Yet with an enlisted force that is younger and less experienced every year and a fleet that is older than 38 of 41 navies of similar size and mission, there is evidence that its core mission is being compromised:

A shortage of serviceable HC–130 search planes may have contributed to the death last fall of a boater who called for help during a storm off the California coast.

Four people drowned in 1997 near Charleston, S.C., during a storm after an inexperienced watchstander failed to pick up the word ''Mayday!'' on a radio distress call. The National Transportation Safety Board later cited ''substandard performance'' by the service.

That same year, three Coast Guard crewmembers died when their boat capsized during a rescue attempt off the coast of Washington. An internal report blamed a lack of training and experience, noting that many crews are ''unqualified to fill the billets to which they have been assigned.''

''They're reaching the edge of their capabilities,'' says Mortimer Downey, deputy secretary of Transportation, which oversees the Coast Guard. ''We're seeing less than optimum performance.''

In what was called a ''cultural shift'' signaling that crews would no longer try to do more with less, Coast Guard Commandant Adm. James Loy ordered in March an unprecedented 10% cut in non-emergency operations. ''The strains caused by having tired people run old equipment beyond human and mechanical limits (degrades) our readiness,'' he said recently.

''Coasties'' will still answer every call for help. But safety inspections and patrols to catch drug smugglers, illegal migrants and foreign vessels illegally fishing in U.S. waters have been scaled back. The Coast Guard commander on Nantucket Island, Mass., has stopped operations for eight months though crews will still respond to search-and-rescue emergencies and oil spills. He said his crews need the time to repair their boats and train.

''The reduction in Coast Guard presence on the high seas will undoubtedly mean more illegal drugs will not (sic) stopped, more illegal migrants will reach our shores, and more foreign fishing vessels will harvest our marine resources,'' retired vice admiral Howard Thorsen wrote in May's issue of Proceedings.

Since 1976, when Congress expanded the coastal limit from 12 miles to 200 miles, the Coast Guard has enforced the law in the United States' exclusive economic zone—at 3.4 million square miles the world's largest. During that same period, the service was given the jobs of protecting the marine environment, stopping illegal migrants and interdicting drug smugglers. The last two decades have also seen safety-related duties expand as the number of recreational boats and passenger cruise ships has skyrocketed.

Yet the Coast Guard, which has 35,000 active-duty service members, is the same size as in 1967. It joined the other military services in a post-Cold War downsizing that saw 5,000 people leave in the 1990s. And now, like those services, it is struggling to cope with high turnover and tough recruiting in a red-hot economy:

Enlisted experience has declined from 8.8 years in 1995 to 7.9 years today and is expected to drop to 7.1 years in 2003.

The percentage of experienced pilots who leave every year has doubled since 1995, soaring from 20% to 40%.

More than a quarter of enlisted cruise ship and charter boat safety inspectors have not attended entry-level marine safety courses. A third of lieutenant commander safety billets are filled with junior lieutenants.

The Coast Guard has half the certified surfmen it needs to operate rescue boats in the most dangerous conditions. Aging equipment adds to problems. On any given day, just 60% of the HC–130 fleet is fit for duty. Some have been turned into ''hangar queens,'' cannibalized for spare parts to keep other aircraft flying.

The Coast Guard's major cutters are an average of more than 30 years old. Many smaller boats also date to the Vietnam War. Such a creaky fleet is no match for drug smugglers.

Thsi year, at least 400 souped-up speedboats carrying tons of illegal drugs from Colombia will cut through the Caribbean at up to 50 knots per hour. The fastest cutters reach 30 knots. The result is that nine of 10 smugglers get away.

In December, a government task force recognized the problems and endorsed replacing the entire fleet with electronically linked high-tech cutters, small boats, fixed-wing aircraft, helicopters and satellites. The so-called Deepwater project, which has bipartisan support, would cost at least $500 million a year for the next 20 years.

By Pentagon standards, the project is modest. But then again, the Coast Guard's $4.1 billion budget is tiny compared with the Pentagon's nearly $300 billion budget.

CONGRESS MUST PROVIDE A TRANSFUSION TO AMERICA'S HEALTH CARE SYSTEM

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. NETHERCUTT) is recognized for 5 minutes.

Mr. NETHERCUTT. Mr. Speaker, I am delighted today to pay tribute to a gentleman who is not only a friend but a great part of the Fifth Congressional District of Washington. His name is Gordon McLean. He is the Administrator of the Whitman County Community Hospital in Colfax, Washington. He has been working in my office the last couple of weeks on the issue of health care and helped me prepare these remarks today for delivery to the House. He is not only a valued friend but a valuable part of the medical community in eastern Washington and really across the Nation.

Mr. Speaker, the Nation's health care system needs a transfusion that only Congress can provide. I am delighted to recognize the extraordinary health care system we have in my Fifth Congressional District of Washington, a model of cooperation, collaboration, and creative solutions to the challenges facing an industry continually pressed to do more with less and never make a mistake.

Without a transfusion in the form of further Medicare and Medicaid relief, this system is in jeopardy, and it is not alone. The lack of reasonable and necessary reimbursement for quality health care services is affecting health care systems across our country. Right here, in what people in my State call ''the other Washington,'' one major hospital totters on the brink of closure, while another copes with a strike by nurses.

Ever more often we see headlines about patients dying or being injured because of medication errors, short staffing, too much overtime, misuse of restraints, unsafe bed rails and overworked interns. Many of these reports are exaggerated, based on flawed or insufficient study and embellished by tabloid sensationalism. But we must admit that there is often an element of truth in every report.

In a hospital, a reportable accident or a situation prompts a root-cause analysis that is conducted to get to the root of the problem, change policies and procedures, and take steps to ensure the risk is reduced or removed. The truth is that more and more of these reportable incidents can be traced back to insufficient funding. The truth is that there will be more safety, service and staffing incidents until Congress provides a funding transfusion not only for hospitals but for community clinics, home health, and hospice services, graduate medical education, and all the vital components of our health care system.

The Balanced Budget Act was a timely and appropriate effort by Congress, and I also believe that the reduction in projected payments for Medicare and Medicaid was intended to be reasonable and necessary. One intended consequence was what we eastern Washingtonians describe as separating the wheat from the chaff. There needed to be some pruning of excess duplication and abuse, shaking out those who saw Medicare as a gravy train. While painful and maybe a little too aggressive at first, the Medicare crackdown on Medicare fraud was timely and appropriate as well. Yes, it has been difficult for the last 3 years, but I believe our health care system is now and will continue to be healthier for the experience.

At the same time, even Mother Joseph, who pioneered health care ministries in our great Pacific Northwest, the Mother Joseph we honor in our Congressional Hall of Statutes, understood the meaning of no margin, no mission. And it is this deteriorating margin in the health care industry that prompts my comments today.

The new reality is that our extraordinary system of health care in this country, designed to care for the ill, injured and infirm is itself infirm, unstable and tottering. Yes, this system sacrificed for the cause of a balanced budget. Yes, there have been the pains of change as the system has become more efficient and productive. Needless to say, Medicare compliance is a priority for providers who have received the message from Congress.

Yet, Mr. Speaker, I believe we have gone beyond intended consequences and are in the realm of serious systems failures if there is no boost to margins for health care providers. One of the first rules in medicine is, ''First do no harm.'' I believe we have reached the point of harm in many programs, from graduate medical eduction to home health.

We recall the urgency to balance the Federal budget. We achieved that goal. And we recall how reductions in projected Medicare and Medicaid patients' payments made a significant contribution. I believe too significant. For example, 3 years into our 5-year program, we find the hospital inflation rate running at three to four times their Federal payment updates. The hospital inflation rate is driven by wage and benefit demands in a labor shortage environment, the rising cost of supplies, replacing and adding new technology, responding to greater numbers of uninsured, and adding staff to cope with the increasing complexities of administration.

While I use the hospital example, I am speaking for the entire health care system. Each component faces similar as well as unique challenges. The one common denominator they share is deteriorating margins. Congress has been besieged by countless messages from health care providers telling us of the unintended consequences of the Balance Budget Act; that our reconciliation efforts last year were appreciated but were not enough; and that a 2-year transfusion is needed now.

There is another saying in medicine. ''Bleeding always stops.'' The challenge is to determine the cause of the bleeding and take action before it is too late. Today, I ask my colleagues to join together in a bipartisan effort to recognize the extraordinary health care system we have in America, acknowledging enough is enough, and providing prompt and appropriate Balanced Budget Act relief to stem the bleeding, and to do no more harm to one of our Nation's most valued assets; the American health care system.

URGING LEADERSHIP TO GIVE H.R. 4541 FULL HEARING

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York (Mrs. MALONEY) is recognized for 5 minutes.

Mrs. MALONEY of New York. Mr. Speaker, last week's announcement by President Clinton that the Federal Government would swap 30 million barrels of oil from the Strategic Petroleum Reserve was welcome news to myself and many other Members from the Northeast. I remember all too well the effect that last winter's dramatic spike in heating oil prices had on my constituents' heating bills. While the OPEC countries should do the right thing and increase supplies, here on Capitol Hill lobbyists are working behind the scenes to increase their companies' bottom lines at the expense of the public and taxpayers.

I want to take this opportunity to bring to the attention of my colleagues an important piece of energy legislation that may soon be placed on suspension. The Commodity Futures Modernization Act of 2000, H.R. 4541, which was passed by the Committees on Banking and Financial Services, Commerce and Agriculture. This is important legislation for our Nation's financial services and our economy in general.

I am concerned that a provision excluding trading in energy derivatives from proper regulation has been added to this legislation and that the House may not have an opportunity at this late date to debate this provision. The legislation, as reported by the Committee on Banking and Financial Services, increases the legal certainty of financial derivatives by excluding them from regulation by the Commodity Futures Trading Commission. These financial instruments are used by financial institutions and large businesses to offset interest rates, foreign currency, credit and other risks. When used by qualified investors, financial derivatives can reduce risk and increase the efficiency of the economy.

In drafting the Commodity Futures Modernization Act, the House committees closely followed the recommendations of the report of the President's working group on financial markets. The working group, comprised of the Federal Reserve, SEC, OCC, and CFTC, produced its report after months of study of the derivatives market. A central recommendation of the working group was that the exclusion from CFTC regulation should be limited to financial derivatives. Financial derivatives are based on underlying commodities of infinite supply, such as interest rates.

CFTC Chairman William Rainer elaborated on this distinction before the House Committee on Agriculture, and I quote,

> H.R. 4541 diverges, however, from the President's recommendations by codifying an exemption for most provisions of the Commodity Exchange Act for transactions in energy and metal commodities. In recommending an exclusion from the CEA for financial derivatives, the working group differentiated between trading financial products and nonfinancial products.

Continuing, he said,

> The CFTC has already exempted many types of energy trading from the provisions of the Commodity Exchange Act. But the exemption for energy commodities included in H.R. 4541 expands the scope.

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''The Commission's 1993 energy exemption is confined to parties with a capacity to make or take delivery. But this act would extend the exemption beyond those acting in a commercial capacity to encompass all eligible contract participants as defined in the bill.''

In other words, the bill that the House may be asked to vote on contains an exclusion for energy products that was not recommended by the report which the House otherwise followed in drafting the bill.

Contributing to my concern is that the public and the CFTC may be handcuffed in monitoring energy derivative prices if trading that currently occurs on energy future exchanges moves to private, multilateral electronic exchanges that the energy companies themselves may own.

Given the historically high energy prices we are currently facing, I believe now is the wrong time to limit our regulators in policing fraud in the energy markets. Again the CFTC, the regulator, agrees with me on this point. Last week I received a letter from Chairman Rainer in which he wrote of the provisions in this bill.

He said, ''Charging the Commission with the responsibility to police for fraud and manipulation, however, without conferring authority to right regulations where necessary, leaves the CFTC inadequately equipped to fulfill these responsibilities.''

Mr. Speaker, I include for the RECORD the following letter from Chairman Rainer:

U.S. COMMODITY FUTURES TRADING COMMISSION,
Washington, DC, September 19, 2000.

Hon. CAROLYN B. MALONEY,
Member of Congress, House of Representatives, Rayburn House Office Building, Washington, DC.

DEAR REPRESENTATIVE MALONEY: I am pleased to write you on behalf of the Commodity Futures Trading Commission in response to your recent letter asking for the Commission's position with respect to language in H.R. 4541 that would exempt energy and metals products from regulation under the Commodity Exchange Act.

Before addressing the specifics of the energy and metals exemptions, I would like to emphasize the Commission's support for swift Congressional action on legislation establishing legal certainty for over-the-counter financial derivatives consistent with the unanimous recommendations of the President's Working Group on Financial Markets.

However, all versions of H.R. 4541 also contain provisions that effectively exempt most forms of trading in energy products from the Commodity Exchange Act, contrary to the recommendations of the PWG. As stated previously in testimony in both the House and Senate, the Commission is deeply concerned that these exemptions are not based upon sufficient evidence to warrant their inclusion in the legislation. One of the principal factors cited by the PWG in recommending an exclusion for OTC financial derivatives was that nearly every dealer in those products is either subject to, or affiliated with, an entity subject to federal financial regulation. This cannot be said with respect to most participants in trading energy products.

The Commission also notes that the views of other agencies with responsibilities for regulating various aspects of the cash markets in energy products have not been solicited. The recommendations of the President's Working Group on Financial Markets