future so as to further clarify congressional intent.

State Energy Conservation

Report: "Officials associated with a private organization concerned with helping to transfer technology into products and systems for its subscribers, State and local governments, claim that a real frustration being experienced by State and local governments relates to the conviction that the numerous Federal agencies engaged in energy conservation are not really responsive to their needs. Each Federal agency has its own constituency, its own rules and regulations, even its own language; hence those who deal with them become confused. State and local governments are also concerned with who sets the priorities for the Federal agencies engaged in energy conservation. The consensus is that the priorities which have been set are not favorable to State and local governments and reflect the absence of any real input from them.

. . .

"A spokesman for a national organization of State government executives indicated that, historically, the States have looked to FEA to coordinate and resolve energy conservation activities of concern to States and a variety of Federal agencies. More and more, however, FEA is attempting to mold itself into an action-oriented or operational agency with its own energy conservation programs and activities. Any such shift, of course, can only be accomplished at the expense of FEA's role as a policymaker and coordinator, and it is inevitable that FEA's effectiveness as a coordinator will decline as what this individual identified as the "vested interest syndrome" sets in.

"This spokesman was also extremely critical of FEA's propensity, via its representatives in the field, for carrying on activities with governmental entities below the State level without coordinating such activities with the counterpart State agencies. Such actions, he continued, ignore the possibility that a local government may have an already assigned role or priority in a statewide plan and generally result in 'one local government being played off against another.'"

Response: The Congressionally mandated State Energy Conservation Program recently enacted as a part of the Energy Policy and Conservation Act, establishes a mechanism by which the Federal Government may provide technical and financial assistance for energy conservation to the States. To ensure that all Federal agencies, are responsive to the energy conservation needs of State governments, we have established a task force on energy conservation within the Interagency Coordinating Committee of the Energy Resources Council. This task force is composed of representatives of ERDA, the Department of the Interior, the Department of Transportation, the Department of Housing and Urban Development, and the Environmental Protection Agency will involve other Federal agencies when necessary.

This group is now in the process of critically reviewing and commenting upon an early draft of the State Energy Conservation Program guidelines which are required to be published June 22, 1976. These guidelines will be of critical importance to the success of the program because they will prescribe the minimum elements to be included in State plans; the manner by which these plans will be evaluated, approved and/or modified; the method by which probable energy savings should be computed by the participating States; the process by which the State programs are monitored and evaluated for their effectiveness, and the criteria by which financial assistance will be allocated to the States. We have requested this interagency group to review this material not only from the standpoint of technical feasibility but also in relation to the policies, programs and objectives of other Federal agencies. We hope to be working through the Federal Regional Councils to enlist the support and cooperation of other agencies at the Regional level to provide technical assistance, where requested, to States in the implementation of their plans.

Title III, Part C of the EPCA clearly gives FEA the lead responsibility for carrying out the State Energy Conservation Program. We have, since December 22, 1975 (the date of enactment of the Energy Policy and Conservation Act) had a lively and we believe constructive working relationship

with the National Governors' Conference (NGC). In fact, this organization has felt the implications of the Act to be so important that a working group headed by John Millhone of Minnesota was established to provide indepth review and suggestions to the FEA regarding almost every aspect of this program's implementation. In addition, FEA has solicited guidance from the Governors of the 56 States or territorial entities qualifying for assistance under this part as to how these guidelines should be structured. To date 26 States have provided us written responses, many of which have been invaluable in the design of the guidelines.

We believe this input from State government, as well as from other Federal agencies concerned with energy conservation, is vital if we are to realize the maximum State participation in the program and to provide a uniform flow of information on energy conservation from the researcher and analyst to the States. A flow back mechanism indicating the areas of greatest opportunity and need for energy conservation programs and policies is equally as important.

We envision the State program established by the EPCA providing an umbrella whereby all Federal agencies may have an opportunity to reassess their energy conservation efforts relative to the needs of the States as contained in the State energy conservation plans.

We have elicited the technical guidance of agencies such as ERDA, HUD, Commerce and Agriculture so that the measures prescribed in response to the five mandatory program elements are in line with scientific fact and will induce the more efficient and economic use of energy.

We have, in fact, deeply involved the National Governors Council (NGC) in all stages of program development. Our contacts with them go back to the early months of 1975 when we were beginning the development of the then "State/Federal Energy Conservation Program." By involving the Governors

at such an early stage, we feel we have been able to develop a very effective working relationship. We are unaware of any significant disagreements with the States regarding the implementation of this program.

Although our most significant efforts have been directed at State energy conservation programs, we have also been developing materials which will assist the States in providing guidance to local governments in establishing conservation programs. Furthermore, during the past two years, we have tested the effectiveness of several proposed conservation programs by instituting them on a small scale, often in cooperation with city governments.

Examples of such pilot programs include the implementation of Project Conserve in Danbury, Connecticut and Topeka, Kansas and Operation Button-Up in Minneapolis, Indianapolis, Kansas City, and New Orleans. Until recently, State energy officials rarely had the resources necessary to develop a Statewide energy conservation plan, let alone become involved in conservation programs at the local level. This situation is likely to change, however, as a result of Federal funding provided under the State Energy Conservation Program.

We have found that these demonstrations on a pilot scale provide to States and local governments real life "case" experience with the programs, so as to permit those involved to make a early determination as to whether they are likely to succeed or fail prior to their endorsement and widespread adoption throughout the Nation.

While the State program is still in its formative stages, we hope that with an active interchange between all levels of Government it will prove to be one of the major programs for which this Agency is responsible.

UTILITIES

Report: "Mention was made of the Federal Intervention in State Regulatory Hearings Program being implemented by FEA. Since the early part of this century, major responsibility for the regulation of the electric power industry, especially the dominant investor-owned segment, has rested with State utility commissions and, as a result, all of these officials agreed, State utility commissions guard their roles in this area very jealously and would deeply resent any aggressive intervention by Federal authorities. Therefore, little optimism for the success of this program is held by these officials. More to the point, however, they did not believe that such a proposal could have been coordinated very effectively with knowledgeable people on the State level or that State representatives could have had much, if any, input into the decision to implement this program."

Response: FEA has testified before ten State and local utility regulatory authorities to advocate the phased, responsible implementation of load management techniques--including time-of-day pricing and remote load controls--and other conservation practices. FEA policy has been to participate in State and local hearings only on the specific invitation of the appropriate regulatory authority. In some jurisdictions FEA has been a full party to the proceedings (i.e., an "intervenor"), while in others FEA has participated in an amicus curiae capacity. In all States, FEA has deferred to the judgement of the regulatory authority as to what status FEA participation should be accorded.

In developing our utility conservation program, we have worked closely with State officials, consumers, and industry representatives. We know of no resentment toward FEA held by any of the State utility authorities before which we have testified. To the contrary, our utilities conservation programs have enjoyed the active cooperation of all of those involved. Indeed, many State utility commissions and consumer groups have actively sought FEA out to participate in these regulatory proceedings. Finally, in at

least four States in which we intervened--California, New York, North Carolina, and Wisconsin--regulatory authorities have ordered the phased implementation of time-of-day pricing as we had advocated.

It is clear that the persons interviewed by the Surveys and Investigations Staff were uninformed about FEA's efforts in this area. It is unfortunate that the staff did not seek information about the program from any FEA official prior to the report's completion.

A brief description of FEA's State Regulatory Intervention Program is attached.

OFFICE OF ENERGY CONSERVATION AND ENVIRONMENT

FEDERAL ENERGY ADMINISTRATION

REGULATORY INTERVENTION PROGRAM

Program Description

In April 1975 the Office of Energy Conservation and Environment (C&E) initiated a series of interventions in State and local utility regulatory proceedings. The purpose of these program activities is to articulate national energy policy as it relates to utility load management and conservation practices. FEA testimony advocates the implementation of time-of-day rates (based on marginal costs), load control systems, and improved end-use conservation practices. In particular, FEA testimony focuses on improving the capacity utilization of electric utilities through the practical application of load management pricing and control tools.

Interventions take place solely on the basis of invitation by State regulatory commissions. In some States FEA has been a full party (i.e., an intervenor) to the proceedings, while in others it has participated in an amicus curiae capacity. FEA has participated in both generic rate cases and in specific company rate application hearings.

FEA testimony is prepared, submitted, and defended on cross-examination by the Office of Utilities Programs, C&E.

Program Activities

California Public Utilities Commission. In April 1975 C&E submitted an amicus brief re: Application Nos. 54279, 54289, and 54281 of Pacific Gas and Electric Company.

New York Public Service Commission. In August 1975 C&E submitted testimony in the Generic Rate Proceeding, Case No. 26806. C&E submitted further testimony in this proceeding in January 1976, and filed a brief in the case in March 1976.

Wisconsin Public Service Commission. In September 1975 C&E filed testimony in the Generic Rate Case, Docket No. 01-ER-1.

Minnesota Public Service Commission. In September 1975 C&E filed a brief in Docket No. ER2-1, the Rate Application of the Northern States Power Company.

Colorado Public Service Commission. In October 1975 C&E filed testimony in the rate application of the Colorado Public Service Company, Docket No. 935.

North Carolina Utilities Commission. In October 1975 C&E filed testimony in the Generic Rate Proceeding, Docket No. E-100. C&E filed supplemental testimony in December 1975.

New Hampshire Public Utilities Commission In January 1976 C&E filed testimony in the Generic Rate Case, Docket No. DR 75-20 at the request of the Governor's Council on Energy.

Delaware Public Service Commission. In January 1976 C&E submitted testimony in the Rate Application of the Delmarva Power and Light Company, Docket No. 829.

City of Dallas, Texas. In February 1976 C&E submitted testimony in the Rate Application of the Dallas Power and Light Company.

Maryland Public Service Commission. In March 1976 C&E filed testimony in the Generic Rate Proceeding, Case No. 6808.

Region Energy Conservation Offices

Report: "Representatives of a regional energy policy office directed by the governors of 10 States complained of a definite lack of coordination within FEA. It has been this regional group's experience that a lack of comprehensive planning seems to be manifest within FEA. To illustrate, these officials have found that each of the three FEA regions which fall within this group's area of interest acts autonomously, implements programs in its own way, and is seemingly oblivious to the activities of the adjacent regions or of the programs being implemented by their national headquarters in Washington. Such a lack of internal coordination on the part of FEA at the "grass roots level" not infrequently results in adjoining FEA regions dispensing conflicting, even contradictory, information concerning related conservation problems and programs. This is particularly irksome when one attempts to obtain regional data on energy-related problems only to discover that such data might or might not be collected, depending on individual whim, from region to region."

Response: We disagree with the statement that a lack of comprehensive planning seems to be manifest within FEA with respect to Energy Conservation and Environment's responsibilities to its regional offices.

At the inception of any new program or the redirection of an old one, C&E regional personnel throughout all 10 regions are trained by the headquarters staff in a uniform manner. They are given identical information and instructions concerning program implementation. As programs are put into practice in the field, follow-up contacts via telephone, memoranda and personal contact are made by the office responsible for a given program. In addition, contact is made by Deputy Assistant Administrator, and the C&E regional liaison office on a regular basis to make sure that the course of a given program is understood; to inquire as to any problems which may have surfaced during program implementation; and to offer comments on accomplishments, or the lack there of, as the circumstances may require. C&E, therefore, does not feel that the views expressed by the officials interviewed by the

Investigations staff are generally reflective of our regional operations.

Once a program is actually being conducted, however, a region may need to modify its modus operandi as the exigencies of regional resources and preferences dictate. Thus, while the basic concept of a program remains uniform on a National basis, there may be some relatively minor variations on a regional basis. We believe that some latitude in this area is necessary.

Under the requirements of EPCA, state energy office interactions with FEA regional offices will be coordinated inter-regionally. The success of this effort will obviously depend on a broad base of clearly understood information upon which all the affected parties may act.

C&E deplores the conflicts and confusion which a lack of cooperation and communication generates, and we shall continue to encourage our regional and headquarters offices to realize the importance of timely communications and coordination among all concerned participants in the conduct of FEA programs.

The regional offices serve to aid a variety of different energy users to conserve; they do not, however, serve as the only link between FEA and the general public, as implied in the draft report.

The FEA's regional offices do represent an "experienced, and effective marketing organization" with respect to those specific conservation programs they have been given the responsibility to implement. Because we believe that FEA's Regional offices are not necessarily the most effective vehicle for conducting many of our conservation initiatives, much of FEA's conservation effort continues to be be implemented directly by the national office.

Industrial Energy Conservation

Report: "A recurring theme among industry representatives contacted by the Investigative Staff throughout the United States is that some conflict between the Department of Commerce and FEA has become apparent and has been evidenced by overlapping and/or duplication in implementation of the Voluntary Industrial Energy Conservation Program on the Federal level. The problem focuses on a struggle for control of the program; that is, which agency is to deal directly with the industries involved. Historically, of course, the Department of Commerce performed this function on its own, and, according to these representatives, industry is quite comfortable in dealing with the Department of Commerce. The emergence of FEA as a policy-maker relative to energy conservation, however, has added an extra dimension; now industry must deal with both the Department of Commerce and FEA relative to this issue and, as a result, may not always find that rules and regulations to be followed are consistent. Almost without exception, these industry representatives see little or no value accruing to the Voluntary Industrial Energy Conservation Program from having management input being supplied by two separate Federal agencies."

Response: FEA and the Department of Commerce have, for the past two years, jointly implemented the Voluntary Industrial Energy Conservation Program. During this period the program has matured substantially. Initial efforts were often exhortative in nature, supplemented by the development and dissemination of phamphlets on energy conservation. The program now is a comprehensive effort aimed at major associations, industries and companies, supplemented by a vigorous technology transfer program. As the program developed, there were some questions regarding the specific responsibilities of each of the participating agencies. In order to prevent these questions from hampering the program, FEA and the Department of Commerce formulated a Memorandum of Understanding which formally assigned responsibilities to each agency.

More recently, of course, FEA has clearly been given the lead role for implementing the industrial energy conservation provisions of the EPCA. In this role, FEA will continue to consult regularly with both ERDA and Commerce and will make every effort to make full use of the special capabilities of each of these agencies.

Advertising and Education

Report: "A State education official advised the Investigative staff that, aside from some FEA speakers appearing at meetings, the statewide energy conservation efforts undertaken by his office have received no direct support from FEA and, he is convinced, his organization "gives more ideas to FEA than it gets back."

He was generally critical of FEA's efforts in energy conservation education; to be effective, an education program must be followed up and evaluated and it is here that FEA drops the ball. To him FEA's activities in this area are basically advertising, not education.

As evidence of the lack of program coordination and serious intent which has been demonstrated to date, this official displayed two large cardboard cartoons to the Investigative Staff which contained approximately 8,000 bumper stickers bearing such energy conservation messages as "I'm 55 Drive Me."; "Driving 75 is Sheik. Driving 55 is Chic."; and "The Faster You Drive, The Richer They Get." These bumper stickers were unsolicited, were shipped airmail, and included no form of communication or instruction from FEA. Every visitor to this official's office is encouraged to carry some of the bumper stickers away. Much to his dismay, the bumper stickers are moving slowly--he can't seem to give them away."

Response: FEA has completed three program efforts that were designed to assist and encourage State energy conservation education efforts, and has another in the process of distribution. In late 1974 and 1975, FEA requested and encouraged States to participate in a program aimed at educating junior and senior high school students and teachers to learn of opportunities and methods of achieving conservation. Thirteen States elected to participate; the seven most recent were: Michigan, Illinois, Colorado, New York, New Jersey, Alabama, and Georgia.

The second program was a series of 10 regional seminars that brought together, for 3-4 day workshops, State energy officials, consumers, business people, utilities, and others to discuss and develop State and local conservation initiatives.

The third program involved the publication and distribution, upon request, of over 13,000 sets of resource materials for teachers.

FEA is now in the process of distributing a request for proposals on conservation education programs to the States. In this effort, we have attempted to elicit the recommendations, ideas and programs of those States which have been exemplary in this field.

The bumper stickers developed and distributed by FEA are just one small part of our advertising and education program. Their production cost was approximately $56,000 out of a total budget of $4.2 million for Marketing and Education.

The bumper stickers were distributed in the Fall of 1975. Although most recipients were informed about the purpose of the bumper stickers before they were sent, a few of the persons on our distribution list were not informed until after the shipments arrived. The packages were sent First Class. We have taken steps to ensure that such errors are not repeated. It was then, and continues to be our policy to send all such shipments via parcel post.

Since the bumper stickers were mailed we have received numerous requests for additional copies and, as a result, our supply was rapidly exhausted. Even though there continues to be a high demand for the bumper stickers, we have concluded that they do not represent one of the more effective ways to encourage the general public or drivers to conserve. Consequently, we do not intend to have them reprinted.

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

OCT 22 1976

Honorable Sidney R. Yates, Chairman
Subcommittee on Interior and Related Agencies
Committee on Appropriations
U.S. House of Representatives

Dear Mr. Chairman:

During your Subcommittee's hearings on ERDA's fiscal year 1977 appropriations, you requested ERDA's comments on your Surveys and Investigations Staff's report entitled "Energy Conservation Programs of the Federal Energy Administration and the Energy Research and Development Administration." We have reviewed the report and generally agree with the data presented concerning ERDA's Conservation program. The following paragraphs contain specific comments on certain aspects of the report.

Since the issuance of the report, ERDA and FEA signed a Memorandum of Understanding on April 30, 1976, which formalizes the working relationship between the two agencies in all commercial and civilian energy activities, a copy of which is attached for your information. The agencies have agreed to work together, in a mutually supporting way, in the formulation and execution of Federal strategies, plans, and programs to develop and utilize new energy sources and to effect energy conservation. This Memorandum of Understanding also specifically addresses the aspect of FEA's and ERDA's roles in technology transfer, a subject discussed in the report on pages 41-43. The agreement states that, "The Agencies agree to undertake joint or coordinated, as appropriate and authorized by laws, public information and education programs... This coordination will extend to programs of technology transfer and specialized education as well as general information transferred."

In regard to the discussion on page 36 of the report concerning USDA input to ERDA-48, Volume II of ERDA-48 included energy related agricultural research data on pages 69-71. Also, Volume II of ERDA 76-1 includes a discussion of agricultural related energy conservation developments and problems on pages 83-86, 169 and 175.

On page 29 of the report there is a schedule of ERDA's energy conservation programs, the title of which states that the amounts are program costs. The amounts in the schedule, however, are in terms of budget authority.

OCT 22 1976

On pages ii and 20 of the report the percentage of energy used by the various sectors of our economy are listed and on page 18 the dates used to define the near, mid, and long-term periods are discussed. While these percentages and dates are the same as the data contained in ERDA's FY 1977 Budget to the Congress, they have subsequently been revised by ERDA. The revised data, as contained in Volume I of ERDA 76-1, is as follows:

Time-Frames

Near Term - Now to 1985 and beyond
Mid Term - 1985 to 2000 and beyond
Long Term - Beyond 2000

Energy Consumption by Sector

Buildings	-	29%
Industry	-	40%
Transportation	-	31%

Thank you for the opportunity to comment on this report.

Sincerely,

M. C. Greer
Controller

Attachment:
As stated

78-689 O - 76 - 22

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE FEDERAL ENERGY ADMINISTRATION
AND
THE ENERGY RESEARCH AND
DEVELOPMENT ADMINISTRATION

Frank G. Zarb
Administrator

Robert C. Seamans, Jr.
Administrator

Dated
April 30, 1976

MEMORANDUM OF UNDERSTANDING BETWEEN THE FEDERAL ENERGY ADMINISTRATION AND ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

INTRODUCTION

The Federal Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577), the Energy Reorganization Act of 1974 (P.L. 93-48), the Energy Policy and Conservation Act (P.L. 94-163), and other energy statutes legislate general cooperation among Federal Agencies with respect to solving the National energy problem. This Memorandum of Understanding formalizes the corresponding working relationship between the Federal Energy Administration (FEA) and the Energy Research and Development Administration (ERDA) in all commercial and civilian energy activities, but does not pertain to ERDA's National security responsibilities or programs or to functions assigned specifically by law exclusively to FEA or ERDA.

I. Policy

Recognizing common energy goals and a very close relationship of the associated responsibilities of FEA and ERDA, it is agreed that the two Agencies will work together and in a mutually supporting way in the formulation and execution of Federal strategies, plans, and programs to develop and utilize new energy sources and to effect energy conservation. It will be the policy of the Agencies that this will be done in a way which recognizes the statutory responsibilities and missions of each Agency and utilizes the capabilities and facilities of each to the greatest possible extent, making these available to each other for the planning and execution of activities. In accordance with the provisions of applicable statutes, FEA will be recognized as having primary responsibility with respect to all matters of pricing, allocation, end-use, and general industry regulation, except where ERDA has statutory responsibility in the nuclear area. FEA will also be the primary Agency in developing a coordinated National policy combining incentives to increase production and the efficiency of energy use. ERDA will be recognized as having primary responsibility with respect to matters involving energy research and development of new technology.

II. Policy Management and Review

A. In order to provide Agency management review and guidance in translating the policy and guidelines of subsequent sections into specific action, the Deputy Administrators of the Agencies will serve as co-chairmen of an FEA-ERDA Steering Group. As required, Assistant Administrators, Regional Administrators and others may be appointed to the Steering Group. The Steering Group will meet as necessary, but at least quarterly, and will name working committees in specific areas. At their discretion, the Deputy Administrators may delegate the authorities relating to this understanding to the working committees.

B. It will be the responsibility of the Steering Group to define those programs and projects to be handled separately or jointly under provisions of Sections III.D and III.E below.

C. As specific planning and implementation actions are detailed and approved by the Steering Group, they will be documented in the form of Interagency Agreements which will supplement this Memorandum of Understanding. Such Interagency Agreements will also provide the means for definition of responsibilities in the areas of technical work, interpretation of policy, and commercialization programs

D. As required but at least annually, the Administrators of the Agencies will meet to review the scope and progress of activities covered by this Memorandum of Understanding and associated Interagency Agreements.

E. Interagency personnel contact at the working level will be encouraged and the Steering Group will provide for maximum familiarity of the agreements among the staffs of both Agencies. The Steering Group will also encourage all program officers to raise suspected overlaps and gaps in complementary Agency programs to the Steering Group for resolution.

III. General Guidelines

A. The Steering Group will provide for maximum coordination of all new policy actions and technical initiatives to ensure that research and development activities and supply and demand programs are compatible to the greatest possible extent. Both Agencies will continue to use the Energy Resources Council for coordination of broad goals, objectives, and major legislative actions. The Steering Group will use its authority to provide the maximum coordination of budget requests. In all cases of proposed legislation, the Steering Group will ensure full consultation in developing the positions of the two Agencies; to the extent practicable, all Congressional testimony will be similarly coordinated. This procedure will complement but not supplant existing procedures whereby legislative proposals are developed by the Executive Branch.

B. Recognizing the differences in planning requirements of the Agencies, it is agreed that each will conduct its planning and analysis efforts to include: (1) sharing of data, models, and techniques to the greatest possible extent; (2) the broadest exchange of information; and (3) sharing of results. Special attention will be given to the consistency of methodology in developing energy forecasts made by the Agencies. Both Agencies recognize as a goal the technical compatibility of all data bases maintained by each, and will work toward that end.

C. In recognition of the mutual interest of the two Agencies as stated in Section E below, it is agreed that the field efforts of both will be closely coordinated. This will be done in order to maximize the effectiveness of State and local liaisons, and to smooth the transition of technically oriented programs into general use. In order to facilitate this cooperation, the Agencies, when possible and to the extent authorized by law, will seek to make resources available to support each others programs.

FEA will provide assistance to ERDA, including administrative support, in the establishment of any Regional Offices which may be created in the ten Regional cities, to the extent authorized by law.

D. The Agencies recognize that certain programs and projects have been assigned by statute to one Agency or derive directly from such statutory assignments of responsibility.

1. For FEA statutory program and project responsibilities, it is agreed that:

   a. ERDA will provide technical support and assistance, when requested.

   b. In those areas where technical developments are required and to the extent that ERDA has the capability and is the best qualified organization for the specific task, FEA will assign, to the extent authorized by law, to ERDA the lead responsibility for the developments.

2. For ERDA statutory programs and projects, FEA will provide:

   a. Access to results of appropriate data, studies, and analyses of the energy industry and energy users, to the extent permitted by law.

b. Guidance with respect to matters of energy resource availability, pricing, allocation, and industry regulation.

c. Appropriate contributions to the annual revision of the comprehensive plan for energy research, development, and demonstration as required by P.L. 93-577.

3. In those areas where non-technical arrangements are prerequisite to widespread or large scale use of energy technology, FEA and ERDA will establish the lead responsibility for such arrangements unless such responsibility is otherwise provided by law.

4. Joint planning, as described in Section E below, will be undertaken as appropriate. Joint planning for the commercialization of energy technologies will be conducted concurrently with technical development.

E. The Agencies recognize that they will share an interest in many resource development and conservation programs, both long- and short-term, that require energy policy analysis, technical development, removal of institutional barriers, and/or application of incentives to achieve market penetration. In these programs of mutual interest, the Agencies agree to joint planning, leading to the definition and establishment of appropriate projects and assignment of responsibility. Toward these ends, the Agencies agree that:

1. They will jointly establish the scope, objectives, and relative priority of projects within each program, using mutually consistent criteria.

2. They will determine the contribution each Agency can make to the successful completion of each project, and will provide the necessary support to make that contribution.

3. They will jointly establish the lead Agency for each project. This determination will be based on factors including the origin and history of the project, the statutory authority and funding supporting the project, the skills and experience needed to manage the project, and the outside relationship needed for the project. Duplication and overlap will be avoided. Recognizing the capabilities of each Agency, it is intended that some programs will be worked on concurrently by both FEA and ERDA. It is also recognized that the development of responsibilities in a sequential manner may mean a shift in the lead Agency.

F. The Agencies agree to undertake joint or coordinated, as appropriate and authorized by law, public information and education programs for the activities in the sections above. This coordination will extend to programs of technology transfer and specialized education as well as general information transferred.

IV. Program Funding

The specific details of the levels of support to be furnished one Agency by the other with respect to funding will be developed in specific Interagency Agreements. In any event, FEA and ERDA will provide each other mutual support in budget justification and hearings before OMB and Congress with respect to programs on which the Agencies collaborate.

V. Management Arrangements

This Memorandum of Understanding envisages direct communication between FEA and ERDA program officials involved in managing the performance of cooperative work. Program or project plans with appropriate detail will serve as program or project documentation and will set forth the specific arrangements under which program implementation will take place in those instances of project work involving contractural participation by commercial contractors or other organizations

outside of FEA or ERDA. Such project plans will set forth necessary interface arrangements and procedures for handling various levels of Governmental decisions. Normally such management arrangements will clearly set forth the decision and delegation levels considered appropriate for each project and clearly describe the management and reporting coordination processes between FEA and ERDA.

VI. Procurement Policy

Program and project activities undertaken by FEA for ERDA or vice versa under the provisions of the Memorandum of Understanding may involve contractural arrangements with non-governmental entities, organizations, or institutions. When such arrangements are necessary, they shall be conducted in a manner consistent with the policy, regulations, statutory authority, and procedures of the contracting Agency.

VII. Public Information Coordination

Timely release of information to the public regarding projects and programs implemented under this Memorandum of Understanding will be by mutual agreement between FEA and ERDA Steering Group representatives.

VIII. Amendment and Termination

A. This Memorandum of Understanding may be modified or amended by written agreement between FEA and ERDA.

B. This Memorandum of Understanding may be terminated by mutual agreement of FEA and ERDA.

X. Effective Date

This Memorandum of Understanding is effective when executed by the Administrator of each Agency.

Federal Energy Data Collection Activities and Systems

Mr. Yates. I submit for printing in the record a report completed by the investigative staff of the committee titled "Federal Energy Data Collection Activities and Systems." In addition, I submit the comments of the Department of the Interior and the Federal Energy Administration on that report. The Energy Research and Development Administration was unable to supply comments in the 6 months provided them to do so.

[The report follows:]

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

A REPORT TO

THE COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

on the

FEDERAL ENERGY DATA COLLECTION ACTIVITIES AND SYSTEMS

Surveys and Investigations Staff

March 1976

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

March 15, 1976

MEMORANDUM FOR THE CHAIRMAN

Re: Federal Energy Data Collection Activities and Systems

The Committee, by directive dated July 30, 1975, requested the Surveys and Investigations Staff to review the energy data collection activities and supporting information systems operated by the Department of the Interior, the Energy Research and Development Administration, the Federal Energy Administration, and other selected agencies which have major energy data collection programs.

The study entailed a review of agency policies, procedures, and practices as they related to data collection, processing, analysis, and reporting activities. Particular attention was directed to identifying overlap and duplication in existing data activities, the extent to which proposed expansion of programs exacerbate ongoing efforts, and the reporting burden imposed upon private industry. Also included was an evaluation of the feasibility and desirability of establishing a single national energy data system.

The study has been completed, and the results are contained in this report.

Respectfully submitted,

David A. Schmidt, Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee

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SUMMARY

The need for timely, accurate, and useful energy data on which to base informed policymaking decisions was dramatically illustrated by the October 1973 energy crisis. Solutions to complex and difficult energy problems will require the coordinated effort of the entire Nation

Major improvements are essential both in the collection and analysis of energy data. The large volume of data collected by the Government must be on a more selective and coordinated basis to reduce the collection of duplicative and overlapping data. While there is a continuing need for meaningful data, there is an equal need to slow down the proliferation of mounting data accumulation. Only when the Government succeeds in establishing management information systems based on accurate, useful, and timely data will the Congress and the executive branch have the type of information necessary for sound policymaking.

There are numerous efforts underway to find a satisfactory answer, including proposed legislation which seeks to consolidate the methods of collecting energy data. Based on the generally chaotic conditions that exist in energy data activities and the extent of overlap and duplication, there is little room for doubt that efforts to coordinate more effectively the collection of energy data are needed. Pending legislation has recognized these serious deficiencies.

Findings and observations contained in this report are highlighted in the following paragraphs:

-- The General Accounting Office (GAO) report on "Actions Needed to Improve Federal Efforts in Collecting, Analyzing, and Reporting Energy Data" dated February 1974, noted a number of deficiencies in the energy areas such as: the lack of independent verification; untimely filing of reports; and questionable credibility of data. The report concluded that there was a need to establish an integrated comprehensive energy data system. There is little evidence that Federal agencies have made any serious efforts to overcome the basic deficiencies identified in this report. (See pages 6 to 8.)

-- The Congress has been concerned with the growing reporting and recordkeeping requirements that the Federal agencies impose on the private sector. Similar concerns have been expressed by the President and officials and representatives of the executive branch, private institutions, and the public at large. The magnitude of Federal reporting has been demonstrated by a number of previous studies. One congressional study estimated

that Federal reporting requirements generated two billion pieces of paper in 1971--a figure that has escalated to about 10 billion today. Other analyses provide additional statistics:

-- From 1965 - 1975 the number of Government forms have increased from 3,802 to 5,146.

-- In 1966 the Federal Government had 3,007 computers--by 1975 it had 8,649.

-- Over the past decade, Federal paperwork costs have increased 150 percent--from $8 billion in 1966 to $20 billion in 1975. (See pages 15-17.)

-- As of January 1976, the six agencies reviewed were using 223 active forms to collect energy data from the private sector which resulted in 1,462,000 annual responses/reports. Excluded from this number are duplicate copies and forms used to collect data which have not been approved by OMB or GAO. The amount of data collected on these forms is substantial and these agencies maintained 108 energy data systems to process the data. There are additional forms which are being designed or are with OMB and GAO for approval which will increase the number of forms being used and which may increase the number of data systems and computers necessary to maintain increased data. The Federal Energy Administration (FEA) has 37 percent of the forms being sent out and 51 percent of the responses/reports filed by industry; Geological Survey (GS) is second with 34 percent of the responses/reports filed. One company analyzed the individual reports needed to respond to Bureau of Mines (BM) and GS. For BM 7,301 individual reports are needed to prepare 170 annual responses; for GS, 17,371 individual reports are needed to complete 145 annual responses. (See pages 17-19.)

-- The largest volume of data collected and overwhelming burden of reporting falls on the petroleum industry--73.2 percent of the total responses. This breaks down to 45 systems, 104 forms, and 1,069,670 annual responses. The next highest volume is 13.4 percent for electricity with 4 systems, 36 forms, and an annual response of 195,640. (See page 20.)

-- There is a lack of meaningful energy cost information. Executive agencies which collect energy statistical data are required to report annual costs to OMB. The Investigative Staff believes that figures reported as a part of the President's Budget under "Principal Federal Statistical Programs" are grossly understated. It was apparent that some agencies were too late in reporting costs to OMB to permit inclusion in the FY 1977 special analysis. They reported two different sets of figures, or ignored OMB's request altogether. OMB has been remiss in

failing to actively follow up on known data deficiencies. The Investigative Staff estimates that the the cost for gathering energy statistical data in FY 1977 will be about $67.5 million. OMB in its Special Analysis reports $17.6 million. (See pages 20-22.)

-- Office of Management and Budget (OMB) and GAO share Government-wide responsibility for forms clearance, review, approval, and coordination. OMB's authority is contained in the Federal Reports Act; GAO's authority is contained in provisions of the Trans-Alaska Pipeline Act of 1973. Although OMB makes an effort to determine the burden on industry and whether the requested report duplicates existing ones, it does not do so effectively. GAO uses processes similar to the OMB's. However, GAO does not have any veto power--an agency may send out forms without GAO approval. No complete central inventory exists to identify all approved energy data collection forms. While OMB maintains an inventory of forms, they could not segregate energy-related forms when requested to do so by the Investigative Staff. Neither OMB nor GAO has been forceful in carrying out assigned responsibilities. (See pages 22-28.)

-- While some agencies had reasonably good inventories and control over their forms procedures, neither FEA nor GS had an effective inventory or control. FEA not only lacked a Government-wide inventory of forms but, more significantly, did not know precisely what forms it was using. For example, FEA identified 83 forms as being in use to gather energy-related data, but at a later date FEA was unable to provide background data on 33 of these forms. In addition, supporting documentation on 25 forms, not a part of the original inventory, was supplied to the Investigative Staff. FEA regional offices use forms which have not been submitted to GAO for approval. The Investigative Staff was informed by one FEA official, that even at headquarters, personnel are "* * * blatantly flaunting laws and regulations regarding forms clearance." FEA has been cited by industry as the major violator in the use of expired forms. The GS collects data in a decentralized manner. Data is collected by divisions, centers, and suboffices. No one central point in GS has full knowledge of all forms used to collect data, nor does GS have a current inventory of forms being used. As a result, GS had difficulty in identifying forms used to collect data. A number of forms used but not approved by OMB were not on the list, and some forms that were no longer used were still in the inventory. (See pages 28-31.)

-- Historically, industry has not maintained records of the cost of the Government reporting burden. Until recently, industry and association spokesmen talked in generalities about the size, burden, cost, and duplication of Federal energy

data collection efforts. However, the ever-increasing cost and complexity of the governmental regulatory process, the accelerated growth in energy forms and reporting at both the Federal and state levels, the creation of FEA, and the enactment of new legislation are providing the impetus for changing industry attitudes. Industry has also identified other problems, such as unrealistic reporting deadlines and frequent changes in regulations. Industry is now at a point where it is beginning to study and analyze the problem in some detail. (See pages 32-33.)

-- The 167 forms selected for analysis result in the filing of 2.6 million annual responses. Industry expends an estimated 10.6 million man-hours of effort with projected costs of about $157.3 million. To the extent that man-hour estimates are based on OMB and GAO guidelines, the projected costs of $157.3 million are grossly understated since they do not include overhead costs of computer support, design and development of systems and data banks, coordination activities, management analysis and review time devoted to planning, or time of employees involved in research and implementation of Federal regulations. FEA requirements comprise the overwhelming burden. FEA's 1,887,481 annual responses make up 73.6 percent of the total; FEA's 8,117,769 estimated man-hours represent 76.3 percent of the total expended in meeting reporting requirements; FEA's $119 million projected cost represents 75.7 percent of the total. The FPC burden is second to FEA's and comprises about 18 percent of total man-hours and total cost. (See pages 33-35.)

-- Certain energy reports are particularly burdensome and costly. In general, such reports are required by FEA and FPC and are mandatory. By contrast voluntary reporting of BM and GS (forms/reports) are not particularly burdensome. BM coordinates its data collection activities with industry. The reports are well designed, require a minimum of man-hours to prepare, and capture the kind of information industry finds useful. By contrast, industry officials indicated there is little feedback in the way of useful publications or reports on the part of FEA or FPC. Eight costly and burdensome energy forms/reports are identified. The cost of preparing four FPC forms ranges from $1.0 to $10.5 million. The cost of preparing four FEA forms ranges from $4.3 to $32.0 million. The most serious area of duplication and burden is in the reporting of reserves of oil and gas. At least six Federal agencies, including Department of Transportation, FEA, FPC, Federal Trade Commission, the Securities and Exchange Commission, and GS have surveyed or are planning studies of reserves. For example, FPC distributed one questionnaire on natural gas, which was 428 pages in length, with 35 pages of instructions which weighed over 10 pounds.

One company reported it spent over 2,600 man-hours of engineering and administrative time, plus about 1,000 hours of systems and key punching time to complete two schedules of the FPC Annual Report of Proved Domestic Gas Reserves. (See pages 35-38.)

-- Information and documentation obtained during the investigation on compliance with Federal energy data requirements disclosed that industry was sometimes confronted with a heavy burden and high costs. Several examples of individual company burdens follows:

Company A

The continued growth in Federal reporting requirements caused this major petroleum firm to undertake an inventory of reports, to study the cost of reporting, and to move towards a centralized reporting function. The company estimates it prepares about 36,290 subsidary or working copy reports. When coordinated and consolidated, these copies end up in the filing of about 400 discrete reports annually. The company estimates reporting costs of $16.9 million.

Company B

The company is currently filing 351 reports annually which is a major undertaking because (1) the company is decentralized, (2) subsidiary units total in the thousands, and (3) some units file their reports directly with Federal agencies. There is no central or corporate activity responsible for all Federal reporting. This company estimates it spends $14.9 million annually to provide requested data.

Company C

This major company has prepared a computerized catalog of reports submitted to Federal agencies. Approximately 409 different reports are filed each year with some 35 agencies. The company files more than 60 reports each year with trade associations and over 400 with states. The company estimates that complying with FEA demands alone requires 100 full-time employees and costs about $2.8 million. The company estimates that to prepare the 409 reports requires 112 people at an annual cost in excess of $3.5 million. However, if costs of related field operating personnel involved in reporting were included, costs would be about $16.5 million. (See pages 38-44.)

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-- What began as a single Energy Act in 1879, which gave the Geological Survey responsibilities in the energy area, has grown into a complex system of laws dealing with the many phases of energy matters. Since that time the authority to collect energy data, either specific or implied, has greatly expanded in the large number of laws now dealing with the energy area. There are numerous executive orders and rulemaking procedures which delegate authority for agencies to perform various energy functions. In addition, agencies reviewed identified some 23 major laws which impact on their energy data collection activities. Data collected under these laws fall into two general categories: mandatory and regulatory. FEA and FPC are carrying out their regulatory functions, require data from industry on a mandatory basis; BM collects 100 percent of its data on a voluntary basis and pledges confidentiality of all data it collects; GS obtains data on a mixed basis, with an approximate 50 percent split. (See pages 45-47.)

-- The Congress has recognized that permissiveness of earlier legislation has contributed to the needless proliferation of Federal data gathering. Therefore, Congress has sought to limit duplicative efforts by including provisions in more recent legislation to cover specific energy data responsibilities. For example, Title 13, U.S.C. - Census, as amended, provides for limitations on data already collected by other Federal agencies. Even more specific are such laws as the Federal Energy Administration Act of 1974 which provides the authority and requires the Administrator to collect data from other Federal agencies. The Energy Policy and Conservation Act provides for the development of a reliable data base related to the production of crude oil and natural gas, and for the SEC to take steps necessary to assure development and observance of accounting practices by persons engaged in whole or part, in the production of crude oil or natural gas in the United States.

-- There are a number of bills pending in Congress which propose certain solutions to various phases of the energy problem. The intent of the legislation is to reduce recognized duplications and overlaps which now exist in the energy data functions. Recent congressional actions reflect an awareness of the priority of energy problems and of the generally chaotic conditions that exist in energy data activities. (See pages 47-49.)

-- The vehicle used by the Federal Government for collecting energy data is generally forms, questionnaires, and special surveys. So many Federal agencies are involved in energy data collection that the effort has become fragmented and uncoordinated. The problem is magnified by the lack of

standard terms used in the design of a Federal form, questionnaire, or survey. Federal agencies use the same terms for data elements, codes, and special formats to refer to different things. Conversly, they use different terms for data elements, codes, and special formats that refer to the same thing. Generally, terminology is reasonably consistent within an agency, though FEA is a notable exception. Definitions between agencies invariably differ, rendering multiple reporting of similar data often impossible. Respondents must go to each of the Federal agencies for definitions of data elements, codes, and other terms used in the report. (See pages 49-51.)

-- The problem of confidentiality is a highly complex and critical one. The refusal of an agency to exchange data with other Federal agencies is not always an arbitrary decision since some laws under which energy data is collected require confidentiality. While the Investigative Staff recognizes that the question of confidentiality may be overplayed by industry in resisting the submission of data required by Federal agencies, it is nonetheless a valid issue that must be dealt with. Frequently the issue of confidentiality conflicts with the objective to minimize duplicative and overlapping reporting. The Investigative Staff believes there is a need for a proper balance between the issues involving confidentiality and duplicate collection of energy data. While there is a continuing need to maintain the confidentiality of data collected from industry, it need not be done on an agency-by-agency basis. A proper pledge of confidentiality given by a collecting agency should be honored by all other using agencies. Much of the data collected can be safeguarded on a government-wide basis without improper disclosure to the public or to competing companies in the energy industry. (See pages 52-56.)

-- Prior to the establishment of FEA, BM collected monthly data on refineries, bulk terminal product stocks, product pipelines, and crude oil stocks. When FEA was established it needed this same information on a weekly basis. However, when FEA's weekly need changed to a monthly one, industry was reporting duplicative monthly data to BM and FEA which have eliminated this duplication by entering into an agreement to develop a joint Petroleum Reporting System. The agreement was finalized in July 1975. There have been a number of interagency agreements among Federal agencies involved in energy data collection activities to improve data interchange to minimize overlap and duplicative requests for data. These increased activities can be related to the mounting criticism from the Congress and the private sector. Many of these interagency agreements and committees are still

in the very early stages or have not yet been formalized. The benefits that may result from these agreements cannot therefore, be evaluated, other than to note that they are steps in the right direction, and if properly carried out should result in sizable cost reductions to the private sector and to the Government. (See pages 56-62.)

-- There are a number of underlying factors which contribute to the high cost of duplicative and overlapping reports. Growing and frequently uncoordinated Federal reporting requirements are a prime cause of increasing duplication. Among other causes are: frequent changes in reporting requirements; lack of standard definitions, poor communication among agencies; and broad interpretation of legislative authorities which is used by some agency heads to imply the sanction of data collection. Documentation provided by one major petroleum company showed the extent of this duplication as follows:

53 reports to 7 agencies on exploration and production volumes and operations.

45 reports to 10 agencies on sales, shipments, and exports.

47 reports to 9 agencies on receipts, runs, and inventories.

47 reports to 16 agencies on financial matters.

Numerous specific agency forms/reports are identified as being duplicative in whole or in part. (See pages 63-70.)

-- BM is one of the oldest collectors and the major one of Federal energy statistical data. BM's Denver computer center operates and maintains 37 energy data systems. Data support is provided on two Burroughs B-5500's one of which is being phased out and one new B-6700 computer system. Seventy percent of the center's workload is in direct support of energy functions and 30 percent is administrative in nature. In spite of what appears to be a well run and efficient computer operation in Denver, there are certain plans pending in the Department of Interior that could seriously impact on the effectiveness of the Denver Computer Center. Based upon the Department's ADP strategy concept of March 1975, two new ADP service centers have been established. These are the Washington ADP Service Center (Office of the Secretary) and the Denver ADP Service Center (Bureau of Reclamation). The plan calls for transfer of multibureau applications, other bureau/Office of Secretary Applications, and bureau administrative, and management supporting applications to the two new computer centers over the

next five years. Mission support applications and the energy-related data systems are to be transferred to the newly designated ADP centers when present equipment is phased out or when transfer would be more cost-effective. The plan is to be fully implemented by 1980. Opposition to the strategy plan was unanimous. Practically every bureau and office disagreed with it; numerous factors were cited. BM feels that the transfer of its mission-related functions to the Bureau of Reclamations ADP Center will severely weaken its effectiveness. BM is assuming greater interagency responsibilities as the central collector, validator, processor, and reporter of energy data in a number of areas. Both BM and Denver ADP officials indicate that their activities are willing and capable of assuming the responsibilities outlined in pending legislation which calls for a national energy information system. The Investigative Staff is puzzled by the plans to eventually shift the energy workload to the Bureau of Reclamation's system, when at the same time BM is acquiring a large new computer system. (See pages 70-74.)

-- The potential cost of ERDA meeting its future requirements could be significant. In spite of the fact that ERDA has taken over a large amount of energy functions performed previously by constituent agencies of the Department of Interior, FEA, and ERDA has failed to contact these agencies about the possible sharing of energy data. An official of BM stated that in his opinion without this coordination, further duplication, particularly of coal data, would result. (See pages 74-77.)

-- Much of the increase in Federal reporting can be correlated with the rapid growth of FEA. The more important factors of this growth are the increases in the cost of gathering energy statistics, and the contracts for ADP system design, development, and maintenance. Total ADP related contract costs from FYs 1975 to 1977 is projected to be about $52 million and will require about 580 man-years. FEA's cost of energy data collection for the period of FY 1975 through FY 1977 is projected to increase by 139.8 percent. The lack of comprehensive feasibility studies, thorough system design and development activities and effective management review have often resulted in prolonged system development functions, constantly changing data requirements, and arbitrary reporting dates. The Investigative Staff believes that the time is right for FEA to start taking a look at its ADP and energy data collection practices from a more planned and comprehensive perspective along the lines recommended by Federal ADP policy established by OMB and General Services Administration (GSA). Officials at FEA stated that they do not have any formal structure or effective method by which offices within the Admini-

stration must justify, or inform other organizational units of the design and development of new and improved applications, systems, and data bases for both mutual and individual use. There is little top management involvement and direction. Nor is there any imaginative use of ADP decisionmaking, planning, objective formulation, resource allocation, and controls for systems feedback. (See pages 78-86.)

-- The Investigative Staff in presenting its views on a single national energy system attempts to deal with the issue in terms of what is feasible, practical, and what can be realistically achieved. All needed improvements cannot be achieved at any one time. A workable and logical approach based upon an overall long-range plan is needed. This is highlighted by the fact that, the problems and finding of GAO's 1974 report when compared with the problems and findings of this report show that during the intervening years little real improvements have been affected. If anything, the problem has been aggrevated by at least seven factors. (See pages 89-90.)

-- The passage of new legislation which does not coordinate or in some way restrict existing data collection activities may not help the situation. Current legislative restrictions imposed by the Trans-Alaska Pipeline Act severely limit GAO's authority and thereby its effectiveness. GAO cannot prevent or deny a regulatory agency's request to collect data, nor can GAO direct the exchange of regulatory information to avoid duplicate reporting. OMB has such authority over the agencies it oversees. The Investigative Staff s report clearly shows that the largest volume of energy data collected and greatest overlaps and duplications exist in the regulatory agencies. In effect, the regulatory agencies are not being effectively regulated when it comes to gathering energy data. (See page 90.)

-- Twelve pending bills indicate that the current thrust of proposed legislation is to establish a National Energy Information Center and a National Energy Information System. Eight of the pending bills favor the establishment of the Center within a new independent agency; one favors placement in the legislative branch (GAO); and three favor placement in the executive branch (Department of Commerce). The proposed Center and System are to provide for an improved national capability for the coordinated collection, tabulation, comparison, analysis, standardization, and dissemination of energy information. Selected bills and other energy data shortcomings are discussed in the following paragraphs.

While some of these bills call for the development of a plan for consolidation of certain Federal energy information activities, they exclude consolidation where it is specifically authorized by statute and in most regulatory agency activities and systems. Whereas, each of the proposed bills have merit, the Investigative Staff believes that some have shortcomings which will preclude them from being entirely effective. For the above reasons, plus the extensive resources already committed to the problem by six agencies surveyed (viz., 108 systems, hundreds of professional personnel, 223 forms and energy collection cost approaching $67.5 million), the Investigative Staff questions the need for a new Federal agency and another energy data system. Other reasons which support this opinion are:

> At the time when most of the pending bills were introduced, the Federal Government had no national energy policy. However, enactment of the Energy Policy and Conservation Act (EPCA) in December 1975 established such policies and goals.
>
> Problems relating to the lack of independently developed and independently verified energy data may very well be overcome by enactment of the EPCA. The Comptroller General was given statutory authority for conducting verification examinations with respect to the books, records, papers or other documents of persons, companies, etc., who submit energy information directly or indirectly to any Federal agency.
>
> Complex problems such as standardization of energy definitions and terms, identification of unknown resources, and the identification of precise energy data needed for decisionmaking cannot be solved purely by legislation.
>
> Three of the six Federal agencies surveyed do not favor passage of certain pending bills because existing legislation is sufficient and additional legislation would unnecessarily duplicate and fragment existing data collection activities.
>
> Most industry spokesman stated that they do not believe the solution lies in adding another layer of Federal bureaucracy to those already existing.

-- In this review three primary types of information were identified, i.e., energy statistical data, energy regulatory or

compliance data and energy research and development data. (See pages 94-95.)

-- The Investigative Staff believes a viable alternative exists. As a first step, the BM together with its efficient and widely praised information system should be considered as a candidate for consolidating energy statistical data. BM has a wide range of commodity experts; its newly acquired modular computer system has spare capacity; telecommunications facilities exist for expanding the computer capabilities. BM therefore would serve as a model clearinghouse for all types of energy statistical data. Such an effort would be a step towards implementing a fully integrated energy system by building on existing data collection systems and programs.

-- Because of the unique role regulatory and compliance data have in the formulation of policy and planning objectives, establishment of standards, monitoring of compliance and enforcement of regulations, the Investigative Staff believes that the centralization of such data would be extremely difficult and unwise. However, substantial improvements can be made in the collection, analysis, and reporting of regulatory and compliance data. Such an effort, the Regulatory Information System (RIS), is currently underway in the FPC. RIS is expected to reduce the current number of public use forms from 52 to 15. FPC estimates that redundant reporting will be reduced by 40 percent. This system will be capable of:

-- Segregating proprietary or confidential data from other information.

-- Allowing program personnel to obtain outputs in a fashion suitable to their needs.

-- Monitoring the frequency of use, or lack of use, made of the data.

Periodic evaluation of the information could lead to elimination of data, files, and forms for which there is no continuing use. FPC officials indicate that the RIS development effort is well documented for ease of transfer to other regulatory agencies if desired. The application of this system and concept is directly applicable to a number of other regulatory agencies since their computers are compatible, the Investigative Staff believes that other regulatory agencies, and the private sector could benefit substantially from its use.

I. INTRODUCTION

A. Directive

By directive dated July 30, 1975, the Committee requested the Investigative Staff to investigate and make an analysis of the energy and energy-related data collection systems maintained by the Department of the Interior, the Energy Research and Development Administration, the Federal Energy Administration, and other selected Federal agencies having major energy data collection programs.

The directive stated that the investigation should include:

-- Data collection activities involving energy supply and demand, resources and reserves, and energy use.

-- A review and analysis of possible overlap and duplication in existing energy data efforts.

-- An assessment of the extent to which proposed expansion of programs exacerbate ongoing activities.

-- An evaluation of the feasibility and desirability of establishing a single national energy data system.

B. Scope of Investigation

The Investigative Staff reviewed the policies, objectives, and procedures involving energy and energy-related data collection and reporting activities. The study included the Federal agencies specified in the directive and a number of other agencies with important roles in energy data matters.

During the investigation, approximately 240 officials and representatives of Federal and State agencies, industry associations, and major coal, gas, and petroleum companies were interviewed.

The investigation entailed discussions with agency officials of energy data activities in the Department of the Interior: Office of the Secretary, the Bureau of Mines (BM), and the Geological Survey (GS), which account for the major portion of the energy data collection within the Department; the Energy Research and Development Administration (ERDA); the Federal Energy Administration (FEA); the Bureau of the Census; and the Federal Power Commission (FPC). The National Academy of Sciences and the National Science Foundation were contacted.

The study included a review of legislation authorizing agency

data collection programs and functions, and the historical development, operation, maintenance, and use of energy and energy-related information systems, data banks, and files. To the extent possible, the impact of newly established Federal reporting requirements as authorized by the Energy Reorganization Act of 1974 and the Energy Policy and Conservation Act was analyzed.

Emphasis was placed on reviewing the extent and effectiveness of formal and informal interagency efforts to coordinate their respective energy data activities. Interagency agreements and selected contracts with commercial firms, States, and the academic community for data services were studied. An evaluation of the effectiveness of these agreements was not possible since many had been formalized recently, and sufficient time had not elapsed. The extent of communication among Federal agencies on energy matters to minimize reporting burdens and duplications was of prime concern. In addition, a number of internal and external studies dealing with energy data were reviewed.

The Investigative Staff also talked with representatives of the Office of Management and Budget (OMB), the United States General Accounting Office (GAO), the Federal Paperwork Commission, and the Office of Technology Assessment. Inquiries were made on the OMB and GAO forms review and approval procedures which authorize Federal agencies to obtain or continue the gathering of data from the private sector.

In addition the Investigative Staff met with representatives of the following organizations:

Industry Associations

American Petroleum Institute
National Coal Association
Business Advisory Council on Federal Reports

Private Industry

Seven large petroleum firms
Two natural gas organizations
Three national coal companies

States and Related Associations

Texas Railroad Commission
Colorado Energy Research Institute
Colorado Bureau of Mines
Western Governors' Regional Energy Policy Office
National Governors' Conference
National Association of State Information Systems
National Association of Counties

Difficulties were encountered by the Investigative Staff in obtaining complete and accurate information on certain energy and energy-related activities. No one within or outside the Government seemed to know exactly how many reports were prepared or even the total number of agencies to which data was submitted. Much of the documentation had to be developed from varying sources and consolidated since information dealing with energy reporting was generally not centrally maintained.

The scope of the review was necessarily limited by the magnitude of the areas covered. In view of the many Federal agencies, the multiplicity of programs, the many organizations involved in energy data collection, and the large number of forms and systems used to process, maintain, and report energy data, the Investigative Staff selected those agencies which account for the major energy data functions in the Federal Government. The review did not include data systems dealing with commodities, minerals, and elements not directly related to energy.

II. FEDERAL ENERGY INFORMATION PERSPECTIVE

A. Need for Energy Data

The Nation was rudely awakened in October 1973, when the major oil producing countries in the Mid-East imposed a 6-month embargo on shipments. The country became painfully aware that plentiful oil at cheap prices, which had been taken for granted, was no longer available, and that solutions to these energy problems no longer rested solely upon internal efforts. The energy crisis dramatically illustrates the need and importance of sound energy policies on a government-wide basis designed to deal not only with present conditions, but with the energy needs of the Nation in the years ahead. Policy formulation, however, can usually be only as good as the information available for decisionmaking. Properly designed reporting systems can play an important role in informing decisionmakers on a sufficiently timely basis to permit early action to correct developing problems. For example, in spite of the vast amount of energy data which has been collected over the years, some policymakers were not alarmed by the emerging energy problems caused by a decreasing level of domestic oil productive capacity. Improved data and more meaningful analysis of energy information could have alerted and triggered government officials to the seriousness of the decrease.

For example, the number of oil wells drilled in this country reached a peak in 1956 and then started to rapidly decrease until a low was reached in 1973. Oil demand began to exceed the domestic productive capacity as early as 1968, and this imbalance has steadily increased until at present approximately two out of every five gallons of oil consumed are imported into the country.

There is sufficient urgency to give the highest priority to establish sound energy policy and to coordinate and effectively manage activities for the collection and reporting of energy data. Accurate, timely, and useful information is essential to informed policy decisionmaking.

Shortcomings in energy information which have existed and still exist have been highlighted and documented by many congressional committees, GAO, and other groups. Reports have contained wide-ranging criticisms including inaccurate, inadequate and unreliable data; confusing and conflicting published reports, particularly in the area of reserves and resources; and delays in reporting. Causes for reporting differences were said to include lack of objectivity in reserves and resources projections because of self-interests and differing methodologies, incomparability of data due to

the lack of standard energy terms, and the uncoordinated and fragmented data collection methods which resulted in overlaps of data and excessive burden to industry.

Inertia, therefore, has not been so much due to the lack of knowledge of serious deficiencies in reported energy data as to the lack of urgent motivation. Until recently this country was considered blessed with an abundant energy supply. The energy crisis of 1973 proved this to be an illusion.

Too many efforts in the past have been reactions to meet temporary situations rather than planned actions to effect long-range improvements. Many times the Federal Government has responded by collecting more and more data, which frequently has compounded the basic deficiencies prevailing in the energy information area. Some officials believe that the problem is not the lack of data, but the mass of it.

That substantial improvements are essential both in the collection and reporting of data, and in the analysis of this data, is recognized by government, energy companies, and industry associations. Industry recognizes that the Federal Government does have a legitimate concern in the area of energy policy, since it is vital to the national interest. It also agrees that certain data is required of the energy industry by government to formulate the policy needed to solve the energy problems. Industry adds the caveat that the government must use this power judiciously so as not to result in excessive reporting, policies, and actions which might seriously hamper the free enterprise system.

Industry has conceded that both the government and industry need more and better data on petroleum, and industry should provide the needed data. It also acknowledges that it is necessary for the government to have mandatory reports of operating and inventory statistics, and that only by so doing can existing data gaps be filled. In addition, government and industry spokesmen suggested that to improve collection, tabulation, and analysis of energy data, the following should be considered:

-- Data to be collected should be evaluated on a cost-benefit basis.

-- Data collected should be limited to that which is meaningful and useful.

-- Care must be taken to clearly define terms used in reports.

-- Industry should be consulted when new data requirements are established.

-- The American Petroleum Institute (API) favors the collection of better consumption data.

-- Publication of an inventory of available data on petroleum and other energy fuels would be very helpful.

-- More complete information on the resources of the public lands will benefit the government, the public, and industry.

Major improvements are essential both in the collection and analysis of energy data. The large volume of data collected by the government must be on a more selective and coordinated basis to reduce the collection of duplicative and overlapping data. While there is a continuing need for meaningful data, there is an equal need to slow down the proliferation of mounting data accumulation. Only when the government succeeds in establishing management information systems based on accurate, useful, and timely data will Congress and the executive branch have the type of information necessary for sound policymaking.

B. GAO Review of 1974

In 1974, GAO issued a report entitled "Actions Needed to Improve Federal Efforts in Collecting, Analyzing, and Reporting Energy Data." The study was performed at the request of the Chairman of the Senate Committee on Interior and Insular Affairs.

The primary objective of the review was to consider if a centralized energy data bank should be established either in the executive or legislative branch to provide information independently developed or verified on energy supply and demand.

Concerning data collection, the GAO report stated that:

-- Federal agencies performed little verification of data.

-- Generally, only aggregate data is reported.

-- Industry provides the only complete and current information on oil and gas reserves.

-- Reporting of energy data is not timely.

-- Uniformity in energy terms is a problem.

The Investigative Staff, in its investigation, found that little in the way of real improvements had been effected by Federal agencies since the issuance of the GAO report. There

is little evidence that Federal agencies have made any serious progress in overcoming the basic deficiencies identified in this report.

GAO noted that the single most important problem was the question of credibility of energy data due in a large measure to the lack of "independently developed or independently verified data."

GAO concluded, in part, that:

-- There is a need to establish an integrated comprehensive energy data system building on existing systems.

-- It envisions an energy information system which centralizes responsibility rather than the collection function.

-- The responsible organization within the executive branch should be responsible for data collection and analysis without involvement in energy policy analysis or formulation (separation between data gathering and policy and operations).

-- Legislation is required to establish this comprehensive data system.

-- The best long-term solution is to establish a Department of Energy and Natural Resources with the scope and permanence to deal with lasting complex issues.

-- A first step would be to develop a single reference source for energy data being collected.

The Investigative Staff agrees with the findings and conclusions contained in the GAO report. It is the opinion of the Investigative Staff that the proliferation of energy data systems must be curtailed.

The GAO report did not disclose what consideration was given to the magnitude of the task required to establish such an energy information system, or how much such a system would cost to develop and operate. The Investigative Staff, in Chapter V of this report, presents its assessment of the feasibility and desirability of establishing a single national energy data system.

Generally, the chaotic conditions existing during the GAO review, and as noted in its report, still exist. The Investigative Staff found no evidence that the report had an impact on

how Federal agencies are performing in the energy data area. To a large extent, data is still being collected from private sources without the verification recommended by GAO.

However, increased efforts are being made by some Federal agencies for more effective communication on energy matters. Effective working agreements among energy-involved agencies could improve energy data and minimize some of the present confusion. However, the final results of these recent working agreements among involved agencies remain to be seen.

C. Statement of Mission - Responsibilities of Agencies Surveyed

1. Department of the Interior

The Department of the Interior is organized into four major mission areas: Indians, Fish and Wildlife and Parks, Land and Water Resources, and Energy and Minerals. The major energy data collection and dissemination program activities are under the Assistant Secretary - Energy and Minerals; namely, Geological Survey and Bureau of Mines. The Investigative Staff was informed that these agencies account for about 75 percent of the energy data collected in the Department, and operate the major energy data bases on resources and reserves used by the Federal Government.

In May 1973, the Secretary of the Interior, at the direction of the President, created an Office of Energy Data and Analysis (OEDA), and assigned it the responsibility for developing an energy information system to assist him and other Federal officials in making energy policy decisions.

With the subsequent creation of the Federal Energy Administration and the Energy Research and Development Administration, OEDA, Office of Coal Research, Office of Oil and Gas, and several Bureau of Mines laboratories were transferred.

a. Bureau of Mines (BM)

BM is the principal collector of energy data in the Department and has data banks containing estimates and location of energy reserves of the United States. Reserves are defined as "that portion of resources that have actually been identified, and can legally and economically be extracted." BM was established by the Organic Act of May 16, 1910, as amended. This Act was supplemented by several statutes, which authorize production and sale of helium, and research on environmental problems associated with minerals. The Mining

and Minerals Policy Act of 1970 promulgates the Federal Government's role in fostering, with the help of private industry, the orderly economic development of domestic mineral resources and reserves.

BM collects basic energy data by surveying thousands of firms monthly, quarterly, and annually. Data is obtained from industry on a voluntary basis. It is compiled, edited, and integrated into information systems.

As part of the mineral cycle in accumulating and analyzing basic data, the BM mission encompasses the following functions:

-- Studies to determine the relationship of mineral supply, demand, and technology to the national and world economy.

-- Carries out special programs of resource conservation and development.

-- Collects, evaluates, and publishes mineral reserves, production, usage, stocks, and export and import statistics.

-- Conducts engineering studies of mineral deposits and industry operations to evaluate economic and engineering phases of mineral resource availability and demand, including Federal lands being considered for restricted access status.

-- Makes detailed analysis of impacts of proposed legislation upon prospective surpluses of, and demands for, minerals.

b. Geological Survey (GS)

GS's basic authorization stems from the Organic Act of March 3, 1879, which gives it the responsibility for examining the geological structure, mineral resources, and products of the public domain. GS publishes geological and economic maps illustrating the resources and classification of the lands, and reports upon general economic geology and paleontology. The Act was amended to authorize examinations outside the national domain, where determined by the Secretary to be in the national interest. Several extensions are further authorized by the Outer Continental Shelf Lands Act.

Under the Mineral Discovery Loan Program, the

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Secretary of the Interior is authorized and directed, in order to provide for discovery of additional domestic mineral reserves, to establish and maintain a program for exploration by private industry within the United States, its territories, and possessions, for such minerals, excluding organic fuels, and financial assistance.

Most GS resources data are derived from its own surveys, investigations, and research. Mineral resources specialists for mineral commodities also obtain information from industry, from universities, private foundations, and research, and from contracts and grants programs instituted by GS, with universities, State geological surveys, and consultants.

The GS role in the Mineral Cycle covers geologic availability, resources appraisal and analysis, exploration, and development. Its mineral and resources missions include:

-- Determination of the geologic availability of identified and undiscovered resources through research investigations of areas that have potential for mineral occurrence.

-- Geological appraisal of the magnitude, quality, and quantity of identified resources (in cooperation with BM, with respect to reserves), and the prediction of resources of new types in new areas.

-- Geologic, geochemical, and geophysical technology research and development to assist in more expeditious appraisal of resources potentials.

-- Development of mineral resources information systems that convert basic field data and other observations into a synthesized body of resources knowledge for policy decision-making.

-- Collection, evaluation, and publication of mineral and fuel resources statistics.

2. Federal Energy Administration (FEA)

FEA was established in the executive branch by the Federal Energy Administration Act of 1974. The Act made the Administrator the principal advisor to the President of the United States in the development, recommendation, coordination,

and execution of comprehensive national and international policies and programs intended to identify and resolve the Nation's present and prospective energy problems.

Specifically, the responsibilities and functions are:

-- Advise the President and the Congress with respect to the establishment of a comprehensive national energy policy in relation to the energy matters for which the Administration has responsibility, and, in coordination with the Secretary of State, the integration of domestic and foreign policies relating to energy resource management.

-- Assess the adequacy of energy resources to meet demands in the immediate and longer range future for all sectors of the economy and for the general public.

-- Develop arrangements for the participation of State and local governments in the resolution of energy problems.

-- Develop plans and programs for dealing with energy production shortages.

-- Promote stability in energy prices to the consumer, promote free and open competition in all aspects of the energy field, prevent unreasonable profits within the various segments of the energy industry, and promote free enterprise.

-- Assure that energy programs are designed and implemented in a fair and efficient manner to minimize hardship and inequity while assuring that the priority needs of the Nation are met.

-- Develop and oversee the implementation of equitable voluntary and mandatory energy conservation programs and promote efficiencies in the use of energy resources.

-- Develop and recommend policies on the import and export of energy resources.

-- Collect, evaluate, assemble, and analyze energy information on reserves, production, demand, and related economic data.

-- Work with business, labor, consumer, and other

interests and obtain their cooperation.

-- Administer any pricing authority, provided by rule, for equitable allocation of all component costs of producing propane gas.

The agency has undergone a number of important changes. The mission has changed from one of administering emergency regulatory programs to a much broader one of developing a national energy policy and programs to ensure dependable supplies and efficient uses of energy.

3. Federal Power Commission (FPC)

FPC regulates the interstate aspects of the electric power and natural gas industries. It operates under the Federal Power Act, as amended; Title II of the Public Utility Act of 1935; and the Natural Gas Act, as amended.

The FPC:

-- Issues permits and licenses for non-Federal hydroelectric power projects.

-- Regulates rates and other aspects of interstate wholesale transactions in electric power and natural gas.

-- Conducts continuing investigations of the electric power and natural gas pipeline industries, and their relationships to national programs and objectives, including conservation and efficient utilization of resources.

-- Requires maximum protection of the environment in the construction of new projects.

-- Allocates resources consistent with the public interest under the Acts.

FPC collects data and prepares reports on natural gas supply and demand, costs on power plant operations and electric utility industry bulk power supplies, and primary electric power consumption.

4. Bureau of the Census

The Bureau of the Census is a component of the Social and Economic Statistics Administration (SESA) in the Department of Commerce. The Bureau conducts censuses and surveys to collect,

process, and analyze statistical data relating to the social and economic activities of the population and enterprises of the United States. It collects energy statistics and related data under Title 13, United States Code. This legislation provides for a census of the mineral industries every 5 years. The Bureau currently has two primary energy programs; namely, the Monthly Retail Gasoline Survey (sponsored by FEA) and the Annual Survey of Oil and Gas.

5. Energy Research and Development Administration (ERDA)

ERDA began operations on January 19, 1975. It was established by the Energy Reorganization Act of 1974, which combined several organizational elements: the Atomic Energy Commission, the Department of the Interior, the National Science Foundation, and the Environmental Protection Agency. Additional responsibilities were assigned by the Federal Nonnuclear Energy Research and Development Act of 1974; the Solar Energy Research, Development, and Demonstration Act of 1974; and the Geothermal Energy Research, Development, and Demonstration Act of 1974.

ERDA's mission is to encourage and conduct research and development, including demonstration of commercial feasibility and practical applications of the extraction, conversion, storage, transmission, and utilization phases related to the development and use of energy from fossil, nuclear, solar, geothermic, and other energy sources. The agency is required to cooperate with and utilize the facilities and capabilities of other Federal agencies, national laboratories, universities, nonprofit organizations, and industrial firms in energy research and development in meeting its energy technology goals.

D. Other Federal Energy Activities

The energy crisis accelerated efforts to seek solutions to the energy problems. New organizations and programs were established and existing ones were expanded by a series of executive orders and legislation. Further, at present, there are some 86 congressional committees and/or subcommittees concerned with energy matters.

A recent FEA study shows that currently there are about 47 agencies and bureaus responsible for 263 separate programs relating to energy or energy-related activities. Another source indicates that there are now more than 300 Federal programs and 450 State agencies involved in energy-related activities.

In addition, many States have established, or are in the

process of establishing, State energy offices. States are also establishing energy data systems to support these organizations, thus increasing their already major roles in data collection and analysis. In the Allocation Program, States discovered that Federal statistics were either inadequate or not available on a timely basis. There are examples which illustrate increased energy activity on the part of States: The New England Regional Commission set up the New England Energy Management Information System (NEEMIS); Maryland has developed a detailed allocation information system; New York, Wisconsin, Florida, and other States have also created information systems. It would not be unreasonable to assume that in the near future all States will have energy information offices. The State of California is currently in the process of developing a large-scale energy information system, which will collect data relating to all phases of production to allow covering intermediate and long-range energy requirements. Plans for this system indicate that it may well become one of the most complex systems in the Nation.

A number of regional efforts have also been undertaken, such as the New England Energy Management Information System, the Midwestern Governors' Conference, and the Appalachian Regional Energy Group.

FEA has taken the position that it is not FEA's role to establish and maintain a large data collection and analysis program to support State information needs. Therefore, much of this independent activity on the part of States has been fostered by the void that exists in Federal reporting.

III. MAGNITUDE OF FEDERAL REPORTING

The Congress has been concerned for many years with the growing reporting and recordkeeping requirements that the Federal agencies impose on the private sector. Similar concerns have been expressed by the President and officials and representatives of the executive branch, private institutions, and the public at large. Terms such as "paperwork burden," "pollution," and "blizzard" have been used to describe this ever-expanding avalanche. Numerous congressional, agency, and private studies have sought to provide insights and measurement techniques for better analyzing the growth in paperwork and associated reporting. All have unanimously agreed that the cost of Federal paperwork has continued to rise sharply. The most severe critics contend that the paperwork problem is out of control.

One congressional study estimated that Federal reporting requirements generated 2 billion pieces of paper in 1971--a figure that has escalated to about 10 billion today. Other congressonal and agency reports estimate that, over the past decade, Federal paperwork costs have increased 150 percent--from $8 billion in 1966 to $20 billion in 1975.

Other analyses provide additional statistics relative to the growth in Federal paperwork.

-- From 1965 to 1975 the number of government forms increased from 3,802 to 5,146.

-- In 1966 the Federal Government spent about $53 million to print forms.

-- By 1973 the printing costs had nearly doubled.

-- In 1966 the Federal Government had 3,007 computers, which, by 1975, had increased to 8,649.

-- From 1966 to 1974 the annual volume of outgoing Federal mail increased nearly 40 percent, but the cost has more than tripled, going from $128 million to $450 million.

Over the years, there have been numerous congressional and executive attempts to curb the paperwork problem. A chronology of some of these efforts includes:

1942 - Congress enacted the Federal Reports Act. The Director of the Bureau of the Budget (now OMB) was made responsible for minimizing the public burden caused by requests for information.

1949 - Report of the first Hoover Commission. Among its many recommendations was one for the coordination of statistical services.

1964 - The President issued a directive calling for a reduction in the burden of government reports on business and the general public. He directed that statistical reports be simplified, unnecessary detail be avoided, and duplication be prevented.

1965 - House Subcommittee on Census and Government Statistics issued a report on the "Federal Paperwork Jungle."

1973 - Senate Select Committee on Small Business issued a report on "The Federal Paperwork Burden."

1973 - The President reiterated that energy-related activities in the Federal Government were fragmented and directed the Department of the Interior to strengthen its capacity for gathering and analyzing energy data.

1973 - Congress enacted the Trans-Alaska Pipeline Act. The Comptroller General was given responsibility for reviewing all existing information-gathering practices of independent Federal regulatory agencies and requests for new information with a view of minimizing reporting efforts.

1975 - The President established the Commission on Federal Paperwork to (a) assure that necessary information is being collected; (b) minimize the burden imposed by Federal reporting requirements on businesses, private citizens, and State and local governments; (c) provide that information is processed and disseminated to maximize its usefulness to all Federal agencies; (d) reduce the duplication of information collected by the Federal, State, and local governments; and (e) reduce the cost of Federal paperwork.

Further efforts are being made to streamline Federal paperwork and reporting procedures. For example, several bills have been introduced in Congress to reduce government forms. One such bill (S. 3132), known as the "Form Reform Act," would require the phasing out of forms over a 5-year period. New forms would have to be reviewed by agency heads and the Comptroller General for necessity and simplicity.

Besides the number and complexity of government forms, the need for uniformity in the terms and definitions used in requesting data has been repeatedly demonstrated. There is also a need to reflect advances which have been made in statistical techniques, in the collection, analysis, and retention of data.

A. Inventory of Energy Forms and Data Systems

A prerequisite for conducting an effective study of the Federal Government's energy data collection systems as directed by the Committee is that accurate information be available on the number of energy data collection forms used to collect information. Currently, OMB and GAO have government-wide responsibility for forms clearance, review, approval, or coordination. (See pages 22 to 25.) The Investigative Staff found that there is no central source within the Federal Government which has an inventory to identify all active or approved energy data collection forms. OMB maintains an inventory list of approved forms; however, they could not identify energy-related forms. GAO was in a similar position.

The Investigative Staff therefore, with considerable difficulty, obtained the information, which should have been readily available on a centralized basis, from the six agencies it reviewed. Included in the information requested was an inventory of energy forms and titles, reporting frequencies, source of data, total number of responses per year, percent of industry coverage, type of processing (manual or automated), and agency energy data systems and data banks.

The Investigative Staff was informed by several agencies that, as a result of our request, this was the first time such information was available to management. For example, FEA on January 22, 1976, briefed the Senate Committee on Interior and Insular Affairs on its energy data program. Much of the information presented to the Senate committee was data it had prepared at the specific request of the Investigative Staff.

The following table shows the number of energy data systems operated and forms used by agencies and the annual number of reports filed by industry.

SUMMARY OF AGENCY ENERGY SYSTEMS, FORMS, AND NUMBER OF REPORTS FILED ANNUALLY

Agency	Number of Data Systems	Number of Forms	Number of Annual Responses
Department of the Interior			
Bureau of Mines	37	40	54,500
Geological Survey	22	38	482,100
FEA	40	83	751,200
ERDA	3	3	380
FPC	3	52	103,700
Department of Commerce			
Bureau of the Census	3	7	70,120
Total	108	223	1,462,000

The above table indicates that as of January 1976, the six agencies reviewed were using 223 active forms to collect energy data from the private sector. These forms had been approved by either OMB or GAO. The same agencies also maintained 108 energy data systems which were used to process the data. The 223 forms resulted in 1,462,000 annual responses/reports being filed with the six agencies.

There are other forms in addition to the 223 active forms identified in the table: those at OMB and GAO, pending approval, and others that are being designed by the agencies. These forms when completed and approved will not only add to the total number of active forms now being used, but may also increase the number of data systems and computers necessary to maintain these increased data.

As shown in the table, FEA has 37 percent of the current forms being sent out and 51 percent of the responses/reports filed by industry. GS is second to FEA, with 34 percent of the responses/reports filed.

The number of responses (1,462,000) excludes duplicate copies filed with the same or other Federal agencies and State and local governments. Also excluded from this number are forms used to collect energy data which have not been approved by OMB or GAO. While the Investigative Staff could not determine the amount of data being collected on unauthorized forms, the Staff believes it to be substantial.

To grasp the enormity of the reporting burden, it is

necessary to understand how major petroleum, coal, and gas companies function in the energy data areas. The filing of a single Federal report may require the obtaining of inputs from thousands of locations, which, in turn, generate more paper to compile these individual reports. Generally, the companies operate on a decentralized basis, thus necessitating the collection of data from many different sources. In the following paragraphs a number of illustrations are cited to show that the 1,462,000 responses represent only the visible tip of the iceberg.

The receipt of a Federal form at one corporate headquarters triggers a number of actions. Headquarters forwards the request for data to regional offices, field offices, divisions, refineries, coal mines, and any other reporting units in the corporation. Individual reports are completed and returned to the corporate headquarters where the data is consolidated and reported on the Federal form for filing.

When the request for data is received at the site, i.e., regional and/or field office, the refinery, the coal mine, etc., further gyrations are caused, varying only with the organizational structure of the particular company. How data is collected and reports completed were not always known to company officials. Therefore, in these instances, they were not familiar with the extent of the details of the work involved in generating the data required.

One company which had studied the reporting burden caused by the Federal reporting made an analysis of the individual reports needed to complete responses for the Bureau of Mines and the Geological Survey. For BM, 7,301 individual reports are needed to prepare 170 annual responses. For GS, 17,371 individual reports are needed to complete 145 annual responses. Annual responses can be broken down into weekly, monthly, quarterly, and semiannual responses. The company did not, however, make an analysis of reporting to other Federal agencies.

While other companies visited had not made comparable analyses, they all agreed with the complexity of meeting Federal reporting requirements and the extensive number of reporting units involved.

The following table takes the same data used in analyzing agency energy systems, forms, and number of reports filed annually and presents a summary by energy type.

SUMMARY OF SYSTEMS FORMS AND DISTRIBUTION BY ENERGY TYPE

Energy Type	Number of Data Systems	Number of Forms	Number of Annual Responses	Percent
Petroleum----------	45	104	1,069,670	73.2
Coal---------------	12	18	32,240	2.2
Natural gas--------	10	41	96,020	6.6
Electricity--------	4	36	195,640	13.4
Nuclear power------	4	6	2,300	.2
Solar power--------	-	-	-	-
Geothermal power---	1	6	700	-
Water power--------	2	8	6,430	.4
Combined and other energy types------	30	4	59,000	4.0
Total	108	223	1,462,000	100.0

The table demonstrates that the largest volume of data collected is on petroleum--73.2 percent of the total responses. This breaks down to 45 systems, 104 forms, and 1,069,670 annual responses. The next highest volume is 13.4 percent for electricity with 4 systems, 36 forms, and 195,640 annual responses. The third significant energy type is natural gas, which covers 6.6 percent and has 10 systems, 41 forms, and an annual response of 96,020.

B. Lack of Meaningful Energy Cost Information

Executive agencies (including independent regulatory agencies) which collect energy statistical data are required to report annual costs to the Office of Management and Budget (OMB). The reporting requirement for this data is contained in OMB Circular A-11, "Preparation and Submission of Budget Estimates," Exhibit 54. OMB uses this information on statistical programs to review agency requests and resource allocation for the coordinated Federal statistical program, and for the preparation of special analyses. In addition, OMB makes wide distribution of the special analyses to the Congress, the executive branch agencies, and the private sector.

The following table shows FY 1976 and FY 1977 energy data collection costs as reported to OMB and published in its Special Analysis G, entitled "Principal Federal Statistical Programs."

ENERGY DATA COST AS REPORTED BY OMB

(Dollars in Millions)

	Reported in FY 1976		Reported in FY 1977		
	FY 1975 Estimate	FY 1976 Estimate	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate
Energy statistics	$28.0	$28.4	$14.3	$18.9	$17.6

The Investigative Staff believes that these figures are grossly understated. OMB has been remiss in failing to report all costs incurred by known data collecting agencies. These unreported costs are not reflected in the above table. In addition it is incomprehensible, when compared with increased reporting requirements, that the total estimated cost of $28.4 million reported for FY 1976 could decrease by almost $10 million in the FY 1977 report. An OMB official admits that these figures are inadequate.

Furthermore, the Investigative Staff requested cost data from FEA, FPC, GS, BM, and the Bureau of the Census. The Staff used the same instructions provided by OMB to these agencies via its Circular A-11 to gather energy statistical data costs. The Investigative Staff coordinated its activities with OMB to ensure an understanding of reporting definitions. It was apparent that some agencies were too late in reporting costs to OMB to permit inclusion in the FY 1977 special analysis, reported two different sets of figures, or ignored OMB's request altogether. Costs reported by these agencies to the Investigative Staff are shown in the following table.

ENERGY DATA COST COMPUTED BY THE INVESTIGATIVE STAFF

(Dollars in Millions)

Agency	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate	Percent of Increase over FY 1975
Department of the Interior				
Bureau of Mines------	$ 3.1	$ 4.3	$ 4.3	38.7
Geological Survey----	20.7	25.5	37.7	82.1
FEA----------	9.3	16.8	22.3	139.8
FPC----------	1.9	2.5	2.9	52.6
Department of Commerce				
Bureau of the Census-	.2	.3	.3	50.0
Total	$35.2	$49.4	$67.5	91.8

It is significant to note that the individual amounts reported by GS and FEA for FY 1977 are greater than the total amount shown by OMB in its special analyses. Therefore, the Investigative Staff believes that OMB, and, in turn, Congress, undoubtedly receives substantially distorted figures of the rising cost associated with energy data collection efforts.

C. Forms Clearance Process

Congress and the executive branch have tended to rely on the Federal Reports Act of 1942 and the Trans-Alaska Pipeline Authorization Act of 1973 to control the expansion of reporting requirements. However, the Investigative Staff is concerned with the rapidly increasing growth in the number of forms being imposed on the private sector.

The following paragraphs present an overview of these Acts, OMB's and GAO's implementation endeavors, an evaluation by GAO of OMB's procedures, and the Investigative Staff's observations.

1. OMB/GAO Authority and Responsibility

OMB's authority and responsibility for forms clearance are contained in the Federal Reports Act (FRA) of 1942, which stipulates that the policy of Congress is "that information which is needed by the various Federal agencies should be obtained with a minimum of burden upon business enterprise * * *."

FRA establishes four objectives in controlling the development and implementation of Federal reporting requirements as follows:

-- minimize reporting burden on respondents.

-- maximize opportunities for sharing information.

-- minimize the cost to the government of collection of information.

-- minimize duplication in the collection of information.

Under OMB procedures, Federal agencies must request approval of a report/form before it is sent to the private sector. The agencies must complete an SF 83, "Clearance Request and Notice of Action," and supply supporting justification material when the number of respondents exceeds ten. The agencies must cite the legislation which enables them to collect data; whether the report is mandatory or voluntary; whether a pledge of confidentiality will be granted; and an estimate of the total number of man-hours required to complete the form.

Although OMB makes an effort to determine the burden on industry and whether the requested report duplicates existing ones, it does not do so effectively. This is partly due to the limited staff assigned to this function. Further, the Investigative Staff was informed by an OMB official that even if a form was an exact duplication, it would approve an agency's request if it could cite specific legislative authority. For example, BM had been gathering monthly data on petroleum when FEA came to OMB with a request for exactly the same data, but on a weekly basis. OMB's rationale for approving FEA's request was that it was to support a critical fuel allocation problem. OMB takes the position that it is an agency's prerogative to manage its program, and OMB will not overrule the agency's selected management style. Therefore, even with authority to disapprove Federal agencies' requests, OMB has used this authorization rather sparingly.

OMB has interacted with industry, mainly through the Business Advisory Council on Federal Reports (BACFR), seeking comments and suggestions on proposed reports. While this is an effort in the right direction, Federal agencies usually prevail when differences of opinion exist.

GAO's authority and responsibility for forms clearance are contained in the provisions of the Trans-Alaska Pipeline Act of 1973. This Act transferred the reports clearance control process for independent regulatory agencies: FEA,

FPC, and FTC from OMB to GAO.

GAO uses processes similar to those used by OMB in its forms clearance operations. However, there are three major exceptions: (a) it does not use the Business Advisory Council on Federal Reports as a sounding board, (b) it has 45 days to take an official position, and (c) it does not have any veto power; i.e., an agency may send a form out even if GAO does not approve it.

With regard to the 45-day time limit, GAO officials indicated that it takes at least 1 week to have notice of a proposed form published in the Federal Register. GAO then allows an additional 18 days for industry comments, leaving only 20 days for its review of comments and approval. If the industry comments and concerns are extensive, GAO does not have time to resolve issues between the requesting agency and industry within its allotted 45-day review period, and the form is automatically approved.

Industry representatives informed the Investigative Staff that they expend large amounts of man-hours and money in preparing for public hearings held by agencies on proposed forms. They indicated that they have had little impact on effecting desired changes to the proposed forms. However, industry believes that once GAO has received a request for forms clearance, it becomes a moot issue, and it does not expend great efforts to provide GAO with recommendations.

GAO also relies on the requesting agency's certification that data does not currently exist in other agencies' files. Moreover, OMB, GAO, and the Business Advisory Council on Federal Reports review forms for duplication on a case-by-case basis, relying mainly on memory, which is an impossible task considering the thousands of data elements involved. In addition, GAO must prove that identical items are being requested in order to demonstrate duplication. This is extremely difficult to do when reviewing requests on a case-by-case basis.

Further, both OMB and GAO lack a working definition of duplication to be used by the forms reviewer. As a result, the identification of duplication rests with the reviewer's memory and interpretation. GAO's review procedures are further hampered by the increasing number of requests for emergency clearance to extend expiration dates of existing forms. These requests impact on the time GAO would otherwise spend on regular requests for forms clearance.

GAO officials view their clearance procedures as being at best an effort to effect cooperation among agencies and

between agencies and industry. GAO's view is based in part on the fact that the legislation under which it operates limits its analysis of the burden being imposed on industry and not to the agencies' need for information. Even if excessive burden is demonstrated, an agency has the authority to request needed information.

GAO has taken the official position that the forms clearance responsibility should not be in GAO because it is an executive branch function inconsistent with GAO's basic oversight and monitoring responsibilities. The Investigative Staff is of the opinion that someone in Government must perform this vital function.

The Investigative Staff further believes that (a) GAO should be given the proper legislative mandate to properly perform this function or (b) the activity should be transferred back to OMB, which has the necessary authority.

2. GAO's Evaluation of OMB's Clearance Process

In a report entitled "Case Study of Department of Labor and Office of Management and Budget Activities Under the Federal Reports Act," dated July 24, 1975, GAO made several recommendations on how to improve the OMB forms clearance process. Some of the more important recommendations are discussed below.

The OMB Clearance Officer has been delegated the responsibilities of the OMB Director for reviewing and approving forms under FRA. Personnel assigned to the Clearance Officer or to one of OMB's program divisions review the forms and make recommendations. However, the Clearance Officer does not have control over the program division's personnel on whom he has to rely. GAO recommended, therefore, that the Director of OMB delegate his forms clearance responsibilities to an individual situated at a level high enough in OMB to exert necessary control. The Investigative Staff agrees with this recommendation.

OMB in several cases has not carried out its responsibility to evaluate the continued need for information because it allows the agencies to submit an earlier supporting statement or requires none at all. GAO therefore recommended that OMB require the agencies to submit sufficient documentation to serve as a basis for evaluating the initial and continued need for each data element to be collected from the private sector. The Investigative Staff concurs with this recommendation since, as mentioned in Chapter IV, it has noted numerous examples of duplicate and/or overlapping reporting requirements.

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OMB has not aggressively enforced the FRA clearance requirements but, rather, has reacted to complaints from respondents. Enforcement of the Act's requirements is difficult, GAO noted, because of the lack of prescribed penalties. Without prescribed penalties, the agencies have little incentive to abide by the clearance requirements. GAO recommended that OMB take a more active role in enforcing FRA by establishing a small investigative group to monitor violations. The Investigative Staff noted several examples where OMB has not aggressively enforced its clearance responsibilities. Therefore, the Investigative Staff concurs with the recommendation for stricter enforcement of FRA. Further, it is believed that FRA should be amended to promulgate specific penalties for violators.

3. Consultant's Evaluation of OMB's Clearance Process

Early in 1974, OMB employed Peat, Marwick, Mitchell & Co. to conduct a study of OMB's implementation of FRA as it involves clearance of agency requests to collect information from the private sector. Although tnis review was limited to the impact on small businesses, it did discuss problem areas that cover aspects of the private sector and the forms clearance process. Some of these problem areas and recommendations are discussed in the follwing paragraphs.

The current OMB clearance process function is in a reactive mode. OMB responds primarily to requests for clearance and not in the development of forms and effective reporting systems for closely related subject areas. There is now no effective mechanism for introducing into the initiation and development stages of reporting requirements information on existing reporting and guidance on how to minimize burden. The Investigative Staff also found this to be true. There is no single inventory of existing forms in either the Federal or private sectors. More importantly, even individual agencies or companies were unaware of what reports were being required and/or responded to. Therefore the matching of new reporting requirements with existing ones is virtually impossible.

OMB's clearance process does not provide for after-the-fact assessment of the utility and meaningfulness of data. Once an initial determination of need is made and approval is granted, the form seems to be routinely extended.

The clearance process does not result in the most effective participation of the private sector in the development and implementation of reporting requirements. Although OMB has relied on advisory panels convened by BACFR as a means of

securing input of the impact on industry, these panels have not been entirely effective. Furthermore, the notification of new report forms and extensions of existing forms in the Federal Register is not an effective means of informing the private sector. The Investigative Staff received confirmation of these statements during its visits to industry and BACFR. The Investigative Staff believes, however, OMB's interaction with BACFR and the private sector, while ineffective, is much more extensive than GAO's.

Peat, Marwick, Mitchell & Co. also made a number of recommendations on how OMB could improve its clearance process. The most significant one, the Investigative Staff believes, is that OMB should require agencies to justify requests for forms approval on the basis of utility and meaningfulness and to conduct periodic reviews thereof. Industry representatives advised that much data being reported to Federal agencies was, in their opinion, meaningless. The Investigative Staff, GAO, and BACFR concur with the recommendation that an audit should be performed of the utility of data gathered.

4. Evaluation of GAO's Clearance Process

There has been no independent evaluation of GAO's forms clearance process since it assumed this function as a part of the Trans-Alaska Pipeline Act of 1973.

The Comptroller General of the United States surveys the collection of information required by independent Federal regulation agencies to assure that (a) data is obtained with a minimum burden upon the private sector and (b) duplication of effort by independent regulatory agencies is avoided. GAO follows many of the guidelines and procedures developed by OMB in its effort to accomplish the provisions of FRA.

However, GAO is hampered by certain constraints set forth in the Trans-Alaska Pipeline Act that reduce the effectiveness of its forms clearance function. The Act stipulates that although GAO shall determine the availability of requested information from other Federal sources, it cannot prevent a regulatory agency from issuing a form to acquire data if the agency determines the information is necessary to carry out its statutory responsibilities. The Act also places a 45-day time limit on GAO to determine other sources of information. If no advice is given within this time, the regulatory agency may proceed to obtain the requested information.

The 45-day time limit does not allow GAO to receive inputs from the private sector on the meaningfulness of the data being requested or the potential burden. During visits

to a number of major petroleum, gas, and coal companies, the Investigative Staff was informed that the first time they are aware of a new reporting requirement is when it appears in the Federal Register, at which time it is too late to respond properly.

The Investigative Staff believes these constraints severely impact on the effectiveness of GAO's clearance process. However, GAO has used these limitations to rationalize the lack of effectiveness in the forms clearance procedures. In the opinion of the Investigative Staff, GAO can perform a more active and effective role. The pressure of time is not an entirely acceptable reason for failing to comply with mandated requirements. However, the Investigative Staff believes that the transfer of the regulatory agency's forms clearance responsibilities from OMB to GAO, without the proper legislative mandate to properly perform this function, has caused a fragmentation of responsibilities, which is not conducive to the performance of the most effective clearance function.

D. Agency Forms Management Problems

In obtaining an inventory of energy-related forms and ADP systems, the Investigative Staff encountered varying degrees of responsivenes. BM, FPC, and Census appeared to have reasonably good inventories and control over their forms procedures. However, neither FEA nor GS had an effective inventory or central control.

1. Federal Energy Administration (FEA)

Since FEA was mandated to collect, evaluate, assemble, and analyze energy information on reserves, production, demand, and related economic data, the Investigative Staff assumed it would be the logical source from which to obtain an inventory of energy-related forms. FEA not only lacked a government-wide inventory of forms but, more significantly, did not know precisely what forms it was using. For example, FEA identified 83 forms as being in use to gather energy-related data, but at a later date FEA was unable to provide background data on 33 of these forms. In addition, supporting documentation on 25 forms, not a part of the original inventory, was supplied to the Investigative Staff. Of these 25 forms, 17 contained notations that they were still active.

FEA supposedly uses a sophisticated computer system, called the Federal Energy Information Locator System (FEILS), to keep track of active forms, data elements, etc. FEA will have spent about $223,000 in contract costs from FYs 1975 to

1977 to support FEILS. Altnough the inventory of forms is only one application being processed on this system, the Investigative Staff would seriously question the use of funds to support it.

The ineffectiveness was further confirmed by a substantial difference between the manual compilation of the number of forms and the computer's inventory. When questioned on these differences, FEA officials responsible for the computerized inventory noted that frequently they are not notified of changes in the inventory, which keeps the system from being updated as necessary to maintain accurate forms inventory. A professional staff member has been working for 4 months trying to track down and determine an accurate inventory. In view of this, the Investigative Staff is of the opinion that a comprehensive data system is not needed to maintain an updated inventory on 83 forms, but that it may be more simple and far less costly to maintain a 3x5 card system which could perform this task at least as well.

A partial explanation given by FEA for the inadequacies of its inventory was that the forms clearance procedures functions have recently undergone a management reorganization. Originally these functions had been assigned to the Office of Energy Statistics but, in October 1975, were transferred to the Office of Data Services.

An official of the Office of Data Services indicated that since his office assumed these functions, he was unable to obtain documentation from the former office. The FEA's Clearance Officer, to obtain information on forms requested by the Investigative Staff, had to go to OMB and GAO to secure supporting documentation.

There is no centralized design of forms in FEA. Each program office designs forms to secure required data without adequately coordinating efforts with other program offices to make sure that data requested does not duplicate data already being collected.

FEA's forms clearance operations have been further complicated by the transfer of the forms approval process from OMB to GAO via the Trans-Alaska Pipeline Act and FEA's own internal reorganization.

Other FEA problems with forms control procedures were identified in a study by Arthur Young and Company entitled "Review of Forms and Reporting System Used in Support of Petroleum Allocation Program," dated September 15, 1975. A synopsis of some study findings and recommendations

is contained in the following paragraphs.

Each of FEA's regional offices has developed forms for its own use, some of which collect data from the private sector. These forms were not submitted to GAO for approval but were used to gather supplemental data needed for decision-making.

In one instance FEA sent an unapproved form, via telegram, to the major oil companies requesting information on the cost, volume, and weighted average price of domestic crude oil purchased for a 13-month period. FEA also requested that the data be by individual purchase, from whom it was purchased, and the exchange price. FEA's request, which was dated February 2, 1976, asked for initial responses by February 12, 1976. Industry officials could not respond in the time or manner prescribed by FEA. Furthermore, industry officials indicated that some of the data elements, such as exchange price, were meaningless and would serve no useful purpose.

FEA's "Application for Sale and Purchase of Fee-Exempt Oil Import License" report is another example of the use of an unapproved form. FEA noted on the form that it had not been submitted for formal GAO approval and therefore information on the sale price of the license was not required. The Investigative Staff questions the propriety of sending out an unapproved form which requires certain data elements to be reported prior to approval of the entire form. Regardless of the caveat noted by FEA, industry feels an obligation to complete the form in order to obtain necessary oil import licenses.

The Investigative Staff was informed by one FEA official that, even at headquarters, personnel are "blatantly flaunting laws and regulations regarding forms clearance." He cited an example where an employee placed a request to have 600 copies of an unapproved form printed. However, the printer, who was also the forms Clearance Officer, pointed out the violation.

Reporting requirements of FEA place an unnecessary burden on petroleum firms which must respond. Some of the duplication is caused by conditions within FEA, whereas other FEA reporting requirements duplicate those of other Federal agencies. Examples of duplication have been identified by the Investigative Staff in Chapter IV.

Arthur Young and Company also noted that the inventory of FEA forms is in excess of program needs. They cited one example where the supply of forms would suffice for 7 years,

which is well beyond the expiration date (June 30, 1976) of the form and the expected life of FEA. By contrast, all petroleum and gas companies visited indicated that they received only a limited supply of new or revised forms. They said this supply is usually insufficient, and it takes too long to receive requested forms. Every company visited duplicates and prints its own copies. Most companies were not aware that FEA regional offices even stocked forms.

FEA has been cited by industry as the major Federal violator in use of forms that have expired. GAO, when approving requests, places an expiration date on each form. Industry officials noted that FEA's form 903, "Refiner Report of Buy/Sell Crude Oil Transactions Made to Comply with Crude Oil Allocation Program," which expired December 31, 1974, was still being used by FEA. In addition, FEA auditors continue, on an informal basis, to request information from industry via a Cost of Living Council form (22), which expired in April 1974.

2. Geological Survey (GS)

GS collects data on energy resources in a decentralized manner. Data is collected by divisions in headquarters and by regional centers and suboffices. As a result, no one central point in GS has full knowledge of all forms used to collect data. Due to the decentralized forms procedures, GS had difficulty in identifying the forms being used to collect energy data. Also contributing to the problem was the lack of a current inventory of forms used in GS. The latest inventory was dated December 1972 and had not been kept current. A number of forms used were not on the list, and some forms that were no longer used were still in the inventory.

GS also uses unnumbered forms, which have not been approved by OMB, in its data-gathering activities. A list of GS forms used by one major oil company identified 25 forms which had not been included in the GS inventory. While the company recognized that perhaps GS had good reasons for using all these forms, officials felt the quantity was startling and deserved a review. GS's explanation was that headquarters was unaware of these forms because they were probably being used by a field office to gather data on the Outer Continental Shelf.

The Investigative Staff is of the opinion that GS should review all forms being used to collect data with a view to consolidating its data collection activities. Action should be taken to establish more effective controls so that, to the extent possible, duplicative reporting may be kept at a

minimum.

E. Industry's Involvement and Concern

Historically, industry has not maintained records on the cost of the government reporting burden. Until recently, industry and association spokesmen talked in generalities about the size, burden, cost, and duplication of Federal energy data collection efforts, because:

-- No one in industry or government knew exactly how many forms there were, nor what the cost or burden was.

-- The magnitude of the problem really did not exist or surface until about 3 to 4 years ago.

-- States were not imposing great reporting burden on industry.

-- Private firms were reluctant to personally confront powerful regulatory agencies which exercised control over them. Confronting such agencies was a long and costly process--in terms of time, money, and manpower requirements--whereas the return or benefit was unknown.

However, the ever-increasing cost and complexity of the governmental regulatory process, the accelerated growth in energy forms and reporting at both the Federal and State levels, the creation of FEA, and the enactment of new legislation are providing the impetus for changing industry attitudes.

Other areas which are problems to industry are:

Unrealistic Reporting Deadlines - Due dates for submitting information are often too short and generally coincide with reporting dates established for other government reports. The data to be reported are sometimes required before normal accounting closing, making it impossible to comply. In many cases estimated data are provided for the given reporting period. In the next reporting period, an adjusted (actual) report is filed for the prior month plus a new estimate for the current month.

Frequent Changes in Regulations - This applies primarily to FEA. In many instances changes for additional, new, or revised data are made retroactively, thereby causing changes in accounting systems, revisions to earlier reports, and modifications to computer systems.

Industry is now at a point where it is beginning to study

and analyze the problem in some detail. Articles have begun to appear in magazines and newspapers, such as Forbes and The Wall Street Journal. Industry associations, namely, the Business Advisory Council on Federal Reports and the American Petroleum Institute, have created task forces to study various aspects of reporting problems. Companies are also starting to analyze the scope, cost, and burden of their reporting, and are studying methods and procedures to deal with it.

The Investigative Staff feels it is important once again to point out there is no central government-wide inventory of all approved government forms. Both OMB and GAO maintain some form of an inventory, but neither maintains a comprehensive one. Further, it is not possible to segregate and identify energy forms.

The Investigative Staff learned that OMB and GAO review and approve agency forms on a case-by-case basis. No attempt is made to relate the potential new form's burden--number of annual responses, the cost and manpower required to respond--thus adding to the already existing burden. Yet both approving agencies have legislative mandates to "minimize the burden on respondents."

For these reasons, the Investigative Staff attempted to quantify the respondents' burden.

1. The Cost and Burden of Reporting Energy Data

The following table summarizes the Investigative Staff's analysis of industry's time and cost associated with reporting energy data.

ANALYSIS OF ESTIMATED INDUSTRY TIME AND COST
TO COMPLY WITH AGENCY ENERGY REPORTING REQUIREMENTS

Agency	Number of Forms	Number of Annual Responses	Estimated Man-Hours	Projected Cost
Department of the Interior				
Bureau of Mines---	40	52,889	80,508	$ 1,199,232
Geological Survey-	25	506,734	510,475	8,032,125
FEA----------	50	1,887,481	8,117,769	119,066,085
FPC----------	52	120,310	1,930,023	28,950,345
Total	167	2,567,414	10,638,775	$157,247,787

The table on the previous page shows the 167 Federal forms selected by the Investigative Staff for analysis, which result in the filing of 2.6 million annual responses. Industry expends an estimated 10.6 million man-hours of effort, with projected costs of about $157.3 million.

The above information was taken from a Summary of Estimated Respondent Burden--OMB's Standard Form 83, "Clearance Request and Notification of Action." Standard Form (SF) 83 and accompanying justification material are used by OMB and GAO in their forms approval and review activities. As part of its requirements, justification, and respondent burden analysis for every request, the agency specifically identifies:

-- Estimated number of respondents.

-- Reports filed annually by each respondent.

-- Total annual responses.

-- Estimated average number of man-hours required per response.

-- Estimated total man-hours of respondent burden.

The Investigative Staff analyzed and summarized the above information for each of the 167 forms. Actual agency information, with the exception of the cost projection, was used. The projected cost was computed by multiplying the man-hours required per response by $15. The cost factor of $15 per hour was arrived at as a result of discussions with individual companies, the Business Advisory Council on Federal Reports, trade associations, the Federal Paperwork Commission, and agency officials. All agreed that the $15-per-hour factor was a conservative figure inasmuch as individual company estimates ranged from $15 to $32 per hour. Actual hourly rates are dependent upon such factors as the type and complexity of the report, availability of data, size of organization and its reporting structure, and the prevailing local salary rates. For example, in the petroleum industry, company sizes cover the extreme range from worldwide corporations to privately held companies employing a small number of employees.

To the extent that man-hour estimates are based on OMB and GAO guidelines, projected costs of $157.3 million are grossly understated, since they do not include overhead costs of computer support, design and development of information systems and data banks, coordination activities, management analysis and review time devoted to planning, or incidental time of employees involved in research and implementation

of Federal regulations.

The table on page 33 clearly indicates that FEA reporting requirements comprise the overwhelming burden. For example:

-- FEA's 1,887,481 annual responses make up 73.6 percent of the total responses.

-- FEA's 8,117,769 estimated man-hours represent 76.3 percent of estimated total man-hours expended in meeting reporting requirements.

-- FEA's $119,066,085 projected cost represents 75.7 percent of the total cost.

The FPC burden is second to FEA's and comprises about 18 percent of the total man-hours and total projected cost. GS follows, with about 5 percent of the total man-hours and total cost. The BM reporting requests are the least burdensome and equate roughly to 1 percent of man-hours and cost.

It is important to note that FEA reported costs are significantly understated since only 50 of the total 83 forms identified were available for analysis. (See tables on pages 18 and 33.) FEA was not able to provide the Investigative Staff with SF 83 data on the other 33 forms. The above analysis also does not include information on 13 GS forms because complete data were not available.

The following table takes the same data used in analyzing estimated industry time and cost to comply with agency reporting requirements and presents a summary by energy type.

ANALYSIS OF ESTIMATED INDUSTRY TIME AND COST OF FEDERAL REPORTING BY ENERGY TYPE

Energy Type	Number of Forms	Number of Annual Responses	Estimated Man-hours	Projected Cost	Percent
Petroleum----	85	2,376,886	6,503,455	$ 95,226,375	60.6
Coal----------	18	31,571	35,188	519,432	.3
Natural Gas--	35	66,049	3,220,866	48,312,990	30.7
Electricity--	29	92,908	879,266	13,188,990	8.4
Total	167	2,567,414	10,638,775	$157,247,787	100.0

This summary clearly shows that the overwhelming burden of reporting falls on the petroleum industry. Its annual responses account for 92.6 percent of the total responses, 61.1 percent of the man-hours, and 60.6 percent of the projected cost of reporting. By comparison, the natural gas industry responses comprise 2.6 percent of the total, 30.3 percent of the man-hours, and 30.7 percent of the cost. The electricity segment accounts for only 3.6 percent of the responses and about 8 percent of the man-hours and cost. Coal reporting accounts for 1.2 percent of the annual responses and .3 percent of the man-hours and cost.

Industry is finding the energy paperwork burden to be a significant cost of doing business, a cost that must eventually be passed on to the consumer.

2. Examples of Reporting Burden

The Investigative Staff analysis and a recent study conducted by industry indicate that certain energy reports are particularly burdensome and costly. In general, such reports are required by FEA and FPC and are mandatory. By contrast, these analyses show that voluntary reporting of BM and GS (forms/reports) is not particularly burdensome. There are several reasons for this. BM coordinates its data collection activities with industry. The reports are well designed, require a minimum of man-hours to prepare (usually around 1/2 to 3 hours), and capture the kind of information industry finds useful. Company officials stated that BM petroleum and coal statistical publications are extremely useful. Industry, therefore, feels that the cost associated with providing this data is offset by the utility of the information it receives in return.

By contrast, industry officials indicated there is little feedback in the way of useful publications or reports on the part of FEA or FPC. The following analysis presents some of the energy reports deemed to be most burdensome and costly.

EXAMPLES OF INDIVIDUAL REPORT BURDEN AND COST

FPC Forms	Title	Number of Respondents	Estimated Man-hours to Prepare	Projected Cost
1	Annual Report for Electric Utilities Licenses and Others	289	413,848	$ 6,207,720
12-12F (Series)	Power System Statements	5,317	261,300	3,919,500
40	Annual Report of Proved Domestic Gas Reserves	6,000	66,000	990,000
64	Report of Producer Expenditures, Exploration and Development Activity, Production, Reserve Additions and Revenues	3,500	700,000	10,500,000
FEA Forms				
1000	Prime Suppliers Monthly Report	1,200	288,000	4,320,000
G101-Q-0	Alternate Fuel Demand Due to Natural Gas Curtailment	1,500	2,181,200	31,968,000
314-M-0	Monthly Survey of Distillate and Residual Fuel Oil Sales to Ultimate Consumers	1,500	720,000	10,800,000
P302-M-1	Petroleum Industry Monthly Report for Product Prices	750	1,980,000	29,700,000

The American Petroleum Institute recently conducted a study in conjunction with industry to identify the most burdensome, unnecessary, and duplicative reports. In addition to the FPC forms 40 and 64, which are shown in the above list, the following energy reports were identified:

Federal Trade Commission (FTC) - Natural Gas Survey
FEA - Oil and Gas Reserve Survey
FEA - Proposed Financial Reporting System
Census - Annual Oil and Gas Survey
GS - Recoverable Oil and Gas Reserves

The most serious area of duplication and burden is in the reporting of reserves of oil and gas. At least six Federal agencies, including the Department of Transportation, FEA, FPC, FTC, the Securities and Exchange Commission (SEC), and GS, have surveyed or are planning reserve studies. Since each agency defined things differently, a "grass roots" data gathering and reporting effort is required for each study.

The Investigative Staff realizes that the burden cannot be solely presented by quantification of responses, manpower, or cost as listed above. For example, FPC distributed one questionnaire on natural gas, which was 428 pages in length, with 35 pages of instructions, and weighed over 10 pounds. The Investigative Staff observed one company's response to FPC form 15--Annual Report of Gas Supply for Certain Natural Pipelines. The company's response totaled in excess of 1,400 pages. A company official informed the Investigative Staff that it cost more than $10 to mail.

One company reported it spent over 2,600 man-hours of engineering and administrative time, plus about 1,000 hours of systems and keypunching time, to complete Schedules A and B of FPC form 40--Annual Report of Proved Domestic Gas Reserves.

3. Examples of Individual Company Burden

Company A

The continued growth in Federal reporting requirements caused this major petroleum firm to undertake an inventory of reports, to study the cost of Federal reporting, and to move towards a centralized reporting function. The company estimates that to comply with these requirements, various organizational elements prepare about 36,290 subsidiary or working copy reports. When coordinated and consolidated, these subsidiary or working copy reports end up in the filing of about 400 discrete reports annually. The company's cost

estimate, by agency, for preparing these reports is:

Agency	Man-years	Cost (in millions)
Department of the Interior	46	$ 5.0
Department of Commerce	6	.2
FEA	350	9.5
FPC	18	.3
22 Other Federal Agencies	56	1.9
Total	476	$16.9

The $16.9 million estimate includes the cost for preparing recurring reports and nonrecurring requests and surveys. The estimated cost covers direct and indirect effort, including that associated with commenting on proposed regulations, interpretation of existing regulations, analysis, and correspondence. The cost estimate of $9.5 million for FEA includes, in addition to these elements, the cost of special requests (audit or other) and comments on proposed rulemaking.

Company B

This firm is preparing an inventory of Federal energy-related reports. The inventory shows that the company is currently filing 351 reports annually. A summary of the reports, filed by agency, follows:

Agency	Number of Reports
Department of the Interior	116
Department of Commerce	63
FEA	47
FPC	12
ERDA	5
Other Agencies	108
Total	351

Company officials stated this compilation is a major undertaking for several reasons. One is that the company is decentralized; the other is that the organizational structure and subsidiary units, in some cases totaling in the thousands, file some reports directly with requesting Federal agencies.

There is no central or corporate activity responsible for all Federal reporting. However, in November 1975, a corporate task force was assembled to assess the whole Federal reporting problem and to recommend changes necessary to effectively cope with it. Officials indicated they foresee a need to centralize and coordinate reporting functions to improve the data reliability of reports which have been submitted on an uncoordinated basis.

In October of last year, an attempt was made to develop the cost of all Federal reporting. This analysis determined the annual cost to be about $14.9 million. It was determined that FEA reporting efforts alone required about 72 full-time employees, devoted entirely to preparing FEA reports and overseeing compliance with FEA regulations. The analysis did not include a large number of geographically dispersed employees who are engaged in researching and implementing FEA promulgations.

Company officials indicate that the cost of annual reporting of $14.9 million is conservative because it does not include the cost of developing and maintaining computer systems designed specifically to meet governmental reporting, which is a major undertaking. Five such systems have been developed to meet FEA requirements, and one for the Bureau of the Census. By comparison, it was estimated these six systems cost about $443,000 to develop and approximately $64,000 per year to operate.

Company C

This major petroleum company has prepared a catalog which is a computerized compilation of reports submitted to Federal agencies. The latest catalog, dated May 1975, identifies 409 different reports which are filed each year with some 35 Federal agencies. It includes reports not only to energy-related agencies such as FEA and FPC, but also to others such as the Bureau of Indian Affairs. In addition, the catalog shows that the company files more than 60 reports each year with trade associations, and over 400 with States.

The company recently centralized its reporting staff in its headquarters office. This step was considered necessary to improve efficiency since some Federal reports require information from as many as 1,000 company distribution outlets.

The heaviest reporting burden is caused by FEA requirements. The company estimates that complying with FEA reporting demands alone requires 100 full-time employees and entails costs of about $2.8 million: $235,000 for computer

costs and $2,555,000 for personnel-related costs.

The company estimates that to prepare the 409 Federal reports requires 112 people at an annual cost in excess of $3.5 million. A company official in charge of reporting believes that if the costs of related field operating personnel involved in reporting activities were included, costs would increase fivefold, or 500 man-years and $16.5 million.

Company D

The company's various organizational elements provided inputs to an inventory of required Federal reports. A company official indicated that the inventory contained duplicates of forms, some of which had expired and others which had not been identified. The decentralized reporting function, together with the difficulty of segregating energy-related forms from other type reports, was cited as the cause for the inaccurate inventory.

At the request of the Investigative Staff, the company prepared an updated inventory of the required FEA forms, costs, and man-hours associated with the preparation of these reports. The company estimates that FEA reporting requirements involve 3,000 man-hours, at an annual expenditure of $7.8 million. A company official stated that the major cost of reporting to FEA was the development of a system to collect the required data and not recurring monthly reporting costs. Examples of variations between development and operating costs are shown in the following table:

SYSTEMS DEVELOPMENT VERSUS OPERATING COST

FEA Form Number	Name	Developmental Man-hours	Developmental Cost	Monthly Operating Cost
90	Crude Petroleum Production	3,700	$ 56,000	$ 4,500
96	Monthly Cost Allocation	4,300	65,000	17,000
100A	Producers Report - Propane and Butane	270	4,000	1,500
1001	Refiner/Importer by Facility	130	2,000	1,700
302-M-1	Petroleum Industry Product Prices	15,400	230,500	21,400
306-M-1	Petroleum Product Distribution	400	6,000	1,400
	Total	24,200	$363,500	$47,500

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The company must also respond to single time requirements from FEA which result in significant man-hour and cost burdens. A list of these reports and the cost of preparing follow:

Number	Name	Man-hours	Amount
P-301-S-0	Oil and Gas Reserve Survey	28,000	$415,000
P-305-S-0	Share of Market Report	21,000	320,000
P-308-S-0	Share of Market Report	2,300	35,000
C-602-S-0	Major Fuel Burning Installation	3,700	55,000
	Total	55,000	$825,000

Company E

A major producer and wholesaler of natural gas prepared the most comprehensive listing of forms required by Federal agencies, which identified 42 required reports.

The company estimates it costs about $350,000 per year to respond to Federal reporting requirements. However, a company official qualified this figure by noting it is very preliminary and does not include the cost of management time necessary to define various reporting requirements.

The following shows the cost incurred by the company in developing special systems to respond to certain Federal requirements:

Agency	Form Number	Title	Development Costs	Monthly Costs
GS	9-361	Leasee's Monthly Report of Sales and Royalty	$ 27,000	$ 192
GS	NTL4	Leasee's Monthly Report of Operations	100,000	292
FPC	16	Report of Gas Supply and Requirements	25,000	800
		Total	$152,000	$1,284

In addition, FPC has requested certain repetitive information but not by a standard form. The cost for these repetitive requests is very significant. For example, one repetitive request required the company to develop a system costing $85,000. A company official indicated this is not an isolated case.

Other Companies

Four other major petroleum companies and one major natural gas pipeline company identified the number of federally required forms with associated manpower and costs.

The companies explained that:

-- It is very difficult to allocate the time of all personnel involved since Federal reporting cannot be segregated from other reporting.

-- In order to satisfy Federal reporting requirements, some have had to reorganize and regroup data in a manner different than normally maintained. Non-recurring reports have been very burdensome and have required the attention of top-level operating and staff personnel.

-- Pending reporting requirements will substantially increase the cost of responding to Federal agencies.

-- It is difficult to separate man-hours and cost burden applicable to energy reporting from overall burdens of government regulations.

-- One company, because of its decentralized methods, was unable to reasonably estimate the cost of Federal reporting.

The companies identified from 10 to 130 Federal forms, whose annual costs range from $1 to $12 million. One company estimated that over 100 man-years are needed to meet Federal reporting requirements. Another company estimated that responding to 21 FEA requests necessitates filing over 1,700 forms at an annual cost of $3 million.

The Investigative Staff also visited three coal companies to discuss Federal energy reporting requirements. While representatives were somewhat critical in general terms, they failed to identify specifically what these problems were. They did not maintain an inventory of reports nor did they have information relative to the cost of Federal reporting. As a consequence, it may be reasonable to assume they were not confronted with the same problems existing in the petroleum or natural gas industries.

Representatives of the National Coal Association (NAC) were also contacted. NAC is not involved in accumulating or maintaining energy data. Coal companies provide coal data

directly to BM and have established a close working relationship. Officials stated BM consults both industry and NAC before establishing new reporting requirements. As a result, the coal industry relies on and uses BM-published statistics.

IV. ASSESSMENT OF FEDERAL ENERGY DATA COLLECTION ACTIVITIES

A. Authority for Collecting Energy Data

What began as a single Energy Act in 1879 (43 U.S.C. 31), establishing the Geological Survey with responsibility for "* * * the classification of the public lands and examination of the geological structure, mineral resources, and products of the general domain," has grown into a complex system of laws dealing with the many phases of energy matters. Since that time the authority to collect energy data, either specific or implied, has greatly expanded in the large number of laws now dealing with the energy area.

There are numerous executive orders and rulemaking procedures which delegate authority for agencies to perform various energy functions. In addition, agencies covered in this review identified some 23 major laws which impact on their energy data collection activities:

Department of the Interior

Bureau of Mines

Organic Act of 1910, revised
Mineral Lands and Mining Act
Strategic and Critical Materials Stockpiling Act
Defense Production Act of 1950
Federal Energy Administration Act of 1974

Geological Survey

Organic Act of 1879
Mineral Leasing Act of 1920, as amended
Minerals Exploration Act
Geothermal Steam Act of 1970
Wilderness Act of 1964
Geothermal Energy Research, Development, and Demonstration Act of 1974
Title 15, U.S.C. - Commerce and Trade, revised
Outer Continental Shelf Lands Act of 1953, as amended

Department of Commerce

Bureau of the Census

Title 13, U.S.C. - Census, as amended

Federal Power Commission

Federal Power Act, as amended
Natural Gas Act, as amended

Federal Energy Administration

Federal Energy Administration Act of 1974
Emergency Petroleum Allocation Act of 1973
Energy Supply and Environmental Coordination Act of 1974
Trade Expansion Act of 1962
Energy Policy and Conservation Act of 1975

Energy Research Development Administration

Geothermal Energy Research, Development, and
Demonstration Act of 1974
Solar Energy Research, Development, and
Demonstration Act of 1974
Federal Nonnuclear Energy Research and
Development Act of 1974
Energy Reorganization Act of 1974

Data collected under these laws fall into two general categories: mandatory and voluntary. FEA and FPC, in carrying out their regulatory functions, require data from industry on a mandatory basis; BM collects 100 percent of its data on a voluntary basis and pledges confidentiality of all data it collects. On the other hand, GS obtains data on a mixed basis, equally split between mandatory and voluntary.

Opinions were expressed by industry spokesmen indicating that a closer working relationship existed with BM, which requested data on a voluntary basis, than with FEA, which required data on a mandatory basis. While BM was highly rated in its methods, FEA, by comparison, was generally given a low rating.

As might be expected, Federal agencies collecting voluntary data depended on mutually agreeable methods and operated in a more "friendly" environment. In contrast, FEA and FPC were generally criticized for "unreasonable" demands which gave little consideration to the burden placed on industry in supplying the required information.

Some of these laws are comprehensive and broad, permitting different interpretations by the various energy agencies. While some laws such as the Federal Energy Administration Act of 1974 and the Energy Policy and Conservation Act specifically provide for the collection of data and the establishment of data banks,

others are silent on data collection activities. Many of the laws covering BM and GS fall into this category. Where the legislation has not delegated specific authority to collect energy data, agency officials have generally interpreted broad energy responsibilities as either permitting or requiring data collection as necessary to effectively carry out the terms of the laws under which they operate.

In the opinion of the Investigative Staff, some of the confusion and uncertainty existing in data energy collection may be partly due to the broad language of some of the earlier laws which have permitted the various agencies to overlap and duplicate energy data collection.

B. Recently Enacted and Pending Legislation

The Congress has recognized the permissiveness of earlier legislation which has contributed to the needless proliferation of Federal data gathering, and it has sought to limit duplicative efforts by including provisions in more recent legislation to cover the responsibilities of agencies in energy data collection. For example, Title 13, U.S.C. - Census, as amended, under which the Bureau of the Census collects data, provides for limitations on data already collected by other Federal agencies. The Federal Energy Administration Act of 1974 requires: "The Administrator shall collect from departments, agencies, and instrumentalities of the executive branch of the Government (including independent agencies), and each such department, agency, and instrumentality is authorized and directed to furnish upon his request, information concerning energy resources on lands owned by the Government of the United States."

The Energy Policy and Conservation Act enacted December 22, 1975, Sec. 503 (a), provides:

> "For purposes of developing a reliable energy data base related to the production of crude oil and natural gas, the Securities and Exchange Commission shall take such steps as may be necessary to assure the development and observance of accounting practices to be followed in the preparation of accounts by persons engaged, in whole or in part, in the production of crude oil or natural gas in the United States."

The Solar Energy Research, Development, and Demonstration Act of 1974, and the Federal Nonnuclear Energy Research and Development Act of 1974, as amended, also contain specific provisions for the gathering of energy data and the maintenance of data banks.

In addition to recent legislation, there are a number of bills pending in Congress which propose certain solutions to various phases of the energy problem and which would impact significantly on the agencies' responsibilities and methods used to collect energy data.

Representative bills introduced in the 93rd and 94th Congresses which could have a significant effect on present energy data systems and data collection methods are identified below:

H.R. 968

A bill to establish a National Resource Information System, and for other purposes.

H.R. 1445 and S. 2782

Bills to establish a National Energy Information System in the Department of Commerce, and for other related purposes.

H.R. 2385 and H.R. 7683

Bills to establish a National Energy Information System, to authorize the Department of the Interior to undertake an inventory of United States energy resources on public lands and elsewhere, and for other purposes.

H.R. 7953, H.R. 8243, H.R. 8768, and S. 1864

Related bills to establish a National Energy Information Administration and a National Energy Information System, to authorize the Department of the Interior to undertake a survey of United States energy resources on the public lands and elsewhere, and for other purposes.

Part of the uncertainty that exists in industry may be due, to some extent, to the many uncoordinated laws that have been enacted over the years as well as the interpretation by some agency heads that laws imply an inherent right to collect whatever data they consider necessary. Whether correct or incorrect, increasing data requirements are resulting in administrative systems of growing costs and complexities. Both in Federal agencies and the private sector, the Investigative Staff noted the doubt expressed concerning additional provisions of law that specifically require more and more energy information.

Recent congressional actions reflect an awareness of the

priority of energy problems and of the generally chaotic conditions that exist in energy data activities. Recent and pending legislation seeks to place responsibility for collecting data and maintaining energy information systems and data banks in a single agency. While these are significant actions to improve data information systems, in the opinion of the Investigative Staff, because of the many committees and subcommittees interested in energy matters, there is a danger that, rather than eliminating information overlaps, new legislation may result in additional reporting layers. Certain prerequisites seem essential to the enactment of the most effective legislation dealing with energy matters. These matters are discussed more fully in Chapter V.

C. Factors Limiting Interagency Exchange of Data

1. Lack of Energy Data Standards

The vehicle used by the Federal Government for collecting energy data is generally forms, questionnaires, or special surveys. So many agencies are involved that the collected energy data is fragmented and uncoordinated. This was recognized in a report to President Kennedy by the Petroleum Committee in 1962, which concluded:

> "Satisfactory information concerning petroleum reserves, productive capacity, and deliverability, and their expansibility under normal and emergency conditions is seriously lacking * * *. A great deal of fragmentary and sometimes contradictory data is available * * *. There is , in addition, a related inadequacy in analytic studies * * *.

The problem is magnified by the lack of standard terms used in the design of forms, questionnaires, or surveys. Federal agencies use the same terms for data elements, codes, and special formats to refer to different things, such as gas to mean natural gas liquids, wet gas, dry gas, or associated gas. Conversely, they use different terms for data elements, codes, and special formats that refer to the same thing, such as long term and short term to mean resale.

The following illustrates how four agencies differ in defining "underground reserves."

Securities and Exchange Commission

> "Total oil and gas, net, recoverable proved developed (producing vs. non-producing) vs. undeveloped."

FPC - Annual Report of Proved Domestic Gas Reserves

"Gas reserves, 14.73 Pressure Base, net plus proportional share of royalty interest, proved, net vs. dry, associated vs. non-associated, committed (interstate vs. intrastate vs. direct) vs. uncommitted, contract type (long term vs. short term) plus original reserves in place, and shut-in reserves. Also reserves by extensions of old fields sales and/or purchases, corrections, new fields, new reservoirs in old fields."

FTC - Natural Gas Survey

"Gas, 14.73 Pressure Base, net plus proportional share of royalty interest, associated vs. non-associated, committed (interstate vs. intrastate vs. direct) vs. uncommitted, proven vs. probable, by contract (long term vs. short term) for 7 years."

FEA - Oil & Gas Reserves Study

"Oil & Gas (14.73 PB), associated vs. non-associated, gross, proven, shut-in, and Secondary/Tertiary."

FEA - Financial Monitoring System

"Net proved underground reserves (crude oil and NGL's, natural gas, other)."

Generally, terminology is reasonably consistent within an agency, though FEA is a notable exception. Definitions between agencies invariably differ, rendering multiple reporting of similar data often impossible. Specific examples include:

Definitions of inventories - Custody versus first ownership.

Definitions of products - Often BM definitions are used with specific exclusions.

Definition of imports - Importer of record versus first ownership.

Definition of crude oil - Within FEA, at least three different definitions exist, depending upon the specific form or regulation involved. This leads to tremendous variation in such basic statistics

as crude runs, imports, and domestic versus foreign categorization.

Definitions of sale - Varies widely within and between agencies: first sale, ultimate sale, end user, etc.

The respondents must satisfy the energy data requirements of each of the Federal agencies, but, to do this, they must go to each of the Federal agencies for definitions of data elements, codes, and other terms used in the report. However, one company said it does its own interpreting and responds accordingly. The definitions received from agencies are not always compatible. Therefore, respondents have to develop new systems to produce required data. Both respondents and governmental agencies have a difficult task in reconciling reports or the various forms used or in providing an explanation of existing variations and apparent discrepancies. Thus the credibility gap is further increased, making an early solution improbable.

The current status on energy data is one where confusion prevails with regard to the reliability of data due to contradictory and inconsistent terminology used in energy statistics. Energy data continued in the various agency systems can rarely be exchanged automatically in the form of magnetic tapes or punched cards because of the lack of standardization.

This problem can only be resolved in the standardization of data elements, codes, and formats, which is not likely so long as agencies design their own forms and independently operate their own information systems. The planning, development, and use of data standards must be cooperative and represent a consensus of the agencies involved in every aspect of data collection activities. To achieve effective standards imposes a responsibility for positive program leadership to form the framework within which standards can be initiated, developed, approved, and used. Because many of the problems hampering present Federal data standards cross agency lines, it is appropriate to coordinate and control the standardization program on a government-wide basis.

The newly formed Federal Interagency Council on Energy Information, in conjunction with the National Bureau of Standards, hopes to study this problem to standardize forms and systems throughout the Federal Government. The Investigative Staff endorses the objectives of the Council and recommends that it be given the highest priority to achieve these goals.

2. Confidentiality of Data

The problem of confidentiality is a highly complex and critical one. For the purposes of this report, the scope of the review of confidentiality was limited to how it impacts on the collection of energy data. The refusal of an agency to exchange data with other Federal agencies is not always an arbitrary decision since some laws under which energy data is collected require confidentiality. While the Investigative Staff recognizes that the question of confidentiality may be overplayed by industry in resisting the submission of data required by Federal agencies, it is nonetheless a valid issue that must be dealt with. Frequently, the issue of confidentiality conflicts with the objective to minimize duplicative and overlapping reporting.

At present, Federal agencies deal with the problem in different manners. For example, BM releases individual company data to constituent agencies within the Department of the Interior, to Federal defense agencies, and to the Congress, provided they also pledge to maintain confidentiality. Other agencies receive confidential information from BM on an aggregate basis; i.e., three or more companies.

GS makes individual company data available to other agencies only after adequate assurances of safeguards are given to prevent disclosure of confidential information.

Census withholds data when it results in disclosure of individual company data. Census is prohibited from making such disclosure by Title 13, U.S.C.

FPC releases information to other Federal agencies provided a protective order of a court of competent jurisdiction or of FPC has not been issued. The exchange of confidential data between FPC and other Federal agencies is restricted only to the extent that the recipient of the information is required to preserve the confidential nature of the data.

FEA's policy is generally to cooperate with other Federal agencies and, as much as possible, make confidential information available. When other Federal agencies request confidential data from FEA, they are required to:

-- Make the request in writing.

-- State with particularity the information sought.

-- State the need for and intended use of the information.

-- Cite the basis, if any, upon which the agency could obtain the information from the party who submitted the data to FEA.

-- Assure FEA that the confidential status of any information provided will be preserved.

-- State the means that will be used for protecting confidentiality.

The final decision to provide FEA information to other Federal agencies involves the consideration of whether provision of the information will interfere with FEA proceedings, whether the agency requesting the information has a legitimate reason and purpose for obtaining the data, and whether the information provided is limited to the requesting agencies' legitimate area of concern.

Although the Investigative Staff believes certain measures must be undertaken to protect confidential company data, it questions whether FEA's discouraging list of demands may not inhibit agencies from requesting information. It appears many of FEA's requirements are subjective in nature and could result in lengthy discussions and unresolvable differences.

Confidentiality can be carried to extreme ends. For example, FEA awarded a contract to the Massachusetts Institute of Technology (MIT) to develop a New England Energy Information System (NEEMIS). This was a joint effort between FEA and the New England Regional Commission and the New England States. FEA was the final repository of the data. One of the States submitting data to FEA, on becoming aware of errors, subsequently requested FEA to return the data for correction. FEA refused on the grounds that the data was confidential and could not be released.

In another instance, FEA and FPC had reached agreement on the exchange of data on natural gas curtailments. FEA collects data from about 1,800 intrastate pipeline companies, while FPC gathers data from 120 interstate pipeline companies that supply natural gas to end-use customers. The FPC form was developed in cooperation with FEA with the understanding that data supplied to either one would be exchanged. The cooperative agreement between FEA and FPC was good in that standard data elements were being used and potential duplication was being eliminated. Unfortunately, when the time came for this interchange, FEA's legal staff made a caveat that the FEA data could only be used for internal FPC purposes. FPC's legal staff,

therefore, decided that since FPC is required to make its data available to Administrative Law Judges and to the public, it could not adhere to FEA's caveat.

FEA is preparing a revision to its form to eliminate certain confidential data. However, until this revision is adopted and as long as the confidentiality issue is unresolved, there will be no sharing of FEA data by FPC.

The extent that Federal agencies pledge confidentiality varies, as shown in the following table.

Agency	Number of Reports					
	Type of Reporting Requirement			Pledge of Confidentiality		
	Mandatory	Voluntary	Undetermined	Yes	No	Undetermined
BM	-	40	-	40	-	-
GS	14	-	24	3	11	24
FEA	46	4	33	20	30	33
FPC	47	2	3	-	49	3
Other	-	-	10	-	-	10
Total	107	46	70	63	90	70

As may be noted, BM, which collects data entirely on a voluntary basis, pledges 100 percent confidentiality of the data. On the other hand, FEA, which collects data mainly on a mandatory basis, pledges confidentiality on only 20 of the 83 reports it collects.

Industry has traditionally taken a strong position that company data should be classified confidential because of its proprietary nature. GAO reported in 1974 that discussions with petroleum industry representatives revealed a consensus that individual company data should be held in strictest confidence and that only aggregate statistics should be published.

However, industry's views regarding the confidentiality of data have been changing. A petroleum company official stated that industry is now reporting information which would have been considered confidential 5 years ago. The industry official admitted that a major cause of duplication in Federal reporting is the pledge of confidentiality given by agencies, which results in similar data being collected by separate agencies.

Examples of changing views on confidentiality follow:

FPC requested comments from natural gas companies on the question of whether the information obtained on a proposed FPC form could be provided to FEA and other Federal or State agencies without breaching claims of confidentiality. Seven of the nine companies responding to the question had no objection to the release of the data.

Moreover, the Investigative Staff was informed by industry representatives they believed that once data is reported to a Federal agency, this data should be exchanged among other Federal agencies to overcome the problem of duplicative reporting and to offset the growing burden associated with the ever-increasing demand for Federal reports. Industry also indicated there are two areas--certain financial and reserve data--where confidentiality still remains an issue. Aside from these areas, industry takes the position that some method needs to be devised where one agency can use data reported to another.

Much company data, such as figures on refining capacity and financial data, has been available for years in reports to stockholders. While there are additional individual company data that could be made public, industry still views certain data as highly sensitive. For example, public disclosure of field-by-field reserve information is a matter of great concern to the petroleum industry, which claims that such disclosure could result in a competitive loss for a company that had undertaken the initial exploration and development risks. In this regard the Texas Railroad Commission seeks to protect companies from a competitive disadvantage by delaying publication of reserve data for a period of 6 months. Delay allows companies that have spent large amounts of money for exploration to complete critical lease agreements before data is released to the public.

Industry is also worried about FEA's ability to protect the confidentiality of the financial data to be gathered by FEA's proposed "Petroleum Company Financial Reporting System." Particular concern centers on negotiation practices with foreign oil producing countries. While the companies are not aware of any major instance of FEA's compromise of confidential data, they question the ability of FEA to preserve confidentiality against a determined effort for public disclosure. Industry urges that FEA's proposed system be coordinated with already existing ones to eliminate duplication and that adequate safeguards be established to assure confidentiality of data.

The Investigative Staff believes there is a need for a proper balance between the issues involving confidentiality

and duplicate collection of energy data. While there is a continuing need to maintain the confidentiality of data collected from industry, it need not be done on an agency-by-agency basis. A proper pledge of confidentiality given by a collecting agency should be honored by all other using agencies. Much of the data collected can be safeguarded on a government-wide basis without improper disclosure to the public or to competing companies in the energy industry. For one agency to pledge that these data will be revealed to no one else, including other Federal agencies (unless required by law), results in the collection of an unreasonable mass of data which frequently are similar. Further, for FEA, BM, GS, or any other agency to separately pledge confidentiality makes it no more confidential than would a single government pledge.

In the opinion of the Investigative Staff, the establishment of government-wide rules on confidentiality of data by OMB would go a long way toward eliminating the different interpretations by individual agencies. The result could be a sharp reduction in the energy data now collected by the many agencies involved in energy matters.

A solution to the issue of confidentiality has been addressed in S. 2782, a bill "to establish a National Energy Information System, to authorize the Department of the Interior to undertake an inventory of U.S. energy resources on public lands and elsewhere, and for other purposes." S. 2782 provides in part a three-tier library system, which would classify data as either public, confidential, or secret.

The Investigative Staff believes that the three-tier classification is one approach to providing needed statistics. The bill recognizes tnat much information can be made public, a small amount must be kept secret, and other information falls someplace between these two extremes. What is needed, however, is agreement between the Federal and private sectors on the classification of data. The overuse of the confidential and/or secret classification will only serve to perpetuate duplicate reporting and subsequent burden to both Federal agencies and industry.

3. Recent Improvements

a. FEA/BM Agreement for a Joint Petroleum Reporting System

Prior to the establishment of FEA, BM collected monthly data on refineries, bulk terminal product stocks, product pipelines, and crude oil stocks. With the establishment of FEA during the energy crisis, FEA needed this same

information, but on a weekly basis. With the slackening of the energy crisis, however, FEA's weekly need changed to a monthly one. As a consequence, industry was reporting duplicative monthly data to BM and FEA.

Prior to the expiration of the BM data collection forms in the spring of 1975, the Bureau requested OMB to extend the expiration date, but the request was denied. However, if BM entered into an agreement with FEA for the collection and processing of this information, OMB would grant the necessary approval and extension of the forms in question. Because of this firm management stance, BM and FEA agreed to develop a Joint Petroleum Reporting System. The agreement is discussed in a June 12, 1975, letter from the Director of OMB to the Secretary Designate of the Department of the Interior. The letter stated, in part:

> "Duplication on the part of Federal agencies in the collection of data imposes unnecessary costs on respondents and the Federal Government. This office is working actively with the General Accounting Office in an effort to eliminate these unnecessary burdens.
>
> "I want to recognize and support the recent efforts of the Federal Energy Administration and the Department of the Interior to eliminate duplicate efforts to collect monthly data on petroleum. These arrangements, under which the Bureau of Mines will act as the Federal Energy Administration's agent, will produce high quality data at the lowest possible cost to respondents and the Government.
>
> "I would like to see the Federal Energy Administration and the Bureau of Mines adopt similar joint approaches to other data collection problems. * * *"

The FEA/BM agreement for a Joint Petroleum Reporting System, which was finalized in early July 1975, provides that:

> -- BM will act as the designated agency for the collection, validation, processing, and reporting of specific petroleum-related data. FEA will use its mandatory authority to insure that all required respondents participate in the program. Further, FEA will update its reporting regulations, as necessary, to prescribe the content and format of the new data collection effort.

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-- BM will receive, edit, validate, process, and produce data collected in a set of forms acceptable to both agencies.

-- BM will deliver to FEA each month copies of the monthly petroleum statistics reports. BM will also deliver to FEA each month a tabular aggregation for each data element collected.

-- BM will deliver to FEA a monthly list of nonrespondents and a magnetic tape containing valid, disaggregated company data. FEA will provide appropriate assistance in collecting data from nonrespondents.

-- FEA will have access to data submitted by respondents to BM.

-- FEA or BM has the option to suggest modifying or changing the reporting forms, including data elements, definitions, and reports. Irreconcilable differences will be referred to OMB and GAO for resolution.

-- BM may use any aggregation of the data for its own purposes, providing the identity of individual persons or companies is not disclosed.

-- FEA has exclusive authority for mandatory data collection provided by the Energy Petroleum Allocation Act of 1973 and the FEA Act of 1974.

In addition to processing these new files, BM and FEA processed the data from their old forms for November and December of 1975 in order to test the Joint Petroleum Reporting System. However, from January 1976 on, data are being reported only on the new FEA/BM forms.

FEA's Deputy Assistant Administrator for Data requested the petroleum companies to comment on the new system. The major companies responded that this joint effort is a step in the right direction. However, some companies did criticize the transmission of data by mailgram and said they preferred to send their reports by mail. Also, criticism was aimed at the time given for filing the reports. Most agreed this was not sufficient time to receive the myriad of individual reports from regional offices, divisions, units, etc., throughout the company. Without these individual reports, the company cannot complete the Federal forms. Another criticism was the

2-year delay in the consolidation of these forms. One company told the Investigative Staff it has been trying for 1 1/2 years to convince FEA to merge these reports. The result is an increase in the burden and in the cost of reporting to both the government and to industry.

With regard to cost, the petroleum companies felt little savings would accrue as a result of the agreement, since the same data would continue to be maintained in their files.

As of January 8, 1976, the Joint Petroleum Reporting System was plagued with software problems. BM expressed concern to FEA and recommended that all the major software revisions, the training of BM personnel, and the contacting of reporting companies (which misreported their November 1975 data) be completed prior to the receipt and analysis of December 1975 data.

As of January 15, 1976, BM reported it was having problems with the November petroleum data tape, transmitted to it by Western Union, because of the many errors in the computer programs. Identified program errors are currently being corrected and tested. Target dates for the completion of the parallel testing have slipped; however, FEA hoped to recover lost time before the system was scheduled to become operational, March 1, 1976.

FEA, in its Resource Allocations Report for ADP Systems, dated January 28, 1976, has an allocation of five positions and $250,000 for FY 1976; four positions and $355,000 are planned for FY 1977. In addition to this amount, BM, in FY 1976, transferred $125,000 to FEA for the Joint Petroleum Reporting System. An FEA official indicated it hoped to receive an additional $30,000 to $40,000 from BM. The Investigative Staff questions the need for FEA's FY 1977 budget request of four positions and $355,000 since BM has been designated the central collector, depositor, and processor of this data for FEA.

The Investigative Staff has observed that FEA has preliminary plans for other agreements. One is with BM for coal; the other is with FPC for natural gas. The coal agreement is being patterned along much the same lines as the petroleum agreement. BM will collect and process the information and forward a magnetic tape, formatted in accordance with FEA specifications, to FEA. The terms of the natural gas agreement call for the use of two identical forms; each agency will verify one form and give it to the other to process. The output tapes are to be formatted according to each one's specification and exchanged between them.

FEA has contracted with several other agencies for the collection of energy data and other support services as follow:

Agency	Purpose
National Academy of Sciences	Measurement of energy consumption data needs and data development
Commerce	Extend support of National Energy Information Center
Census	Data collection on the retail and wholesale distribution of fuels
OMB	Computer support

b. Other Interagency Agreements

In addition to the FEA/BM agreement for a Joint Petroleum Reporting System, there have been a number of other interagency agreements among Federal agencies involved in energy data collection activities to improve the interchange of energy data in seeking to minimize overlapping and duplicative requests for similar data. These increased activities can be related to the mounting criticism from Congress and the private sector. As a consequence, many of these interagency agreements and committees are still in the very early stages or have not yet been formalized. The benefits that may result from these agreements cannot therefore be evaluated, other than to note that they are steps in the right direction and, if properly carried out, should result in sizable cost reductions to the private sector and to the government.

Bureau of Mines (BM)

In BM, there have been several recent efforts aimed at minimizing duplications in the energy data collection and maintenance activities. A supply/demand analysis automation task force has been established to better coordinate energy data collection. The task force is to assess the Bureau's current status of minerals data automation and to design a minerals information system to support the publication of the Minerals Yearbook. The proposed revisions would incorporate work now being performed on the Smithsonian computer. The primary objective of the task force study is to provide more

effective service to the Office of the Secretary and other Federal agencies.

BM and GS are seeking to reach agreement on a National Coal Resources Data System--a single system of coal resources--involving States, GS, and BM. Further, a data-base coordination subcommittee has been established to assure that various data bases maintained by GS and BM are closely coordinated and available to both agencies so that duplications of data banks may be kept at a minimum.

Geological Survey (GS)

GS has followed the practice of formalizing interagency committees and agreements. Presently, GS has agreements with many other Federal agencies involved in energy data. Some of these include the Bureau of Land Management, the National Oceanic and Atmospheric Administration, the Bureau of Mines, the International Energy Agency, the Tennessee Valley Authority (TVA), the Soil Conservation Service and the Forest Service of the Department of Agriculture, and FEA.

The TVA-GS agreement provides an excellent example of a cooperative effort in the energy data area. The formal agreement calls for GS to provide the facilities of its Computerized Resources Information Bank (CRIB) for use as a repository of TVA's mineral resources information.

Perhaps the most ambitious and comprehensive plan deals with the International Energy Agency representing Belgium, Germany, Italy, Turkey, the United Kingdom, and the United States of America. The agreement provides for the establishment and operation of a World Coal Resources and Reserves Data Bank Service. The service will collect, from published and other available sources, coal quantity and location, geological characteristics, information on the terminology and conventions adopted by the various sources in the presentation of data on resources and reserves, accuracy of criteria and extent of information, and such additional data as may be agreed upon.

Another agreement of wide scope is the Northern Great Plains Resources Program. In January 1973, the Department of the Interior, EPA, and the Department of Agriculture initiated this program to provide a more comprehensive assessment of energy development, including the original Federal agencies, the States of Montana, North Dakota, Nebraska, South Dakota, and Wyoming, FEA, the Missouri River Basin Commission, and the Federal Regional Commission. The program is to provide, coordinate, and

discuss the scientific and technical aspects of all resources development in the Northern Great Plains area, including agriculture, coal, oil, and gas, and water as it relates to energy fuels development.

In reviewing the need for the program, documentation dated December 11, 1974, revealed, in part:

> "The program has not yet achieved goals of providing sufficient information to decision-makers, really filling the information gap, nor making a truly comprehensive assessment of resource development in the area. Since the program was planned as a 3 to 5 year effort, this is not surprising. Specific areas of concern are * * *.
>
> "Coal Resources - the quantification of in terms not only of location and quantity but also of sulphur content, selected trace element content, ash, wetness, sodium, and caking characteristics. The questions remaining relate to refinement of the existing data base--one which is currently based upon biased data. This area of concern is by no means unique to Northern Great Plains coal."

In the opinion of the Investigative Staff, since a great deal of data is being collected by State and local governments, there is a need for this type of cooperation between Federal agencies and States.

c. New Federal Interagency Council on Energy Information

The Nation's energy crisis has caused a boom in the collection of energy and energy-related information throughout the Federal Government. All 47 Federal agencies, identified as collecting energy or energy-related statistics, suddenly felt a tremendous demand for energy information. Consequently, each agency was doing its own thing, largely unaware and unmindful of the activities of other involved agencies. This placed an increasing burden on private industry to supply duplicative or overlapping data to the requesting agencies. The lack of data standards and definitions has further compounded reporting duplications and increased the cost of Federal data collection.

A number of Government officials recognized the problem and dangers of amassing large volumes of data without interagency coordination. As a consequence, in the fall of

1975, eight Federal agencies were invited to discuss this problem and to suggest solutions to it. The result of the meeting was to establish a Federal Interagency Council on Energy Information.

The charter establishes a council of eight Federal agencies, with GAO as an observer, which is to assist Federal agencies involved in energy and energy-related data activities. In carrying out this purpose, the council plans to study and advise OMB and agencies on policy issues and operations involving the collection, processing, analysis, and dissemination of energy information and data.

To achieve its purpose, the council states it must be knowledgeable of current and proposed practices of Federal agencies that affect energy information systems. The council must be in a position to evaluate the effectiveness of these practices and recommend desirable improvements. As a part of its study, it must select areas and methodologies for joint data collection, processing, reporting, and exchange of energy information between agencies. Another task is to foster the development and subsequent evaluation of a basic set of energy indicators along with recommended approaches to standard energy-related terminology.

The Investigative Staff concurs with the purposes and goals of the council. The latter two objectives are in full agreement with the GAO report of May 1974, entitled "Emphasis Needed on Government's Effort to Standardize Data Elements and Codes for Computer Systems."

However, the council's ability to bring about improvements in these areas requires top-management support from agency heads, OMB and FEA in particular. The Investigative Staff has been informed by several agency officials that FEA and OMB senior management officials have given only perfunctory support. If this attitude does not improve, the chances of the council's having a beneficial impact on these difficult problems are minimal.

D. Areas of Overlap and Duplication

For the purposes of this review, the Investigative Staff did not arbitrarily classify all duplication as having an equally deleterious effect. Nuances of the consequences resulting from different types of duplications were considered. As a matter of fact, some duplications of data elements, such as refinery locations, customer names, identification numbers, location of wells, etc., may properly appear in more than one energy data file.

However, where duplication indicated a burdensome impact on industry, a distinction was made between the more serious kinds of duplications requiring the design of new data systems to capture data not routinely maintained in data files from those duplications which merely resulted in extra copies or minor revisions of reports prepared from available data. In this respect, industry informed the Investigative Staff that precise duplication of reports presents little problem so long as the data required is normally maintained by industry.

Conclusions contained in this section are based on an analysis of information obtained from industry on duplicative and overlapping energy data collection and reporting activities, discussions with representatives of Federal agencies, and review of industry and agency documentation of forms, information systems, and data files.

Split responsibilities of OMB and GAO in the review and approval of forms procedures impede the solutions of reporting problems caused by duplications and overlaps. Industry complained that there appears to be little inclination on the part of OMB and GAO to take the necessary steps to reduce redundancy in Federal reporting.

One company representative stated that: "Efforts are not devoted to develop common definitions and, as a result, the lack of definitional consistency often serves as the prime basis for a claim that no duplication exists."

In this respect, the Investigative Staff's review showed that neither OMB nor GAO has developed a working definition of "duplication," which could be of incalculable help to both industry and Federal agencies in fulfilling their energy data activities.

1. Causes Contributing to Duplication

There are a number of underlying factors which contribute to the high cost of duplicative and overlapping reporting. Growing and frequently uncoordinated Federal reporting requirements are a prime cause of increasing duplication. Documentation provided by one major oil company showed the extent of the duplication. This company was requested to submit:

-- 53 reports to 7 agencies on exploration and production volumes and operations.

-- 45 reports to 10 agencies on sales shipments and exports.

-- 47 reports to 9 agencies on receipts, runs, and inventories.

-- 47 reports to 16 agencies on financial matters.

Frequent changes in reporting requirements impact on a respondent's data system and files. As an example, one company stated that few FEA reports have been computerized, because requirements were constantly being changed, and data had to be collected from many diverse sources in forms not normally maintained for the routine conduct of business. As a result, while supporting data are developed by and maintained in computer files, the data require extensive manual analysis and summarizations to be usable in meeting Federal reporting.

The lack of standard definitions used in the collection of data causes confusion and uncertainty as to exactly what is required. Differences of definition often exist intra-agency as well as interagency. To illustrate, one industry spokesman stated FEA used at least three different definitions of crude oil in collecting data, depending on the regulation involved. This leads to variations in such basic statistics as crude runs and imports.

These variations of meaning frequently result in significant work on the part of respondents to massage data to comply with the different requirements. Some efforts are being made to reduce duplication caused by the lack of standardization. FEA and FPC are seeking to collect data on natural gas curtailments in a manner to avoid the development of similar data using different formats and definitions.

In the opinion of the Investigative Staff, standard definitions clearly identified in published reports would go far to eliminate conflicting energy data being reported.

Other causes of duplicative reporting are:

-- Lack of effective communication among the many energy agencies and respondents in establishing reporting requirements.

-- Varying reporting time periods covered in different reports, which result in differences of reported figures.

-- Statistical and regulatory data collected for different purposes which usually does not serve

each other's needs.

-- Urgency of establishing some reporting requirements under emergency conditions which do not allow sufficient consideration of all factors.

-- Broad interpretation of legislative authorities by some agency heads to imply the sanction of data collection that may not have been intended by Congress.

2. Discrepanices in Oil Import Statistics

FEA had undertaken to determine why there are discrepancies in oil import statistics. FEA's effort was motivated by congressional concern over the different figures being published by Census, BM, and FEA. Although these agencies publish monthly reports, the data does not agree. For example, Census published data for January 1975 which shows that 9.1 million barrels of oil were being imported daily; this figure exceeds FEA's published data of 6.8 and BM's 6.6 million barrels per day.

Previous studies indicated that the differences were caused by the use of different commodity class criteria, incomplete or late data collection, and varying methods of reporting imports into U.S. territories such as the Virgin Islands and Puerto Rico. However, FEA, in its study, concluded that these factors were relatively insignificant and attributed the discrepanices to the different dates of importation for the same oil shipment used by the different agencies involved. FEA points out that the statistics are nearly the same when a common date is used. The Investigative Staff does not agree that the different results are insignificant, since they affect the credibility of published data. Further, reporting similar data on different time periods requires more than necessary efforts to comply with FEA regulations.

FEA found that Census' monthly statistics were based on the date of importation or entry date which the importer files on official papers with the Customs Service. FEA has two oil import systems, and each uses a different date of importation. One uses a date similar to that used by Census, but the other uses the date that the custody of the oil shipments is officially transferred by Customs to the importer. BM bases its statistics on the date provided by the importer, Census, and FEA. However, the date of importation used by the importers fluctuated between the date the carrier commenced shipment unloading and the actual completion of unloading operations.

To resolve these discrepancies, FEA nas recommended that a single date of importation be selected and used as the basis for all oil import statistics. FEA, in addition, has noted that:

-- The BM commodity code for a given oil shipment should be placed on the Customs official entry form by the importers before filing.

-- The Census, BM, and FEA oil imports systems used to publish statistics on a monthly basis be phased out.

-- The Customs Service should be designated as the gatherer and publisher of oil import statistics.

In testimony before the Senate Committee on Interior and Insular Affairs, FEA stated that agreement had been reached with the Customs Service to correct the discrepancies. However, according to Census and BM officials, the three agencies still plan to gather oil import data on separate systems. This raises the question whether FEA has merely reached an agreement with the Customs Service regarding a common importation data rather than having reached an agreement to designate a single Federal collector of oil import statistics. FEA's testimony before the Senate committee is confusing when related to information obtained from other agencies. It appears that, while FEA has made efforts to consolidate its own two oil import systems, the Census and BM systems appear to remain intact.

The Investigative Staff believes that action short of eliminating duplicative agency systems is not sufficient, questions the need for these separate reporting systems, and would suggest that reporting requirements, to the extent possible, be consolidated. The reduction of Federal expenditures to obtain necessary energy data can only be realized if a coordinated and consolidated approach is attained.

3. Examples of Duplicative Reports

There are a large number of Federal forms requiring the submission of energy data which, in varying degrees, cause duplication and overlap. Industry identified some 80 energy forms, many of which either result in total or partial duplications and overlaps. The following paragraphs discuss specific reports which cause industry concern.

Form FEA P-111-S-O - Utility Supplier Questionnaire

Companies provide data by product for each sale to

each utility, the date of sale, product sulphur content, quantity, unit price, transportation charges, storage, storage charges, other factors, and total revenue. One company representative stated that most of the data was not readily available in the companies' information reporting system and that the preparation of this report involves 23,000 invoice listings. This FEA questionnaire duplicates, in whole or in part, the following:

FEO-1000	Prime Suppliers Monthly Report
FEO-1001	Refiner/Importer Gas Processing Plant Operator Report
FPC Form 423	(Steam-Electric Fuel Cost and Quality) Supplied directly by utilities to FPC.

Form FEO-1000 - Prime Suppliers Monthly Report

One official of a large company stated that each monthly submission contains 114 pages of supply/demand information ranging from sources to the ultimate sale of manufactured products. Also included is a vast amount of allocation data. The report requires a separate certification for each State, or a total of 50 separate signatures. This report duplicates, in whole or in part, the following:

FEA-P320-M-0	Monthly Refinery Report
BM-6-1301A	Shipments of Aviation Fuels
FEA-P321-M-0	Monthly Bulk Terminal Stock Report
BM-1302-MS	Bulk Terminal Stock of No. 4 and Residual Fuel Oils by Sulfur Content
BM-6-1320-M	Petroleum Supply and Demand Report - District V
BM-6-1321-M	Sales to Trade and Own Use of Petroleum Products
BM-6-1335-A	Fuels Consumed for all Purposes at Refineries
BM-6-1337-A	Fuel Oil and Kerosene Sales and Inventory
BM-6-1345-A	Sales of Liquid Petroleum Gas
BM	Natural Annual Diesel Fuel Study
OEP-242	Survey of No. 6 Residual Fuel Oil
FEA-P-302-M-	Petroleum Industry Monthly Report for Product Prices
BLS-473C	Information for the Wholesale Price Index
CO-5368	Monthly Report of Shipments to USAF for Department of Defense

Other serious duplications have been caused by FEA's superimposing requirements for similar data being collected by BM. Over a period of approxiately 2 years this data was collected on the following four Bureau of Mines and four FEA

forms:

Bureau of Mines

Form 6-1300-M	Refinery Report
Form 6-1302-M	Bulk Terminal Product Stocks
Form 6-1303-M	Product Pipeline Report
Form 6-1311-M	Crude Oil Stocks

Federal Energy Administration

Form FEA 1002	Crude Oil Pipeline Report
Form FEA 1003	Refinery Report
Form FEA 1004	Product Pipeline Report
Form FEA 1006	Bulk Terminal Stocks Report

As of January 1976, however, duplications of data collected by these forms had been eliminated when the petroleum industry began to report on consolidated BM/FEA joint forms.

Other causes of duplications in data collected by both agencies were:

-- The lack of a common reporting date.

-- FEA data is transmitted by Western Union mailgram.

-- FEA operates under a mandatory reporting system, while BM operates on a voluntary basis.

-- Unlike BM, FEA collects data on a limited number of products for a limited number of geographical areas.

The most frequent criticisms by respondents on duplication and overlap of present and pending forms are discussed in the following paragraphs.

FPC Form 64, "Report of Producer Expenditures, Exploration and Development Activity, Production, Reserve Additions and Revenues," requires annual mandatory reporting by gas companies within the meaning of the Natural Gas Act. All subsidiaries of these companies are required to complete, file, and attest to the information solicited in Form 64. FPC estimates there are 3,500 annual responses to Form 64.

The report requires cost, expenditure, revenue, and volume data to be submitted to FPC on or before March 31, for the calendar year ending December 31. The form contains 10 pages of instructions and 2 cover sheets for certification.

Form 64 duplicates data also being provided on:

Agency and Form Number	Title
FPC Form 2	Annual Report of Natural Gas Companies
FPC Form 40	Annual Report of Proved Domestic Gas Reserves
Cencus Form MA-13K	Annual Oil and Gas Survey
FEA Form P-324-A-O (proposed)	Petroleum Company Financial Reporting System
FTC (proposed)	Line of Business Report

The proposed FEA Financial Reporting System was described as being potentially the most duplicative of all. FEA admits that several of the aggregates, such as on investments, exploration expenditures, and sales volume, are available from other Federal agencies. The Investigative Staff notes that FPC, in its Forms 2 and 40, is gathering similar data on a company-by-company basis. In addition, the proposed FTC Line of Business report will gather similar data along the lines desired by FEA.

Another area of serious duplication and overlap is in the reports on reserves of oil and gas. FEA, FPC, FTC, SEC, and GS all sent out lengthy reports to collect data on reserves. If they had asked for the same thing it would not have been so bad, but they defined things differently enough that industry had four different studies to prepare on the same basic subject.

The Investigative Staff is of the opinion that the problem of duplication requires priority, and greater efforts must be made to reduce the duplications still crushing Federal reporting.

E. Other Areas of Concern

1. Department of the Interior's ADP Strategy Study - Impact on Energy Data Activities

BM is one of the oldest collectors, and the major one, of Federal energy statistical data. BM's Denver Computer Center provides data processing support on its two Burroughs B-5500's, one of which is being phased out, and one new B-6700 computer system. Approximately 70 percent of the Denver Computer Center's workload is in support of energy-related programs of the Office of Mineral and Materials Supply/Demand Analysis, and 30 percent is administrative in nature. The energy workload will increase with the pending transfer of applications now being run on the

Smithsonian's computer.

The Investigative Staff reviewed the Computer Center operations and concluded that its activities appeared well coordinated and effective. Energy companies visited indicated there was minimum reporting burden imposed on them by BM and the reports published by BM were valuable for long-range company planning decisions.

The Denver Computer Center operates and maintains 37 computer energy data systems, which can be divided into the following energy categories:

Energy Types	Number of Systems
Coal----------	10
Petroleum----------	22
Natural Gas----------	5
Total Systems---	37

The 37 systems are part of 3 major integrated systems: Current Coal Analysis, Fuels Availability System, and Dallas Field Office - Oil and Gas Domestic Production System. These systems provide an integrated base for meeting production report requirements, special study analysis, publication reports, and computer magnetic tape sales. Three computer tapes are currently available for sale to other governmental agencies or the public. These are the Coal Reserve Base of the U.S.; Foreign Imports of Heavy Fuel Oils; and Foreign Imports of Crude, Finished, and Unfinished Petroleum Products. In addition, a magnetic tape containing the Analytical Coal Data by Mine for the U.S. is also to be made available.

In spite of what appears to be a well run and efficient computer operation in Denver, there are certain plans pending in the Department of the Interior that could seriously impact on the effectiveness of the BM Denver Computer Center. The office of ADP Management, Interior, recently reviewed ADP requirements in Washington, D.C., and Denver, Colorado. Based on this review, the Department of the Interior developed an ADP strategy or long-range plan.

The Interior's ADP strategy concept of March 1975 provides for the establishment of Departmental Service Centers in Denver, Colorado, and Washington, D.C. The plan is to be fully implemented by 1980. Initial steps to achieve this goal

have been taken to designate the Office of the Secretary as the Washington ADP Service Center and the Bureau of Reclamation as the Denver ADP Service Center.

As currently envisioned, the Office of the Secretary would also assume operational responsibility for the new Denver ADP Service Center. In addition, the following three types of applications would gradually be transferred to the newly designated Washington or Denver Computer Centers over the next 5 years:

Type I - Multibureau Applications--Programs/systems which provide a service to more than one bureau or office.

Type II - Other Bureau/Office of Secretary Applications--Programs/systems which are operated by one bureau as a service to another bureau or office.

Type IV - Bureau Administrative and Management Supporting Applications--Programs/systems which are not directly interrelated with time-sensitive mission support applications.

The final step would be the transfer of Type III - Mission Support Applications programs/systems to the designated computer centers when presently existing equipment on which they are running is phased out or replaced, or when transfer would be more cost-effective. Type IV applications will remain on bureau computers until they are phased out around 1980.

The opposition to the strategy plan was unanimous. Practically every bureau and office in the Department of the Interior disagreed. In commenting, one bureau noted:

-- An adequate feasibility study on which to base sound decisions has not been performed.

-- There are no workload figures in the study, which are essential to planning for ADP services.

-- Cost comparisons are either inadequate or inaccurate.

-- The study does not adequately consider what the computer environment will be in 1980--for example, advantages of centralized vs. decentralized operations due to the prominence of minicomputers.

-- Insufficient consideration is given to the cost of the methods of telecommunications.

-- The Department, in its ADP strategy plan, concludes without adequate support the ADP work of the bureaus is ineffective and/or inefficient and that the new service center approach would be an improvement.

-- In the administrative area, the study assumes, also without justification, that another payroll system is required. Present plans call for converting the BM payroll system to the new Burroughs 6700 system. Under the ADP strategy plan the payroll system will be converted again when it is transferred to the designated Bureau of Reclamation Service Center.

The Investigative Staff believes a centralized computer concept has merit if properly implemented; however, relative to Federal energy data, results of the strategy plan could be very damaging. The needless shifting of energy data programs and data bases between bureaus and service centers will lead to fragmentation of already centralized applications.

The Department of the Interior has begun to partially decentralize energy-related data processing by selecting the Office of the Secretary's IBM 360/65 as the computer to process data to be generated from the joint BM/FEA petroleum reports. If the long-range plan is adopted to transfer BM energy data bases from the Denver ADP Computer Center, which has had years of experience, to the Bureau of Reclamation's CYBER 70, which has not been heavily involved in energy data, it could also have adverse effects.

On January 30, 1976, a meeting of ADP representatives from Interior's bureaus and offices was held to discuss the status and implementation of the strategy concept. The Director, Office of ADP Management, recommended a number of specific actions for implementation of the strategy, but the major issue of transferring mission-related requirements to the two departmental service centers by 1980 was not addressed. BM was particularly concerned with the failure to discuss the transfer of mission-related functions to the Bureau of Reclamation's CYBER 70 computer. BM believes it is better equipped to do this work on a government-wide basis than any other bureau or agency existing, or which could be established. Based on information obtained during its review, the Investigative Staff would agree with this conclusion. The departmental strategy that would transfer the energy data function to a computer not controlled by BM would weaken its effectiveness. BM has requested an immediate

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exception to the transfer of its energy-related data bases.

Moreover, BM, in response to pending legislation, has indicated that the establishment of a new bureau to collect, standardize, coordinate, and disseminate energy information is not necessary. BM stated it currently collects much of the data on a voluntary basis and has been doing so for decades. It was willing and capable of assuming the responsibilities of the proposed new bureau and stated that the mandatory aspect of the legislation would enhance data collecting capabilities.

The Denver Computer Center has recently installed a Burroughs 6700 computer system as a part of a three-phase procurement plan. The 6700 has planned a 50-percent expansion factor to handle foreseeable growths in workload, such as the applications being transferred from the Smithsonian. The 6700 is a modular type computer system which will make it possible for the center to increase the throughput capacity of its 6700 approximately 10 times. As such, it should be considered a viable alternative and option to the centralized processing plans contained in the Department's ADP Strategy Study.

The Investigative Staff is concerned by the plans to eventually shift the energy workload to Reclamation, while, at the same time, BM is making large investments in acquiring new and far greater computing capabilities.

2. Emergence of ERDA as an Energy Data Gatherer

Although ERDA has not yet reported any costs for the gathering of energy-related data to OMB, the potential cost of meeting future requirements, if not coordinated with existing Federal efforts, could be significant. ERDA, under provisions of the Federal Nonnuclear Energy Research and Development Act of 1974 and the Energy Reorganization Act of 1974, has been assigned responsibility in the fossil fuels area.

The Federal Nonnuclear Energy Research and Development Act effected a transfer of about $320 million from Interior's Office of Coal Research to ERDA. In addition, 6 energy research laboratories together with all data banks being maintained by the labs, 900 employees, and about $72 million were transferred from BM. The Act also directed ERDA to establish, develop, acquire, and maintain a central source of information on all energy resources and technology including proved and other reserves, for research and technology.

A BM official informed the Investigative Staff that he was surprised that ERDA has failed to contact BM about the possible sharing of information. He stated the opinion that without effective coordination further duplication of energy-related (particularly coal data) reporting would result. An FEA official also expressed the view that ERDA appears to be expanding its efforts to collect energy-related data, which data currently exists in FEA.

ERDA officials were emphatic in that they would not develop or maintain energy data bases which duplicate existing ones in the Federal sector. In the opinion of the Investigative Staff, only by close exchange with other energy agencies can duplication be avoided. To date this has not been done. Moreover, an ERDA official indicated that if it is mandated to develop duplicate systems it will. If history is an indicator, and lack of communication with BM and other energy agencies continues, ERDA's approach will inevitably result in duplicative collection of energy data and development of additional data systems. As ERDA becomes aware of the difficulties of relying on other agencies for data, and receives pressures from program divisions, it will undoubtedly request additional data and develop and maintain new data bases and could thus conceivably become a major energy data collector.

The Investigative Staff believes that concerns about the possible emergence of ERDA as a major energy data collector are well founded. ERDA's FY 1977 budget request to the Congress is just one illustration of its growing activities in the processing of energy-related information. The following is a synopsis of ERDA's information activities.

Information	(Actual) FY 1975	(Estimate) FY 1976	(Estimate) FY 1977
		(000)	
Public awareness----------	$2,329	$2,645	$ 3,000
Technical Information Center--	5,100	5,881	6,305
Technical disseminaton--------	-	-	150
Printing----------	379	450	550
Other information services----	497	634	900
Total----------	$8,305	$9,610	$10,905

The entire information program budget has been assigned to ERDA's Office of Public Affairs. However, the Office of Environment and Safety appears to be taking the lead in the

coordination of all program division energy data requirements. This office has assumed the role by default since ERDA has not specifically assigned this function to any other organization.

In the spring of 1975, the Office of Environment and Safety contracted with ERDA's Lawrence Livermore Laboratory (LLL) to conduct a nationwide survey of energy, environmentally related data bases, and calculational models. The purpose of the survey was to provide a single-source reference for energy-related data so that all ERDA program divisions and offices could select existing data bases rather than develop duplicating ones. Regrettably, this worthwhile endeavor was not satisfactorily completed.

The contract, which originally called for expenditures of $120,000 per year for 2 years, was reduced to a total of $60,000, and the time was shortened to 3 months. According to LLL officials, this modification did not allow sufficient time nor provide the money necessary to complete the project. Therefore, what might have been a dynamic ongoing index of energy-relatd data bases resulted in a one-time inventory that soon became outdated.

Moreover, ERDA has awarded contracts to determine what its future energy data requirements should be. In April 1975, the Office of Fossil Energy Research, ERDA, contracted with TRW, Inc., to continue the Energy Research Program Information System that it inherited from the Department of the Interior. The goal of this system is to provide ERDA management with information to control the available fossil energy resources. As a part of this contract the company was to conduct a survey to determine the policy and management requirements currently in use or planned and to determine what fossil energy data was needed by ERDA to perform its functions properly. ERDA did not find the TRW recommendations acceptable and later awarded a contract to the management consultant firm of Greenfield, Attaway, and Tyler to determine ERDA's information needs. There have been no results of this effort to date. The Investigative Staff questions why ERDA needs outside consultants to determine its energy data requirements. The practice of disregarding unwanted views of consultants is not unusual. If the agency does not like what it gets the first time, it can try again--at the taxpayers' expense, of course.

If ERDA does in fact emerge as a major energy data collector, it must exert more control over the approval of forms. In this regard, the Division of Solar Energy violated provisions of the Federal Reports Act when it sent out a form which had not been approved by OMB. This form requested

information from manufacturers and developers of solar heating and cooling products. Some 444 manufacturers responded to this request, which resulted in a catalog of their products. ERDA plans to issue additional requests for information in order to update the catalog.

ERDA has also made overtures to various regional governors' commissions to create composite energy information systems to fulfill the needs of policymakers, State officials, regional funding agencies, and researchers. For example, ERDA's Los Alamos Scientific Laboratory (LASL) has proposed a cooperative effort with the Four Corners Regional Commission to coordinate and develop for the first time a regional energy information system. The purpose of this system would be to combine the existing activities of the several States, regional offices, and national organizations and provide an expanded data base to adequately serve the varied needs of participants and the Nation as a whole. Under this proposed effort LASL will provide about $320,000 for computer facilities, data acquisition, and administration to implement and operate the regional energy information system. LASL agreed to make available on a no-charge loan basis up to a total of 13 terminals to the participating State and regional offices.

These efforts are good in that attempts are being made to seek coordination of energy information activities. However, it does point out that ERDA is rapidly emerging as a major factor in the energy-related information arena. Unfortunately, these efforts are being carried out by ERDA without adequate communication with other energy agencies. The Investigative Staff believes that OMB should take a more positive role to ensure that ERDA and other energy-related agencies do not continue to act in a fragmented manner but make every effort to coordinate and share existing energy data information.

3. Growth in FEA Data Collection Activities

Much of the increase in Federal reporting can be correlated with the rapid growth of FEA. The information below shows a number of facets of FEA's growth in terms of man-years and cost for FYs 1975 to 1977.

Element	FY 1975 Actual		FY 1977 (Est.)		Increase	
	Man-Years	Amount	Man-Years	Amount	Man-Years	Amount
		(Dollars in Thousands)				
ADP oligations	83	$15,284	114	$18,341	31	$ 3,057
Cost of gathering energy statistics	-	9,300	-	22,319	-	13,019
Contracts for design, development and maintenance of ADP systems	120	9,150	235	25,774	115	16,624
Budget request	-	-	-	-	-	-
Agency total	357	21,769	631	49,453	274	27,684
Office of Data Support	133	12,464	274	33,417	141	20,953

The more important factors of this growth, are the increases in the cost of gathering energy statistics, and the contracts for ADP system design, development, and maintenance. In this regard, the Office of Data Services estimates that the total ADP related contract costs for FEA from FYs 1975 to 1977 is projected to be about $52 million and will require about 580 man-years. This effort is and will be dedicated primarily to three energy types, petroleum, electricity, and natural gas, plus an emerging venture into coal. Prior to its existence in June of 1974 most of this energy information was voluntarily provided by industry to BM. An FEA official stated, "In the aggregate this voluntarily provided information represented data collected on 10 forms from 9,800 respondents. However, the data collected was not timely nor accurate. Therefore, FEA was chartered to develop and operate a comprehensive energy information system and to coordinate the collection and dissemination of energy data

throughout the Federal Government.

Today, FEA uses over 83 forms to obtain energy data on petroleum, electricity, natural gas, and coal from 751,200 respondents for input to 40 data systems. The number of computerized systems is projected to increase substantially in the next fiscal year.

The table on page 22 shows that FEA's cost of energy data collection for the period of FY 1975 through FY 1977 is projected to increase by 139.8 percent. Over the same period the estimated percent of increase for BM is 38.7 percent, GS 82.1 percent, and FPC 52.6 percent. Because of this rapid growth, the Investigative Staff decided to review certain parts of FEA's ADP management practices and selected systems.

FEA was created in a period of national crisis and the tasks it had to perform in a relatively short period of time were complex and substantial. Because of the immediacy with which it had to react to situations, FEA had to make decisions without a long range ADP master plan or a thorough analysis. The lack of comprehensive feasibility studies, thorough system design and development activities and effective management review have often resulted in prolonged system development functions, constantly changing data requirements, and arbitrary reporting time targets.

Many of these problems can be traced back to organizations which preceeded FEA--the Cost of Living Council and the Federal Energy Office. The Investigative Staff believes that the time is right for FEA to start taking a look at its ADP and energy data collection practices from a better planned and comprehensive perspective along the lines recommended by Federal ADP policy established by OMB and the General Services Administration.

Officials at FEA stated that they do not currently have any formal structure or effective method by which offices within the Administration must justify and inform other organizational units of the design and development of new and improved applications, systems, and data bases for both mutual and individual use. There is little top management involvement and direction. Nor is there any imaginative use of ADP decisionmaking, planning, objective formulation, resource allocation, and controls for systems feedback. For instance, one official said that he had written up a set of systems assumptions, some of which were outlandish and top management showed its lack of concern for ADP systems by approving all of the assumptions. Each office responds to its respective responsibilities for implementing

Federal statutes. There is no integrated system.

The Investigative Staff selected five systems for review. Three systems (Crude Oil Entitlements, Domestic Crude Oil Purchaser Reporting System, and Petroleum Financial Reporting System), had design, developmental, and operational cost in prior fiscal years, two other systems (Coal Data Base and Fossil Fuels) are in early stages of development. The following table summarizes and demonstrates the estimated resources programmed for these systems.

Systems Development Costs

Systems	FY 1975 Positions	FY 1975 Contracts	FY 1976 Positions	FY 1976 Contracts	FY 1977 Positions	FY 1977 Contracts	TOTAL Positions	TOTAL Contract-
				(Dollars in Thousands)				
Crude Oil Entitlements	6.5	$303	5.0	$ 500	8.0	$ 680	19.5	$1,483
Domestic Crude Oil Purchaser Reporting System	3.0	97	23.0	690	24.0	1,820	50.0	2,607
Petroleum Financial Reporting System	4.0	206	10.0	1,040	11.0	1,750	25.0	2,996
Coal Data Base	-	220	3.0	84	-	25	3.0	329
Fossil Fuels	-	-	-	-	-	160	-	160

Crude Oil Entitlements

The purpose of this system is to supply the government with information on the mandatory pricing and allocation of Crude Oil in accordance with Section 4 of EPCA. Information contained in this system include the number of entitlements that a refinery may receive in order to achieve equitable distribution of economic benefits of low priced old oil throughout refining sectors.

Data for the system is collected on two forms: The Old Oil Entitlement Program--Refiner's Monthly Report and the Entitlement Transaction Report. These forms are completed by 140 refineries and returned to FEA 40 days after the close of the reporting period. FEA sent preliminary copies of the forms to the refineries in January 1974 to solicit comments. Additional comments were received during the 1974 Public Hearings. In FY 1975, FEA used budget resources totaling 6.5 man positions and $303,000 to obtain initial responses to the Crude Oil Entitlements system.

Before a form is ever designed, the total user information requirements have to be established. Once this is completed, the forms are designed to capture the needed data and programs are written to process this data. In addition to this, adequate controls must be included in the system. However, FEA wrote the Crude Oil Entitlements system around the form and constant modifications had to be made to the system, at a cost of $500,000 and five-man positions (FY 1976 budget). Now, this inflexible system has to undergo another modification to accommodate the provisions of the EPCA regarding crude oil.

In FY 1977 an additional $680,000 and eight-man positions have been requested for continued modifications to the system. The additional funds have been requested to include the residual fuel market in Petroleum Allocation District I and produce entitlements in the crude oil area. With regard to this entire system, a total cost of $1,483,000 and an expenditure of 19.5 man positions will be expended for three years.

Domestic Crude Oil
Purchaser Reporting System

This system is being designed to react to Section 8 of EPCA which requires FEA to monitor the price of domestically produced crude petroleum. FEA is to ensure that the first sale of such petroleum does not exceed a price of $7.66 per barrel on a weighted average basis throughout the Nation.

However, a system does exist that determines the first sale of crude oil. This system was initiated by the Cost of Living Council and was inherited by FEA in 1974, but, because of new objectives, FEA no longer feels that this is a viable system and has opted to design a new one.

FEA plans to expend 26 man positions and $787,000 for the Crude Oil Pricing System during FYs 1975 and 1976. The FY 1977 request for 24 man positions and $1,820,000 is for the new

Domestic Crude Oil Purchaser Reporting System.

Even though systems design plans were adequate FEA has shown very poor techniques in developing an implementation schedule. The Investigative Staff has difficulty in understanding how FEA arrived at its request for 24 positions and $1,820,000 to design, develop, and implement the Domestic Crude Oil Purchaser Reporting System. Two other problems stand out prominently: one the design of the form prior to the design of the system, the other the tight deadline for filing reports.

On February 1, 1976, FEA sent a mailgram to all known purchasers of domestic crude oil. The mailgram requested purchasers to provide monthly summary information for 1975. Additional information relating to purchasers was also requested in a technical format. The purchasers were given approximately 10 days, to supply FEA with 1975 data; and 23 days, for January 1976 data. The Investigative Staff finds it difficult to justify this urgency for data, particularly in view of the fact that the system has not yet been designed.

Petroleum Financial Reporting System

The purpose of the system is to supply information to "promote stability in energy prices to the consumer, promote free and open competition in all aspects of the energy field, prevent unreasonable profits within the various segments of the energy industry, and promote greater enterprise."

FEA has proposed this reporting system which is structured around the Petroleum Financial Report form which is composed of 11 financial schedules and one statistical schedule. Public hearings have been held to solicit industry comments, however, the proposed schedules (forms) have not yet been submitted to GAO for approval. This comprehensive system has been designed to capture a wide range of data and assist in performing highly detailed analysis. The voluminous data which will be required from industry together with the many types of analysis which will be made can best be illustrated by outlining some of the specifics.

Monitoring Industry Performance

-- Financial analysis of revenue, costs, and profits, and of sources and uses of cash from operations.

-- Financial analysis by major industry grouping (Petroleum, other energy--coal nuclear, etc., non-Energy) for different classes of companies.

-- Financial statements by function (upstream, downstream) within the petroleum industry.

-- Financial statements by geography. (U.S. vs. foreign, offshore-onshore, Alaska, breakouts of foreign for aggregated categories.)

Measurement of profitability for the total industry and by industry groupings, functions, and geography using a variety of ratios:

-- Profits to net assets.
-- Profits to gross assets.
-- Profits to stockholders' equity.
-- Profits plus interest to capital employed.
-- Net cash flow to net assets.
-- Net cash flow to gross assets.
-- Net cash flow to stockholders' equity.
-- Net cash flow plus interest to capital employed.

Analysis of Tax Effects

-- Show the noncash charges against income which reduce tax liability, the earnings before taxes and the amount and effective tax rates of taxes paid to U.S. State and local agencies, U.S. Federal Government; and foreign taxes.

-- Show reconciliation of taxes actually paid by the industry to the statutory tax rate of 48 percent.

Analysis of Competition

This can be analyzed for a variety of classes of firms in terms of:

-- Basic financial information.
-- Activities within major areas of energy.
-- Activities within functional breakdowns.
-- Activities by geographic breakdowns.
-- Measures of profitability and return on investment.
-- Analyses of costs and expenditures.
-- Analyses of corporate Federal and other taxes.

-- Analysis of Market Shares - Examination of the levels of concentration of the total industry on key financial and operating indicators, attributable to various classes of firms. High degrees of concentration, especially when the shares are increasing across several indicators (e.g., production, sales, refining capacity) might signal further inquiry.

-- Comparative expenditures and costs - examination of differences in the costs, margins, and expenditure patterns by classes of firms could be either the cause or the consequence of imperfect market behavior.

The classes of firms may be defined on numerous dimensions, for example:

Amount of assets (of various types if desired)
Sales volume
Production volume
Industry grouping (petroleum, coal, synfuels, etc.)
Functions performed
Degree of integration
Refining capacity
Number of retail outlets
Amount of proved reserved
Net acreage or number of wells

As can be seen, the taxonomical possibilities are nearly limitless.

FEA in the notice of proposed report, Federal Register dated September 22, 1975, identifies its annual reporting requirements--12 schedules. However, additional reporting requirements were left open. The Federal Register in part stated:

"The FEA recognizes the need for an updating of selected parts of this data between annual submissions. However, the FEA lacks precise information on the amount of type of interim-financial data available."

FEA notes that similar data are being reported on some of its existing forms, also similar data is reported on certain FPC, Bureau of Census, Internal Revenue, and SEC forms. However, the agency feels that much of data already reported has flaws; it is not broken down to suit FEA policy analysis, and even if individual data were targeted properly, the individual items are not consistent and do not portray the performance or position of industry. Also, some of data collected by other agencies is confidential and not available to FEA.

Industry representatives feel that this system may be one of the most complex, costly, and burdensome. A large number of industry comments were made at the public hearings; some of which are summarized as follows:

-- The data is historical and therefore not applicable to policy policy for the future.

-- Much of data is available elsewhere

-- There is too much detail.

-- The survey will be impossible for small companies to complete because of staff limitations.

-- These reports will cause companies to set up one reporting system now and another later to fulfill the requirements of the EPCA.

With regard to the last comment shown above, FEA has acknowledged that its proposal does not attempt to prescribe standardized accounting practices for industry. Furthermore, FEA recognizes that there is no uniform system of accounting. FEA program officials in their briefing of the Investigative Staff stated that efforts on this system and its reporting are being undertaken in a sense of urgency as a result of congressional mandates. However, the Investigative Staff does not believe that Congress has mandated an immediate reaction, i.e., do it now.

The same Act FEA program officials cite, EPCA of 1975, Title V, Section 503, recognizes the lack of standardized and uniform accounting practices. The Act directs SEC to take steps to assure the development and observances of accounting practices for developing reliable energy data. SEC is to consult with FEA, GAO, and FPC with respect to developing such practices. Such practices shall be developed not later than 24 months after the enactment of this Act and shall take effect with respect to the fiscal year of each such person which begins three months after the data on which practices are prescribed or made effective.

The Investigative Staff was informed by FEA management officials, that OMB doesn't see any urgency in this project and accordingly, has deleted funds and is not looking favorably upon additional requests. The Investigative Staff is in agreement with this conclusion.

The Investigative Staff was also informed that the proposed FY 1977 budget request for 11 positions and $1.7 million does not reflect the real requirements. It was estimated that the cost for developing this system could approach $3 million excluding man hours because of changes in data requirements. Naturally this cost does not reflect the cost to industry. Several firms which took part in the pretest effort estimated

that it would require between 2,000 to 4,200 man-hours to complete. On an industry wide basis, FEA projects the totals to be about 471 man-hours per reporting firm or 354,000 hours industry wide.

Coal Data Base and the Fossil Fuels System

The Investigative Staff finds it very difficult to formulate any impression on the need for these two systems principally because agency program officials were generally ill-informed on the objectives, purpose, and justification regarding the proposed FY 1977 request.

In FY 1977, FEA is requesting no positions and $25,000 in contract funds for the Coal Data Base. It is requesting no positions and $160,000 in FY 1977 for the Fossil Fuels System.

The Investigative Staff was informed that there are no feasibility, cost benefit or system studies. Furthermore, program officials were not familiar with the budget request. The Investigative Staff was concerned in that generally these systems by their description could duplicate the data collection efforts of BM. However, FEA officials indicated that they do not plan to collect coal or fossil data. They could only indicate a need to support modeling activities.

F. FEA Study of Regional Offices' Data, Analysis, and Forecasting Activities And Requirements

On March 2, 1976, the Investigative Staff obtained from FEA officials a preliminary draft of a report entitled, "Data, Analysis and Forecasting Activities and Requirements at the FEA Regional Offices." This study was commissioned by FEA's Administrator and was conducted by FEA's Office of Policy and Analysis during the period October 1975 to January 1976. FEA officials cautioned that the report must be considered preliminary because neither corrective actions taken subsequent to the review nor regional office comments were incorporated in the draft. Nonetheless, the Investigative Staff concurs in a number of the report s findings since they support observations made during this review.

The most critical problem surfaced in FEA's report was that every regional office seemed to be greatly inhibited in its ability to carry out programs because of the difficulty in obtaining information from FEA headquarters. Several key

elements to this problem were identified. First, the National Energy Information Center (NEIC) either does not work or was not timely in providing necessary information. The common complaint from the regional offices was that many phone calls to NEIC went unanswered or were answered only when the requestor had given up and gone elsewhere for information. One region characterized the NEIC as providing more of a disservice than a service under its present set-up. Second, there is no complete catalog of data elements available on FEA's computer system (which is operated on a contract basis) nor do the regions know how to access information available on the system. Finally, the regions have no contacts with the Office of Data Analysis except for personnel in NEIC.

Regarding the timeliness of data, the regional offices have simply given up trying to obtain data from headquarters and rather are relying on external sources for the information. The Investigative Staff learned that this resulted in FEA regional offices sending out unapproved forms which collected data duplicative to that being submitted to headquarters.

A specific problem identified by the regional offices concerned FEO Form 1000 "Prime Supplier's Monthly Report." Basic definitional problems such as who is a prime supplier or who is an independent had not been resolved. For example, one region felt that substantial amounts of distillate fuel were used by paper mills but none of this was ever recorded on the Form 1000. The concensus of the regions was that incomplete reporting occurred, but the regions could not verify this, since they had no way of knowing who should be reporting.

Another region noted that they are now being required to manually compile the Form 1000's biweekly for submission to FEA headquarters in lieu of the previous summarization report which had been prepared by computer. The region views this as a step backwards and finds it unbelievable that headquarters with its sophisticated computer equipment is moving toward manualization of reports.

In addition, the regions were not receiving timely feedback from headquarters and once it was received it never agreed with the regions original submission. Since data obtained via the Form 1000 is used in preparing quarterly reports to the Congress, the Investigative Staff questions the accuracy of such reports in light of the consistent discrepancies noted by FEA's regional offices.

The Investigative Staff in its analysis of Form 1000 as shown on page 37 found that this form was one of the most burdensome to the private sector. Form 1000 results in 144,000

annual responses which require about 288,000 man-hours to prepare at an estimated cost of $4.3 million.

The Investigative Staff believes that another major problem (as identified by one of the FEA regional offices) is that each FEA program office is developing its own management information system with little continuity or overview as to how all these separate systems interact at the point where all the information originates, namely the regional offices. Until FEA centralizes the development of these systems, the chaos will continue to exist and impact on the regional offices.

The Investigative Staff was provided with a summary of corrective actions taken by the Office of Data Analysis since the FEA review was made. These actions indicate that (1) a printout of the dictionary of data elements has been distributed to each regional office, (2) the Office of Data Analysis has designated a contact point for the regions, and (3) workshops are planned to train regional personnel on interacting with the computer system. Moreover, the Office of Data and Analysis noted, in response to the regions complaint that they could not obtain computer support, that many of the regional offices presently overlook the institutional mechanism for requesting data service support necessary to evaluate their requirements.

V. FEASIBILITY AND DESIRABILITY OF A SINGLE NATIONAL ENERGY DATA SYSTEM

An assessment of the feasibility and desirability of establishing a single national energy data system entails (1) evaluation of the present Federal energy data collection activities; (2) identification of existing problems; (3) consideration of corrective action, alternative solutions and management improvements; (4) evaluation of economic considerations including cost versus benefit analysis; and (5) recommendations of the preferred course of action and the management decision to implement it.

Such an analysis to be effective should be approached in realistic terms, realizing that all needed improvements cannot be achieved at any one time. The possibility of effecting major improvements is greater when workable and logical actions are taken step-by-step in accordance with an overall long-range plan. The Investigative Staff in presenting its views on a single national energy system attempts to deal with the issue in terms of what is feasible, practical and which can be realistically achieved.

The evaluation of the Federal energy data collection activities and problems can be made by comparing the present situation with the findings reported by GAO in its 1974 report. A summary of the GAO report appears on pages 6 to 8.

The Investigative Staff in its analysis found that little in the way of real improvements have been affected during the intervening years. If anything, the problem has been aggrevated by:

-- The increased amounts of new energy legislation which permit and/or direct the collection of additional energy-related data.

-- The recent involvement of many Federal agencies, some for the first time, into the energy area.

-- The marked increase in the number and complexity of forms used to collect such data and computer systems.

-- The lack of any government-wide energy forms inventory; splitting of the form approval responsibility between GAO and OMB; and the lack of effective forms approval procedures to avoid duplication and minimize the reporting burden.

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-- The lack of any serious effort to standardize energy data definitions and terms.

-- The lack of independently developed and independently verified data thereby causing a lack of credibile energy data.

-- Overrestrictive rules and subjective interpretations of what constitutes confidentiality and failure to devise some method where one agency can use data reported to another.

With regard to the six agencies covered in its review, the Investigative Staff observed that there were some 23 laws which specifically delegate or through interpretation permit each to collect energy data. The passage of new legislation which does not coordinate or in some way restrict existing data collection activities may not help the situation. Furthermore, legislative restrictions imposed by the Trans-Alaska Pipeline Act severely limits GAO authority and thereby its effectiveness. In effect, GAO cannot prevent or deny a regulatory agency's request to collect data, if the regulatory agency says the data is essential to its mission. Furthermore, GAO cannot direct the exchange of regulatory information to avoid duplicate reporting. OMB does have such authority over the agencies it regulates as prescribed in the Federal Reports Act. Thus, the regulatory agencies, the major collectors of energy data, have few if any real controls placed over their collection activities. The Investigative Staff's study clearly shows that the largest volume of energy data collected and greatest overlaps and duplications exist in the regulatory agencies. In effect, the regulatory agencies are not being effectively regulated when it comes to the gathering of energy data.

A. Thrust of Pending Legislation

A review of legislative hearings and pending bills indicate that the current thrust of proposed legislation is to establish a National Energy Information Center and a National Energy Information System. Of the 12 bills reviewed, 8 favored the establishment of the Center within a new independant agency; 1 favors placement in the legislative branch (GAO); and 3 favor placement in the executive branch (Department of Commerce). Appended to each of these bills is a statement that authorizes the Department of Interior to undertake an inventory or a survey of United States energy resources on public lands and elsewhere.

These pending bills collectively define the problem of energy data gathering. From 47 to 64 Federal agencies are

collecting energy data that is uncoordinated and subjected only to each agency's objectives. Thus, the existing methods of data collection fosters duplication and relies too heavily on unverified information from industry sources.

The resolution to the problems, proposed in these bills, is the establishment of a National Energy Information Center and System to provide for an improved national capability for the coordinated collection, tabulation, comparison, analysis, standardization, and dissemination of energy information.

In connection with S. 2782, three especially important shortcomings in the management of energy information are cited in the Congressional Record dated December 6, 1973:

-- "Failure No. 1 is that we have never obtained a thorough public inventory of our energy reserves."

-- "Failure No. 2 is that we have not developed better methods--indeed we have developed no thorough, systematic methods at all for the comprehension and use by the Congress and the public of the massive amounts of energy information that are available. We have not faced up to the problem of the information explosion."

-- "Failure No. 3 is that we have not insisted that a great deal of other vital energy information that has not been available to us, to the Congress and the public, be made available."

S. 2782 calls for the establishment of a national energy information system to be operated by a new agency, the Bureau of Energy Information, which would be co-equal to the Bureau of Census. This Bureau along with the Department of Interior, will have all necessary power to correct these old failures.

A proposed bill S. 1864 would create an independent National Energy Information Administration to administer the National Energy Information System and coordinate the energy information collection activities to minimize and, to eliminate duplication of reporting by the energy industry. Section 102 of the bill, Function and Powers of the Administration, states that the Administrator, by regulation, shall prescribe the forms on which the reports are required. Such reports shall be drafted in consulation with advisory committees and the GAO.

Section 103, Coordination and Transfer of Agency Activities, directs the Administer to develop a plan for the consolidation, to the extent practicable, of the energy information activities

of the Federal Government. The President may transfer to the Administrator all or parts of the energy information collection activities being carried out by a Federal agency if he finds such a transfer advisable. However, neither the President nor the Administrator may do so where such activities are:

(1) specially authorized by statute for the exercise of regulatory responsibilities;

(2) for the purpose of law enforcement; or

(3) otherwise essential for investigations conducted by the Justice Department, the Federal Trade Commission, the Federal Power Commission, the Interstate Commerce Commission, the Nuclear Regulatory Commission, the Federal Energy Administration, the Environmental Protection Agency or the Office of Emergency Preparedness.

B. Investigative Staff Assessment and Opinions

While each of the proposed pending bills has merit, the Investigative Staff is of the opinion that some have shortcomings which may preclude them from being entirely effective. The Federal Government currently has more than 47 agencies and bureaus, plus 263 separate programs relating to energy or energy-related activities. The six agencies surveyed by the Investigative Staff had 108 energy data systems and hundreds of professional personnel directly engaged in energy matters. Several hundred forms were identified as being used to collect energy data. While the exact cost of the energy statistical data program is not known, the Investigative Staff estimates that for five of the agencies surveyed, the cost will approach $67.5 million.

For these and other reasons, the Investigative Staff questions the need for establishing a new Federal agency and another energy data system. At the time when most of the pending bills were introduced, the Federal Government had no national energy policy. However, the enactment of the Energy Policy and Conservation Act (EPCA) in December 1975 established national energy policies and goals. The Investigative Staff also believes that the EPCA provides the mechanism for overcoming the problem associated with the lack of independently developed and independently verified data.

Under Section 501 of this Act, the Comptroller General has statutory authority for conducting verification examinations

with respect to the books, records, papers, or other documents of (1) persons who submit energy information to FEA, Department of Interior, FPC; (2) persons who are engaged in the production, processing, refining, transportation by pipeline, or distribution (at other than the retail level of energy resources) and who submit directly or indirectly energy information to any Federal agency--other than IRS; (3) persons whom the Comptroller General of the United Stats determines that such information has been or is being used or taken into consideration, in whole or in part, by a Federal agency in carrying out responsibilities committed to such agency; or (4) any vertically integrated petroleum company with respect to financial information of such company related to the energy resource exploration, development, and production and the transportation, refining and marketing of energy resources and energy products. The Comptroller General shall conduct verification examinations of any person or company described above, if requested to do so by any duly established committee of the Congress with respect to energy matters, or any of the laws administered by the Department of Interior (or the Secretary thereof), the FPC, or the FEA (or the Administrator).

The Investigative Staff also believes that such complex problems as standardizing energy data definitions and terms, identification of unknown resources, and the identification of precise energy data needed for decisionmaking cannot be solved purely by legislation. Several of the bills preclude the consolidation or transfer of regulatory agencies data systems to the agency which would be set up. Yet, the regulatory agencies are the largest collectors of such data. In addition, none of the new proposed bills would provide GAO with legislative authority to disapprove a regulatory agency's request to collect data where known duplications exist.

The Investigative Staff discussed with certain agency officials their views relative to the national energy data system bills, and obtained ERDA, Department of Interior, and FPC responses. ERDA does not favor passage of the proposed bills, because there would be unnecessary duplication which would further fragment the collection of energy information. Specific comments made were:

-- The Federal Energy Administration Act of 1974 (P.L. 93-275) gave the agency broad authority to collect energy information and provided for establishment of a comprehensive and satisfactory energy information system in the Federal Government.

-- It is ERDA's belief that Federal systems for the collection and management of energy-related information

should be under the overall direction of the organization concerned with establishing a national energy policy in the executive branch, with detailed information gathering under the direction of the respective principal information users.

The Department of Interior does not favor enactment of pending bills because they would result in more duplication rather than the consolidation of Government efforts to assemble and analyze data on mineral resources. With regard to H.R. 1445, Department of Interior feels that the functions outlined can best be performed by them. Specific comments made were:

-- BM has available highly competent statistical and technical personnel which gives them a unique combination of data collection and analytical capability. If given mandatory authority mentioned in H.R. 1445 it would enhance the Bureau's data collecting capabilities.

-- Department of Interior disagrees with those provisions that would establish the Energy Information Bureau in a department that does not have significant energy functions or responsibilities.

-- Data gathering provisions appear remarkably similar to data banks which are in process of development in BM and GS, Computerized Resource Information Bank (CRIB), plus data on private reserves contained in Minerals Availability System (MAS), and the Fuels Availability System (FAS).

FPC also does not favor enactment of pending bills. Its positions are similar to those of ERDA and Department of Interior.

Most industry spokesman, stated that they do not believe the solution lies in adding another layer of federal bureaucracy to those already existing. While some expressed the opinion that efforts to centralize energy data are commendable, such a system should be built on systems already in existence. Many company officials called for strengthening the position of GAO by giving it veto power over agency request for forms approval.

1. Possible Alternative - Consolidation of Energy Statistical Data

For the purpose of this review, the Investigative Staff identified three primary types of energy data. They are:

-- Energy statistical data is gathered mainly for use in publishing reports. The data is nonprogrammatic in that it is not normally used in the day-to-day management decisionmaking process. This type of data resides primarily in the BM, GS, Census and in part in FEA and FPC.

-- Energy regulatory or compliance data is obtained to perform agency statutory requirements. The data is used in the development of policy; in the determination of embargoes, entitlements, allocations, and curtailments; the granting of leases and licenses; and the establishment of pricing levels. This data is being collected by FEA, FPC, and the Conservation Division of GS.

-- Energy research and development data is used to support scientific or technological applications for the effective use of energy. ERDA is the major collector of energy research and development data which is mostly centralized in this agency.

Based on numerous interviews with officials of Federal and State governments, industry, and associations, the Investigative Staff believes that a logical first step to consolidate energy-related activities is in the statistical energy data area. The BM has been widely praised as having one of the best systems of gathering, analyzing and publishing meaningful data that exists in the Federal Government. BM has assembled a wide range of commodity class experts and has established a well known data processing operation in its Denver ADP Computer Center. Moreover, BM sells computer tapes to both the Federal and private sectors which are used in long-range planning and forecasting models.

BM has recently installed, at its Denver center, a large scale computer which has excess capacity of about 50 percent and has telecommunication capabilities. In addition, BM plans further computer upgrades. The system has the capability of being expanded to 2,000 terminals which BM officials feel would allow the Denver center to become the central collector and repository for statistical energy data.

FEA has agreed that BM will act as the designated agency for the collection, validation, processing and reporting of specific petroleum-related data to be used in the Petroleum Reporting System, (see pages 56 to 60). Major oil companies indicated that the joint FEA/BM effort was a step in the right direction. BM and FEA are also seeking to

reach an agreement to develop a single system for obtaining current and consistent coal statistical data. Moreover, BM has had preliminary discussions with FPC to coordinate the gathering of certain gas data.

The Investigative Staff believes the BM should be considered as a logical first step in the consolidation of statistical energy data. BM could also serve as a model clearinghouse for all types of energy-related data. In effect, such an effort would be a step towards implementing a fully integrated energy system building on existing data collection systems and programs.

2. Improving Regulatory and Compliance Data Activities

Because of the unique role regulatory and compliance data have in formulating policy and planning objectives, establishment of standards, monitoring of compliance and enforcement of regulations, the Investigative Staff believes that the centralization of such data would be extremely difficult and perhaps unwise. However, substantial improvements can be made in the collection, analysis and reporting of regulatory and compliance data. Such an effort is currently underway in the FPC. The Investigative Staff believes that the other regulatory agencies can benefit from this effort.

The FPC has undertaken an effort to reduce the current number of public use forms from 52 to 15. FPC estimates that redundant reporting will be reduced by 40 percent. This effort called the Regulatory Information System (RIS) is being developed under a $3 million contract with Planning Research Corporation and is expected to be fully operational by June 1976. The RIS is currently being run and will continue to be run on an IBM 360/158 computer system.

RIS is currently using 85 terminals located in FPC headquarters with plans for an additional 35 to be placed in regional offices. Once the system is fully operational it will contain about three billion characters of data. The RIS will be capable of segregating proprietary or confidential information from other information being stored in the computer data bases. An FPC official indicated that RIS will be "more secure than a locked safe file cabinet."

RIS embraces the concept that similar data elements will not be requested on separate forms and that only unique data will be added to an existing data base. The RIS incorporates a feature referred to as file formatting, which allows program personnel to obtain outputs in a fashion suitable to their needs. The system will also have the capability of monitoring

the frequency of use or lack of use made of the data. Periodic evaluation of the information could lead to elimination of data, files and forms for which there is no continuing use.

The Investigative Staff believes that the RIS concept has merit and could be applied to other regulatory agencies with a minimum disruption to their activities. A FPC official indicated that the RIS development effort is well documented for ease of transfer to other regulatory agencies if desired.

Moreover, the RIS concept should not pose a significant programming problem, since regulatory agencies process much of their data on compatible equipment, as shown below:

Regulatory Agency	Computer System
FEA	IBM 370/158
FPC	IBM 370/158
Federal Trade Commission	IBM 370/168
GS Conservation Division 1/	IBM 370/145
	IBM 370/155
	IBM 370/158

1/ The GS Conservation Division has regulatory responsibility over leases on federally owned lands.

Conversion costs to translate data on these various systems would be insignificant compared to the potential cost savings associated with the reduction of redundant reporting requirements.

The Investigative Staff believes that the RIS is a worthwhile effort on the part of FPC. Undoubtedly, some difficulties will be encountered before RIS becomes fully operational, but it is a step in the right direction. If FPC is successful in achieving its goal of a 40 percent reduction in redundant reporting the benefits to both FPC and the private sector should be significant. Therefore, the Investigative Staff believes that other regulatory agencies should be encouraged to review and possibly adopt concepts similar to those developed by FPC for the RIS.

* * * * *

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 21 1976

Memorandum

To: Deputy Assistant Secretary - Management

From: Director, Office of ADP and Telecommunications Management (Sgd.) Harris G. Reiche

Subject: Congressional Report on Federal Energy Data Collection Activities and Systems

I have reviewed the Report to the Committee on Appropriations, U. S. House of Representatives, on the Federal Energy Data Collection Activities and Systems, prepared by the Surveys and Investigations Staff, dated March 1976. Page viii of the Summary, and pages 70-74 of the main body of the report, contain a discussion of the Departmental ADP Strategy, as it relates to Bureau of Mines' energy data activities. The report contains several statements which I think should be addressed. These statements, with clarifying information, are as follows:

1. Statement: The report indicates that the Strategy "could seriously impact on the effectiveness" of Bureau of Mines by transferring their energy data bases "to the Bureau of Reclamation's CYBER 70 computer, which has not been heavily involved in energy data."

Answer: It is neither planned nor envisioned within the ADP Strategy that Mines' energy-related computer applications would be processed on Reclamation's CYBER 70 computer. The Strategy does visualize consolidation of such mission-related workload from the present five Department of Interior "Bureau" computer centers in Denver onto a "Departmental" center, after replacement of the CYBER 70 computer and at the time the Bureau computers, such as Mines' present B6700, require replacement.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

It should be added that under the Strategy Bureaus would still be responsible for their own systems analysis and programming as well as data management. The service center would only "operate" the computer. The Strategy represents a gradual, evolutionary transfer of workload to a Departmental service center. Mission-essential applications, such as that discussed in the report, would be transferred upon replacement of existing computer equipment and only after assurance that the service center concept would have no adverse effects by degrading Bureau mission effectiveness. The CYBER 70 computer is expected to be replaced by approximately 1979. At the time the Bureau of Mines B6700 computer was acquired in 1975, it was projected to require replacement in 1980.

2. Statement: The report states that "opposition to the strategy plan was unanimous. Practically every bureau and office in the Department of the Interior disagreed." It then proceeds to list seven critical statements about the strategy study and decision, which it attributes to "one bureau."

Answer: The inclusion of one bureau's statements in the report, without an evaluation of their merit, veracity or consideration by the decision makers, is misleading, and makes it appear that the decision was arbitrary. As would be expected whenever consolidation measures such as the ADP Strategy would bring about are proposed, there was opposition from those bureaus who would lose "operational" control over some of their present computer centers. This would likewise be the case where reliance is placed on the private sector for services, as promulgated by OMB Circular A-76, "Policies for Acquiring Commercial or Industrial Products and Services for Government Use."

The ADP Strategy was a decision of the Departmental Executive ADP Review Board. This Board consists of representatives of the major line and staff Assistant Secretaries, generally represented by a Deputy Assistant Secretary. It is chaired by the Assistant Secretary - Management. The Strategy was adopted for economy reasons, as a means of curtailing the proliferation of Bureau autonomous, large-scale computers in the Denver and Washington, D. C. areas. The statements included in the House Investigative Staff report were opinions stated by a Bureau, and were considered as part of the decision process by the Executive ADP Review Board.

With regard to the concept of a dedicated computer for an energy statistical data center, my Office stands ready to work with Mines in supporting the Appropriations Committee's recommendations.

United States Department of the Interior

GEOLOGICAL SURVEY
RESTON, VIRGINIA 22092

Memorandum

JUN 17 1976

To: Director of Budget

From: Director, Geological Survey

Subject: Comments on Report of Federal Energy Data Collection Activities and Systems

The enclosed statement contains the comments of the Geological Survey on the Report of Federal Energy Data Collection Activities and Systems prepared by the Surveys and Investigations Staff for the Committee on Appropriations, U.S. House of Representatives.

These comments are furnished in response to your request of June 9, 1976.

V. E. McKelvey

Acting Director

Enclosure

U.S. GEOLOGICAL SURVEY

Comments on the Report to the Committee on Appropriations, U.S. House of Representatives -- Federal Energy Data Collection Activities and Systems

There are many instances where the Report generalizes on the practices of more than one agency, but the generalizations do not necessarily apply to the Geological Survey. Rather then cite each of these in detail we have listed below those significant differences which we feel should be prominently noted in the Report.

The functions of the Geological Survey's Conservation Division are related to exploration and development operations of leaseable minerals conducted on leased Federal and Indian lands and the Outer Continental Shelf. This includes the approval and supervision of operations and the collection of royalties due the United States. This mission was omitted in the discussion on page 10 of the Report. All reporting forms used by the Geological Survey are associated with these regulatory activities; 38 are cited on page 18. The required reports are prepared by operators or lessees as a condition for the issuance of a permit. There are 26 OMB approved forms, some of which are duplicates with minor differences for reporting onshore and offshore activities. The remaining 12 are not data collection forms, but are used as supplements to required forms or to simplify requests for approval submitted by operators. No forms or data requests are sent in broadcast fashion to industry for statistical data. The only data collected is that required from lessees and operators for regulatory purposes.

Where an operator or lessee has an automated records system, the Geological Survey will accept magnetic tape or computer printout in lieu of formal reports provided that the data furnished enables the Conservation Division to meet its responsibilities.

The Geological Survey's Geologic Division operates data bases for resource assessment of oil and gas, coal, oil shale, uranium, thorium, and geothermal energy. All data are compiled from sources within the Geological Survey or from published sources. No forms or data requests are made to industry, therefore, creating no reporting burden.

On page 22 an expenditure of $20.7 million for FY 1975 is cited for the Geological Survey. This includes $14.3 million for the regulation of energy leasing operations and $6.4 million for data base systems associated with regulatory activities and resource assessment. The $6.4 million figure, which excludes the energy leasing operations (with corresponding increases for FY 1976 and FY 1977), is a more appropriate figure for inclusion in the table on page 22.

On pages iv, 38, and 70 mandatory reporting of oil and gas reserves is identified as especially burdensome, unnecessary and duplicative. The Geological Survey is cited as one of the agencies responsible for this

burden. The fact is the Geological Survey does not have a mandatory reserves reporting program for any commodity. The Geological Survey does have reserves inventory programs underway, but the reserves estimates are made by Geological Survey personnel from data already available under existing regulations, or from using information supplied on a voluntary basis by lessees. Therefore, the Geological Survey's reserves estimation program does not impose a reporting burden on the lessees as indicated in the report.

On pages ii and 15, the increase in Federal Government computers from 3,007 in 1966 to 8,649 in 1975 is cited. The statistics infer a substantial growth in computer usage by the Federal Government. It is our understanding that in terms of real dollars, there has been no growth in expenditures for ADP by the Federal Government in the last four years. In fact, we understand that the Federal Government represented 50% of the computer market in the 1950's, and today it is 7% and declining.

Bureau of Mines
Comments on
A Report to the Committee
On Appropriations
U.S. House of Representatives
on the
Federal Energy Data Collection Activities and Systems

The House Appropriations Committee, by directive on July 30, 1975, requested the Surveys and Investigations Staff to review the energy data collection activities and supporting information systems operated by the Department of the Interior, the Energy Research and Development Administration, the Federal Energy Administration, and other selected agencies which have major energy data collection programs. The Investigative Staff, comprised of six individuals and directed by Mr. Will Cofer, came to the Bureau of Mines in September 1975. Office space and other essentials were provided by the Bureau and the Investigators remained at Columbia Plaza until February 1976. The staff completed its report and submitted it to the committee in March 1976. The report is highly complimentary of most Bureau of Mines operations in the information area and recommends at several places that the Bureau should continue to be the central point for Government-wide mineral and fuel information collection and dissemination.

The Bureau of Mines was pleased to cooperate with the Investigative Staff and observed their approach to be thorough, professional, and comprehensive. The resulting report, compiled after the study was completed, is accurate (statistically and factually), logical, and very well written. Problem areas and data gaps were well defined and appropriate recommendations for improvements were documented

and meaningful. Analysis of reporting forms, procedures, industry burden, and information utilization (dissemination) indicated careful and minute assessment of government energy data requirements and industry costs involved to meet those governmental needs.

After reviewing the report, the Bureau of Mines concurs with the recommendations presented by the Investigative Staff. As noted in the report, the Bureau continues to cooperate with other agencies in the collection, analysis, and dissemination of data. Agreements with the Federal Energy Agency (FEA) established the Bureau as the data collection agency for selected petroleum and coal data. Current efforts will expand the Bureau's responsiblities to include data gathering relative to coal exports, Synthetic Natural Gas (SNG) plants, oil and gas reserves, and other information essential to the FEA Congressional mandate. The expertise of personnel, energy data gathering capabilities, and existing automated energy data bases are available within the Bureau to take the lead in establishing an energy information system as recommended in the report. The interagency data agreements between the Bureau and other agencies were noted and encouraged in the report.

Several general statements and recommendations contained in the report have been advocated by the Bureau of Mines including:

1. An imperative requirement to protect confidential company data.

2. A new government agency to collect energy data is NOT necessary. General Government-wide use of the Bureau of Mines as the data repository (collector) of statistical energy data is supported.

3. Regulatory (or compliance) data should be retained within regulatory agencies--Federal Power Commission, Securities and Exchange Commission, Federal Energy Administration, Atomic Regulatory Commission, etc.--for regulation purposes.

4. Coordination, review and consolidation of government energy canvass forms is desirable. The Federal Interagency Council on Energy Information is proceeding to accomplish this.

5. The Bureau of Mines should be given mandatory data collection authority.

6. Sharing of data or information and cooperation between agencies is necessary. Agreements between agencies is an excellent method for data sharing.

7. Data verification and energy data standards need government-wide cooperation to establish uniformity. (Again, the Federal Interagency Council on Energy Information has this as a charter objective).

The recommendation that the Bureau of Mines be the Government's basic collector and repository of statistical energy data reflects the Bureau's demonstrated capability in this area. The automated data bases (Fuels Availability System, FAS), data collection capability, professional analytical expertise, and longstanding (historical) association with the coal, petroleum, and natural gas industries support the recommendation. The Bureau of Mines already is the major provider of essential energy information to government agencies, Congress, industry, and the public.

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FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

DEPUTY ADMINISTRATOR

APR 12 ..

The Honorable Sidney R. Yates
House of Representatives
Washington, D.C. 20515

Dear Mr. Yates:

Thank you for providing me with the results of the Appropriations Committee study on energy data collection by government agencies. I and my staff have reviewed the report in detail.

It appears the main thrust of the paper is limited to substantiation of the long-recognized fact that there is redundancy and ambiguity in the government's data collection process. The paper does not appear to address the principal issue, namely, how best to eliminate duplication of data collection requirements and improve the usefulness of the data collected. By failing to provide a meaningful assessment of these primary considerations, the report gives the impression that the main problem is the dereliction of government agencies in the discharge of their data collection responsibilities. That impression is not valid.

Moreover, the report contains many errors of fact, statistical discrepancies, and significant omissions; hence a very inaccurate description is given of FEA activities. Rather than resort to a detailed annotation of such inaccuracies, however, I have enclosed a brief summary of the most glaring misrepresentations in the report.

A key consideration insofar as FEA is concerned is that very little latitude is given this agency to decide what data is to be collected, from whom, and when. (More than 90% of FEA's data collection activities exist because of Congressionally mandated requirements and deadlines.) Consequently, although we do make every attempt to use existing systems, we often find that the data provided is not timely enough to fulfill the legislated requirements or is inaccurate,

incomplete, or ambiguous and hence cannot meet the legal requirements of our regulatory programs. Also, it has generally proved substantially more cost-effective to develop a new system than to modify an existing one.

This difficulty in integrating data collection requirements led FEA to initiate the Federal Inter-Agency Council on Energy Information, which was commented on favorably in the study report. (Contrary to the report, the Council has been very actively supported by FEA management, evidenced by the fact that the Council chairman is FEA's Deputy Assistant Administrator for Data Services, and the Council's Executive Secretary is a senior member of FEA's National Energy Information Center.)

FEA has taken other positive steps to improve standardization and foster integration, such as the FEA/Customs import reporting system developed for the embargo period and the FEA/BOM system for petroleum reporting. Additional activities of this nature include the following:

1. Negotiations between OMB, FEA, Customs, and Census to modify Census oil imports statistics to meet requirements. Upon completion, it will be possible for FEA to phase out other imports data collection activities and depend exclusively on Census data.

2. A standard reference manual of energy conversion factors for international statistics. Already informally approved by the United Nations, use of this manual will eliminate important discrepancies in international energy data.

FEA has also taken steps to help ensure that government agencies do not generate redundant information. Specifically we have put together the Federal Energy Information Locator System report to identify and describe all major energy data collecting activities in the Federal government. In addition, FEA has developed its own data dictionary to ensure that data elements and definitions of these elements are not duplicated within FEA. Copies of both of these items are attached.

There are many other specific points which could be made, but I would rather offer the assistance of my staff in providing your staff a more detailed review. FEA is committed to developing a comprehensive and efficient energy data program, and I look forward to continuing to work with you to achieve that end.

Sincerely,

(Sgd) Eric R. Zausner

Eric R. Zausner
Deputy Administrator

Enclosure

COMMENTS RE A REPORT TO THE COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES, ON THE FEDERAL ENERGY DATA COLLECTION ACTIVITIES AND SYSTEMS

The following comments highlight a few of the more glaring inaccuracies contained in subject report:

1. Regarding the matter of collection forms and their control, the study contains misleading information. For example, contrary to the study data presented, FEA does have a very effective forms administration program.

   - o The initial survey list provided the study team contained both active and inactive forms. Also, as instructed, some forms were listed more than once in order to provide coverage for each type of fuel. The study team apparently overlooked this double-entry condition. As a result, the totals of forms and responses used in the report are not always correct.

   - o The number of forms used by FEA changes as the number and kind of requirements change. Typically, approximately 85 forms either are in use or are being tested or are under review. Those forms may require as many as 628,000 responses in an average year. However, many of those requirements are special in nature and may occur only once. Hence it is perhaps more useful in the context of the study to review the exact status of FEA's recurring reporting requirements.

     - In brief, FEA currently has only 60 active forms; 23 additional forms have been proposed and are under review.

     - Of the 60 active forms, 4 belong to other agencies. Of the 56 FEA-initiated forms, 6 are voluntarily prepared by industry; 50 are required because of legislation.

- Of the 50 mandatory FEA forms, 21 represent requirements without a prespecified frequency.

- Of the 29 remaining FEA forms, 1 is required annually; 4, quarterly; and 24 monthly.

These mandatory recurring requirements represent an aggregate universe of 25,259 respondents (some of which are the same organizations) that prepare approximately 87,000 responses per year. The study discussion was incorrectly based on a substantially larger collection activity.

o Another reporting error relative to the FEA forms program is that the study cites the Federal Energy Information Locator System (FEILS) as an example of overautomation for forms control. In fact, the FEA forms control system is a manual system supplemented by a simple WYLBUR data set. FEILS, on the other hand, is one of FEA's major contributions to the solution of energy data collection problems because FEILS is the only system in operation anywhere that identifies and describes energy data collection activities in all of the Federal Government. (A copy of FEA's recent publication on FEILS is enclosed.)

o The report also notes the problem of forms being used past their expiration date, a condition which FEA strives diligently to avoid. It is alleged that FEA is continuing to use Form FEO 903, which has expired. In fact, Form FEO 903 was superseded by FEA Form 118, which does not expire until December 31, 1978.

2. Regarding some of the more general topics discussed, there is also a surprising misunderstanding of FEA activities reflected in the report, as well as several omissions of significant FEA activities in these areas:

   o Contrary to other statements in the report, FEA has directed much attention to management of its data programs. A Data Review Board was established within a few months of FEA's inception, to coordinate data requirements and resources. A comprehensive Resources Management System has been operated by the Office of Data Services for almost as long a time. There are continuing reviews by each program office of their data requirements. The Deputy Administrator meets with the Assistant Administrators on a quarterly basis to establish priorities and data resource allocations. Indeed, FEA's management of its data programs is probably one of the most effective activities of its kind in the Federal Government.

   o In such matters as duplication and inconsistency of definitions, FEA concurs with the finding that much is yet to be done. FEA has already initiated many positive steps in that regard. For example:

      - FEA initiated negotiations with Customs, OMB, and Census to use a physically meaningful date of importation for all U.S. import statistics and to verify that date by appropriate means. All parties concerned have accepted the proposed new date; the verification step is next to be resolved. Implementation of this change will permit phase-out of two FEA oil import data systems and the BOM oil import data system.

      - FEA has in preparation a standard reference manual of energy conversion factors for use on an international basis. This material has already been informally accepted by the United Nations; and negotiations with other

countries are in process. Use of this standard will eliminate a source of discrepancies in international energy statistics.

- FEA has an ongoing effort dedicated to the analysis of existing government energy data reporting systems to identify and correct faulty definitions of data elements and reporting terminology. (A copy of a preliminary edition of FEA's Data Dictionary is enclosed.)

  Relative to duplication, the study should have made clear also that no new FEA system is initiated until all known Federal systems have been evaluated for use as-is or by possible modification. Even during the crisis period of the Arab embargo, FEA (at that time, FEO) tried to find a way to use any of the import data systems maintained by Census, BOM, the American Petroleum Institute, and others, but found them not suitable and hence undertook a joint effort with the Customs Service.

o Regarding FEA support of the States, most FEA offices, both headquarters and regional, have excellent working relationships with State energy offices. For example, FEA began developing a program in early 1975 to provide a framework for State/Federal cooperation in the furtherance of national energy conservation goals. During the spring of 1975, FEA, the National Governors' Conference, and representatives of five States worked together in drafting the initial plan to encourage and assist States in developing, implementing, and evaluating State energy conservation programs. This plan for State/Federal cooperation in energy conservation was endorsed by the National Governors' Conference and FEA Administrator Frank Zarb, on June 11, 1975. The State/Federal program relied heavily on voluntary State participation in a data classification system to be used as a basis for developing State energy forecasts through 1985. When the Energy Policy and Conservation Act was signed into law, its provisions for a

State/Energy Conservation Program approximated the FEA State/Federal program in many respects. Participation is voluntary. Conservation goals are to be established for a projected 1980 reduction in energy consumption for each State. FEA will provide technical support and, as funds are authorized, financial assistance.

- o Regarding the report's material relative to the reporting burden on industry, it is true that Federal requirements to collect energy data represent a severe load which should be lessened to the maximum extent possible. (In that regard, it should be noted that almost 90% of the collection undertaken by FEA is in implementation of Congressional requirements.) However, it would seem FEA -- and other agencies surveyed -- should have been asked to review industry comments. Possibly, such a review would have explained, or corrected, the study's report that one company expends $7.8 million annually for 3,000 manhours of activity (which equates to $2,600 per hour).

3. Although discrepancies can often be found in statistical material, most of the statistics and attendant findings concerning FEA should not be accepted as reported in the study. For example, FEA's FY 1975 data costs, which were primarily of a start-up nature, should not be used as a base for comparison with estimated costs for operations in FY 1977. (If FY 1976 is used as the base, the FY 1977 increase is only 32%, a factor easily explained by the impact of the EPCA.)

These comments do not annotate the study report on an item-by-item basis. The report should not be released in its present draft form, given the inaccuracies in it. Any further assessment of energy data collection should be directed toward solutions of the basic problems inherent in establishing the coordination and integration of government data systems.

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