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S. HRG. 107–1079

U.S. COAST GUARD FY 2003 BUDGET REQUEST

HEARING

BEFORE THE

SUBCOMMITTEE ON OCEANS, ATMOSPHERE, AND FISHERIES

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

MARCH 19, 2002

Printed for the use of the Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

92–117 PDF WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

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ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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U.S. COAST GUARD FY 2003 BUDGET REQUEST

TUESDAY, MARCH 19, 2002

U.S. SENATE,
SUBCOMMITTEE ON OCEANS, ATMOSPHERE, AND FISHERIES,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 3:32 p.m. in room SR–253, Russell Senate Office Building, Hon. John F. Kerry, Chairman of the Subcommittee, presiding.

OPENING STATEMENT OF HON. JOHN F. KERRY, U.S. SENATOR FROM MASSACHUSETTS

Senator KERRY. The hearing will come back to order. We are delighted to welcome the Commandant of the Coast Guard, Admiral Loy. It is a great pleasure to welcome you, Jim, and also Ken Mead, Inspector General of the Department of Transportation, and JayEtta Hecker of the GAO. We welcome all of you.

But particularly, Admiral Loy, we welcome you. It is, I am confident, a very mixed feeling that you have today. This is your last hearing before the Congress as Commandant, barring unforeseen circumstances. I am sure that there is a part of you that says, thank God I do not have to deal with this any more, and then there is another part of you that just sort of sees time passing by and the end of 4 years of stewardship, and also your career, which has been extraordinary.

I was thinking about it a moment ago. I have been here now through commandants since Ronald Reagan was President and I have seen therefore I guess four or five come and go and, by the grace of God, some of us are still here. Maybe there is an unfairness in the terms of office. I do not know. I know we are not complaining.

But it certainly does emphasize the passage of time and the great contribution that each of you make. You work these long careers, beginning as a young ensign and working your way up that long ladder, never knowing quite where it is going to take you or if there is even a career in it. I am sure there are moments along the way where you say, well, I will give it one more hitch and see where it takes me. I know that way of thinking, and all of a sudden you have this world-class opportunity to serve at the highest level of our Nation's armed forces.

So we are very, very grateful to you for your distinguished service, and I personally, and I know Senator Snowe feels this, we are both very grateful to you for your attentiveness to our particular issues and our concerns and our regions that live by the sea and

on the sea and have a great history with the sea and with the Coast Guard, too.

You heard, I think, perhaps some of the exchange with your successor, and we certainly congratulate you on his stewardship as Vice Commandant. You have really prepared him well, I think, and the committee looks forward to working with him and it will be a continuum, if you will, of your own service.

You heard our concern, and I am not going to go through it all again, but the bottom line is that we have always had deep concerns about the Coast Guard's budget, and I know that you all get put in this position by OMB, and by the pot you are given and you have got to live by it, and there are marching orders and you march. We are not quite so restrained and constrained, but we are deeply concerned that when you finish with this billion dollars there is only about a $330 million real operational increase and just an enormous amount of responsibility.

I personally will just say it up front. I do not think it is enough to do the job. It is not a 28 percent increase in the end when you finish with retirement accounts and personnel and so forth. What we need is operational money, money to put people on the line, money to put equipment on the line, money to put people in boats and for the various things they ought to be doing.

So we are going to continue to fight for that, and we are going to talk about it a little with you today. But let me just turn to my ranking member and ask her for her comments. Then we look forward to your testimony.

Admiral LOY. Thank you, Mr. Chairman.

STATEMENT OF HON. OLYMPIA J. SNOWE, U.S. SENATOR FROM MAINE

Senator SNOWE. Thank you, Mr. Chairman.

Welcome, Admiral Loy, to what might be your final opportunity to testify before the committee. That may be good news or bad news, I do not know which. I have to tell you that one of the privileges in serving in public office is having the opportunity to work with people like yourself. You have been extraordinary in the service you have rendered this country in the performance of your obligations and responsibilities as Commandant of the Coast Guard.

There was never a time, never a moment, where you were not forthcoming and straightforward with me and the members of this committee and with the chairman on so many of the issues confronting the Coast Guard. Throughout your tenure you provided exceptional leadership, particularly in the instance of September 11th. You displayed a remarkable agility and response and flexibility to the issues and challenges during that very perilous and tumultuous chapter in America's history.

I want to convey my profound gratitude for the contributions you have made to this country in leading the Coast Guard. I also want to commend you on the manner in which you have, with the most upstanding integrity, standards, and principles, been able to accomplish so much on behalf of the Coast Guard. This is especially noteworthy when, as you have said on many occasions—and I concur and I know the chairman concurs—we are asking the Coast Guard to do more with less.

Unfortunately, it will come soon enough for you, because you will be departing at the end of May. Hopefully we can reverse that course so that we can assist the Coast Guard in addressing the multiple challenges that do exist. These readiness and retention challenges manifest themselves in the budgetary shortfalls and the new challenges involving homeland security. Given the fact you are already a multifaceted agency with multi-mission responsibilities, you are now adding a whole new layer of homeland security.

You have addressed this issue so eloquently since September 11th and how you think the Coast Guard should respond to this particular responsibility and challenge. I appreciate your presence here today and I am interested in hearing how you can help steer the committee and the Congress in moving the Coast Guard forward into a new era, this new normalcy. I know that you are proposing a 3-year plan to address the personnel issues and the readiness and retention issues that are associated with it. Additionally it includes the modernization, the equipment side, as well as the homeland security initiatives that the Coast Guard will be supporting and fulfilling in the years to come.

But again, I want to express my appreciation to you for going above and beyond your responsibilities in every way. I really appreciated your communications with this committee time and again on so many fronts that affected the Coast Guard. So again I applaud you for the stewardship that you have provided in such an exemplary fashion.

Admiral LOY. Thank you very much, Senator Snowe.

Senator KERRY. Admiral, we welcome your testimony. Let me just say that I have, unfortunately, a conflict at around 4 o'clock. I am going to hope we can get through my round of questions and then I will leave the hearing in the hands of my ranking member.

Thank you very much, Admiral.

STATEMENT OF ADMIRAL JAMES M. LOY, COMMANDANT, UNITED STATES COAST GUARD

Admiral LOY. Good afternoon, Mr. Chairman and distinguished members. It is a pleasure to appear before you today to discuss the Coast Guard's fiscal '03 budget and its impact on the essential daily services we provide the American public.

I think my first responsibility today, Mr. Chairman, is to thank you for your personal effort and for that of all the members and the staff during the post-9-11 period when the transportation appropriation and the fall supplemental appropriation was being negotiated. I am especially pleased with the structure of the $209 million supplemental that was passed because it reflected not only immediate maritime security requirements that we had, to include paying for reservists called to active duty, but it also recognized the half-year of the fiscal '02 National Defense Authorization Act requirements. That exposure would have reflected less service to the American public if we did not get that, and to find it in the supplemental appropriation was something I appreciate very, very much, because that effort has enabled us literally to put the full capability of our service, including solid maintenance accounts, perhaps for the first time in a long time, into the war on terrorism.

You were there when we needed you and I am enormously grateful for that from the committee.

Working with Secretary Mineta and the Department, the Coast Guard's fiscal '03 budget first and foremost represents significant increases to stand up to our homeland security responsibilities. We are in a resource crisis with respect to the permanent capability to deal with our maritime security challenges and this budget steps forward strongly.

When the President said this budget being sent to the Congress has the largest increase in spending for the Coast Guard in our Nation's history, it was our ports and waterways and coastal security, including the approaches to the exclusive economic zone, that must be the focus of what we do with those funds.

Last year I talked about restoring our readiness and shaping our future so as to enable the Coast Guard to adapt to the needs of the Nation. This budget methodically continues that strategic effort and concentrates on our efforts to rebuild our search and rescue program, a clear administration and Congressional priority, as you have already discussed with Admiral Collins.

All these intentions were shot sort of into the future that arrived unannounced on 9-11 of last year. The transformation that we had designed, that we were already about, occurred sooner, faster, and with a greater intensity than we ever anticipated, but it did not alter the fundamental vision that this committee and our service had set out for ourselves. We must continue that transformation because an investment in it is an investment in maritime security at the same time.

As a first order of business, Mr. Chairman, I would like to thank you for your personal commitment to an authorization bill this year. We now have gone 2 years without one and there are important initiatives associated with our ability to do our work, including things in homeland security that are part and parcel of that bill, and I thank you for your commitment to see through getting us an authorization bill this year.

I will just make brief remarks about four items, sir, as to the proposed '03 budget. First, maritime security. With strong support from Secretary Mineta and Governor Ridge, we have developed a five-goal maritime security plan for the Nation that we have briefed several times, both in its initial design and then its status across time. I am about to do that again for both the Secretary and for Governor Ridge, and if that is of value to the committee I am obviously delighted to have the opportunity to do that for you as well.

But it is about five goals. I heard you discuss those with Admiral Collins, so again I will not belabor it. But it is about building better Maritime Domain Awareness, so that we literally know more about what is going on around us in the maritime sector. It is about the control of high interest vessels in our ports and waterways. It is about boat count and head count and presence on our waterways for their deterrence value and for their response capability value, is the third element.

Fourth is so as to make sure we are protecting the critical infrastructure of our ports and waterways as well as protect Coast Guard people and forces.

Finally, to outreach both at home and abroad, so that we design an all-hands evolution that collectively raises the security profile for our ports and waterways.

I think we are making headway in that regard. We have developed the mother of all Gant charts which itemizes specific things that will carry forward in each of those five important areas.

Second, sir, our search and rescue program. This committee focused on the search and rescue program last year and I want to report back that I have listened very carefully. As well, both GAO and the IG have constructively helped us think through the issues associated with the challenge. The enacted '02 budget plus the supplemental plus the '03 budget are systematic steps in a 5-year plan that we have developed.

Between them, we will add 400 people or more and $30 million worth of capability to our SAR system over those two budget cycles. We just offered a solid review of the plan to the IG staff and my feedback from Ken is that they were very pleased with the game plan that they saw.

But more importantly, clear capability improvements, significant head count additions, solid training investments, and very real equipment and technology improvements have been made and will continue in the '03 budget.

Third, NDRSMP. This project will modernize the capital infrastructure that enables effective safety and security response capability. The IG continues to identify three issues here and I am happy to answer questions about them in Q and A: Did we dilute important capabilities in the phase two RFP? Will there still be coverage gaps? And is there an adjusted standard for system restoration that we should be concerned about? Again, happy to answer any questions about that in Q and A.

Last, the Integrated Deepwater System. On his recent trip to Portland, President Bush said: "We must make sure our Coast Guard has a modern fleet of vessels." The administration and the Congress have helped us move in that direction and we are literally on the cusp of the award of that contract. We have reached out along the way time and time again to seek counsel and advice from experts.

Just last week we passed another important milestone when we determined the competitive range and those who would continue in competition, and that leaves us only the actual award itself, which appears to be in place on the time line in about the middle of June.

Last year I was cautioned to be meticulous and methodical and not rush to decisions, and we have done that and more. At the request of OMB, the Acquisition Solutions, Incorporated, conducted an independent review of the phase two RFP. It delayed our time line, but I think it was time well spent. The review concluded the project was well conceived, well developed, and well managed.

We have scrubbed the requirements very hard since 9-11 and in the aftermath of the terrorist attacks I find the Integrated Deepwater System Project to be even more important to the Coast Guard and the Nation because of its focus on interoperability and C4ISR issues.

This is the right project, Mr. Chairman, which I know this committee supports, whose time is now.

My written statement closes with a quote from the President. Again he said: "I saw how the Coast Guard responded after 9-11 and I know how important the service is for the safety, security, and wellbeing of American citizens." Mr. Chairman, I know you are and I am enormously proud of what every member of my service has contributed since then, and before, for that matter.

Our great strength is the multi-mission capability and the inherent flexibility that we have as an organization that we offer America. That is exactly what we did on 9-11 by shifting gears to the Nation's crisis of the moment. This budget will underpin that capability in fiscal year '03.

Mr. Chairman, I look forward to your questions.

[The prepared statement of Admiral Loy follows:]

PREPARED STATEMENT OF ADMIRAL JAMES M. LOY, COMMANDANT, UNITED STATES COAST GUARD

Introduction

Good morning, Mr. Chairman and distinguished members of the Subcommittee. It is a pleasure to appear before you today to discuss the Coast Guard's fiscal year 2003 budget request and its impact on the essential daily services we provide the American public.

Working with Secretary Mineta and the Department of Transportation, the Coast Guard's fiscal year 2003 budget request first and foremost represents significant increases to address our Homeland Security responsibilities. The President said, *"the budget [being sent] to the United States Congress [has] the largest increase in spending for the Coast Guard in our nation's history."* Our ports, waterways, and coastal security are the focus of that increase.

Last year I talked about the Coast Guard's multi-year plan to transform our organization by Restoring Our Readiness and Shaping Our Future to enable the Coast Guard, as a multi-missioned, maritime, military organization, to adapt to the needs of our Nation. This budget methodically continues that strategic effort and also concentrates on our efforts to rebuild our Search and Rescue program, a clear, Administration and Congressional priority. All these intentions were changed by the events of September 11th of last year. The transformation that we had designed occurred sooner, faster, and with greater force than we might have anticipated but it did not alter our fundamental vision . . . we must continue that transformation. As we bolster the foundation of our service, we'll simultaneously enhance our increased Maritime Homeland Security capabilities.

Transforming Our Organization

The Coast Guard achieves its flexibility and strength through its military discipline, multi-mission character, and civil law enforcement authority. This unique authority and flexibility in operations allows our organization to shift our resources rapidly from one priority to another, often in a matter of minutes.

Our mission profile is different than planned for a year ago. At that time, Marine Safety was allocated 14 percent of our mission portfolio including the Coast Guard's traditional Port Safety and Security efforts. In the days and weeks following the terrorist attacks, we dedicated over half of all Coast Guard resources to Maritime Homeland Security—or as we now refer to it—Ports, Waterways, and Coastal Security. In fiscal year 2003, our traditional Marine Safety activities coupled with the resources dedicated to Ports, Waterways & Coastal Security will represent a very significant 27 percent of our Coast Guard resources.

Terrorism, however, is only one of many modern day threats to homeland security. Migrant and drug smuggling compound the threat of terrorism when they contribute to illicit movement of people, money, and weapons across our borders. They continue to grow in severity each year. Profits from these criminal activities are well documented as significant funding engines for international terrorism.

Our Maritime Transportation System (MTS) is both valuable and vulnerable. The MTS includes waterways, ports, intermodal connections, vessels and vehicles. The Maritime Transportation System moves 95 percent of the nation's overseas trade accounting for nearly $1 trillion in GDP. Protecting America from terrorist threats requires constant vigilance across every mode of transportation: air, land and sea. The agencies within the Department of Transportation, including the U.S. Coast Guard,

the Maritime Administration (MARAD), and the Transportation Security Administration touch all three modes of transportation and are cooperatively linked. The vast majority of the cargo handled by this system is immediately loaded onto or has just been unloaded from railcars and truckbeds, making the borders of the U.S. seaport network especially vulnerable. The Coast Guard, with strong support of Secretary Mineta, has developed *five key goals, which when met will protect and ensure the safety of our Nation's waterways and ports, as well as maintain and increase public confidence in the Maritime Transportation System*. In fiscal year 2003 the Coast Guard will make great strides in addressing these five goals:

Build Maritime Domain Awareness—The United States must have continuous awareness of all vessels—with their cargo and crew along with associated risk profiles—that operate to and from our ports, or transit our coastal waters. Determining a threat profile of each asset as far out to sea as possible works to optimize the "maritime sovereignty" that is required to ensure security of the maritime transportation system as well as the Nation in general. We will complete Port Vulnerability Assessments for the Nation's most critical ports. We are also requesting 300 personnel and $88 million to establish intelligence fusion centers for the collection, analysis, and sharing of intelligence information. The initiatives in this component of our maritime homeland security strategy have the potential to significantly reduce security risks while allowing better decision-making and allocation of security resources.

Ensure Controlled Movement of High Interest Vessels—We have categorized any vessel that could be used as a weapon of mass destruction and vessels carrying a large number of passengers (*i.e.* Liquefied Natural Gas carriers, chemical tankers and cruise ships) to be "High Interest" and subject to special scrutiny as they approach our ports. These vessels must be identified, and possibly boarded and inspected by Coast Guard personnel well offshore before a possible threat could cause harm to our nation's ports or people. This budget supports 160 Sea Marshals for armed escort of High Interest Vessels and provides the resources to increase on-the-water patrols for all 49 Captain of the Port zones.

Enhance Presence and Response Capabilities—Increased presence has great value as a deterrent and if a potential threat has been identified, the Coast Guard needs the capability to detect, intercept and interdict it, preferably on the high seas, using a layered defense of major cutters, patrol boats, and maritime patrol aircraft. Such action will effectively disrupt a terrorist's planned chain of events and prevent a possible catastrophic terrorist attack well before it threatens our shores. This budget completes the establishment of 6 Maritime Safety & Security Teams with nearly 500 active duty personnel. It will also add 26 more Port Security Response Boats and staffing for small boat stations.

Protect Critical Infrastructure and Enhance Coast Guard Force Protection—The Coast Guard must take measures to ensure protection of our personnel, physical plant, and, consistent with the Administration's Critical Infrastructure Protection Program, information technology capabilities. The threats posed are wide and varied, and require considerable actions to safeguard the Coast Guard's people and resources. $51 million is requested for Anti-Terrorism/Force Protection—with specific enhancements to physical infrastructure, cyber-security, personal protective equipment, and firearms and ammunition.

Increase Domestic and International Outreach—Addressing security risks in the maritime environment is an "all-hands" affair. It will require partnerships and strategic relationships at home and abroad. To help build this security network, the Coast Guard will require robust security plans, including plans for commercial vessels, offshore structures, and waterfront facilities. These plans will address access control, credentialing of waterfront employees, state physical and other security issues. Coast Guard Captains of the Port, in concert with all other port stakeholders, will prepare anti-terrorism contingency plans. All of these plans will be exercised periodically. The Coast Guard will continue to work with the International Maritime Organization to align international activities and improve security. The budget proposes 110 contingency response planners for worldwide seaport infrastructure security.

Restoring Our Readiness

We must also continue our multi-year, phased efforts to restore readiness as we strive to establish equilibrium to sustain our "new normalcy." We must attend to traditional operations and perform appropriate training, maintenance and administrative work, while maintaining 'surge' capacity for emergency operations. We must ensure adequate levels of training, maintenance, and other support resources are in

place to achieve the full measure of output from our ships, aircraft, and shore facilities.

Search and Rescue (SAR)—The Coast Guard remains the sole government agency that has the expertise, assets, and around the clock, on-call readiness to conduct Search and Rescue operations in all areas of the maritime environment. Through education, regulation, and enforcement efforts, as well as SAR operations, the Coast Guard strives to reduce fatalities, injuries and property loss at sea. Annually, the Coast Guard responds to approximately 40,000 calls for assistance. In fiscal year 2001, the Coast Guard saved over 84 percent of all mariners in distress, over 4,100 lives.

The Coast Guard has undertaken a multi-year effort to improve our readiness at our small boat stations where many of the search and rescue cases take place. We added 67 personnel for back-up safety boat crews and tower watches at our surf rescue stations in fiscal year 2001. This year the Coast Guard is adding nearly 200 personnel to small boat stations and command centers. Additionally, we are opening a formal school for training Boatswain's Mates and establishing traveling small boat training teams, ensuring that our personnel have critical skills required to successfully carry out search and rescue missions. Personal protective clothing inventories have been enhanced to protect our crews from the harsh environment. This effort continues in fiscal year 2003 by adding another 174 personnel to our small boat stations to reduce the work hour requirements and enhance the retention of our front line personnel.

The National Distress & Response System Modernization Project (*NDRSMP*)—In addition to adding personnel to our emergency response system, we are making major commitments to the capital infrastructure that enables effective safety and security response capability. The Coast Guard is underway with a major re-capitalization of the Nation's "Maritime 911 System."

The National Distress & Response System Modernization Project will update our 1970's technology to an integrated communications network that will greatly increase detection and localization of distress signals, eliminate known radio coverage gaps, and enhance Coast Guard command and control capabilities across all mission areas, including homeland security, on the Nation's inland and coastal waterways. This budget will fund the initial installation of NDRS equipment and networking at six of the Coast Guard's Group regions along the Atlantic, Gulf, and Pacific Coasts.

Human Capital—Our personnel remain our organization's most valuable resource. It is their hard work and dedication that have enabled the Coast Guard to adapt to evolving missions and changing operational environments. The Coast Guard's motto of Semper Paratus—always ready- is more a statement of our people's mindset than of the capabilities of our physical assets.

At his State of the Union address, President Bush emphasized the commitment of men and women in uniform to provide for our Nation's security and safety. He said, "*Our men and women in uniform deserve the best weapons, the best equipment, the best training—and they also deserve another pay raise*." This budget reflects the President's desires.

Shaping Our Future

We must also plan the U.S. Coast Guard's future now. The ability to anticipate and respond to new threats, risks, demands and opportunities is critical to our success.

The Integrated Deepwater System—Of the 39 similar naval services throughout the world, the U. S. Coast Guard has one of the oldest inventories of ships and aircraft. With great support from the Department of Transportation and the Administration, we're ready to move forward with our plans to recapitalize and upgrade our deepwater assets. During his recent trip to Portland, Maine, President Bush said we "*. . . must make sure our Coast Guard has a modern fleet of vessels.*" Providing capability across all mission areas, our Deepwater assets are vital to the layered defense and response for Maritime Homeland Security. Deepwater is key to ensuring the Coast Guard can continue to fulfill all our missions and essential in providing a high level of "maritime domain awareness" to exercise and protect our national sovereignty.

Conclusion

The President's fiscal year 2003 budget provides immediate capability for our Homeland Security responsibilities and continues to build upon past efforts to restore service readiness and shape the Coast Guard's future. The budget also demonstrates unwavering support for both the Deepwater project and National Distress and Response System Modernization Project (NDRSMP). The end result of the

President's fiscal year 2003 budget will be a more capable Coast Guard that is correctly positioned for transformation into the Coast Guard of the 21st century.

I close with a quote from our Commander in Chief as he reflected on the Coast Guard's efforts as of late.

> *"I saw how the Coast Guard has responded after 9/11 and I know how important the Coast Guard is for the safety and security and the well-being of our American citizens.*
>
> *This is a fine group of people, who don't get nearly as much appreciation from the American people as they should. And I'm here today [Jan 25, 2002] to say thanks, on behalf of all the citizens who appreciate the long hours you put in, the daring rescues you accomplish and the fine service you provide to our country. Oh, yes, we're on guard in America*."

Protecting our ports, waterways, and coastal regions, saving mariners in distress, interdicting illegal migrant and seizing drugs, or protecting our fisheries—With this budget the Coast Guard will be there to answer the call . . . Semper Paratus

Senator KERRY. Thank you very much, Admiral.

Ms. Hecker, do you want to go now?

STATEMENT OF JAYETTA HECKER, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTING OFFICE

Ms. HECKER. I am here today and pleased to report to you on some ongoing work we have for you on three separate issues. They are really the ones you have been raising: the extent to which the new homeland security measures that the Coast Guard has taken has affected other missions; the second issue is how these changes are reflected in the '03 proposed levels; and finally, the central challenges that the Coast Guard faces in continuing to perform these multiple missions.

The first area, then, in terms of the effect: Clearly, there was a major reprioritization and reallocation of assets to port security, but focusing on where it came from, basically scrubbing the numbers, it is very clear that law enforcement generally and fisheries in particular really took the primary hit. It was a dramatic drop in focus.

The best way we found to look at this was to look at the '02 budget proposal and its distribution plan before 9-11 and then look at the revision that was done with the enacted supplemental. What we saw is that before 9-11, 43 percent of the operating expenses were geared to law enforcement; post 9-11 it went down to 30 percent. So there was a significant change in both the relative share and the absolute amount, and obviously increases in the security area.

To get a better feel for the impact at the local level, I went to Boston, talked with the folks there, and really heard the specifics. For example, in the first quarter of '01, there were 300 boardings focusing on fisheries enforcement. In the first quarter of '02 there were 30. So you can see there was a dramatic drop in the level of fisheries enforcement presence in the months immediately following 9-11.

The second question then is how is all of this reflected in the '03 budget, which are the kinds of questions you have been asking. One question you asked was, "How much does it really take to make 'whole' the major competing missions of the Coast Guard along with this new dramatic requirement for Coast Guard re-

sources for port security?" While it is true there is a major focus on port security in the '03 budget, the big story about the '03 budget is not the increase for port security. Two-thirds of the budget is devoted to what is called accruals. There is basically a new legislative proposal whereby agencies will have to fund long-term retirement commitments from their annual budgets—beginning in '03. So two-thirds of the $1.2 billion increase in the '03 budget is actually dedicated to taking on (and showing within each annual budget) the long-term retirement commitments of the agency.

So two-thirds of the $1.2 billion goes there. So you are left with one-third. Then we looked at the distribution of the remaining one-third, or about $680 million. About $542 million of that amount is for increased operating expenses. As we looked at the distribution among major missions we saw a dramatic difference between the level of resources in the original plan (pre-9-11) for fisheries enforcement, for example, and what it calls for now.

Basically, what was 43 percent of the '02 budget for law enforcement, before 9-11 went down to 30 percent in the '03 budget. There is a small dollar increase in the total amount going to law enforcement, but percentage-wise it has still gone from a 43 percent share—with a growing '03 budget—to 30 percent. So the budget impact continues on the Coast Guard's other missions in a significant way.

The general summary, then, is that there are very substantial challenges that the Coast Guard faces in trying to translate the real substantial increases that are needed. The unfunded obligations are real. I am not saying they are not significant. It is just that the majority of '03 budget increases are not for boats and people and other relief to help with the kind of pressures Coast Guard personnel are under.

The whole Coast Guard organization is operating at maximum sustainable levels, and therefore, a lot of the new funds in the '03 budget just get people to working, maybe 60 hours a week instead of 80 hours a week. So you have got some limitations because, while the '03 budget provides funding for more reasonable and more sustainable activity levels, there will not be necessarily more activity; the agency would just be burning its people out a little slower.

Another issue that is really very significant concerns the human capital challenges that the agency faces. You heard the Commandant talk about trying to absorb 2200 people in '03. Their own concern is that it is no easy matter to do this. With attritions, the agency has 4,000 that it has to attract, train, and integrate into the organization. That is a lot of new people. It is a level of training and integration that the agency has not experienced in the past.

They have significant attrition rates. They have to deal with that.

Another key concern we have is that the Coast Guard has not really yet determined the level of port security required. We talk about reaching a "new normalcy". What is the new normalcy? We need a new definition. We have these five goals of the President's, but this committee in fact passed new port security legislation that would define additional roles for the Coast Guard. That is pending in the House, so there could be more significant roles for the Coast

Guard, more standard-setting, more active leadership within the communities. In our view, the new normalcy and the role in port security has not been defined.

Another thing that was mentioned is the extent of the demands on the Coast Guard really has not been tested. The terrorist attacks came after the prime search and rescue season was over. Similarly, the peak cruise ship season was over. Also, it was unusually good weather. The New England folks said this was the mildest winter in 135 years. Well, all of this means that demands on Coast Guard resources were very, very moderate. Yet, we have a new major season ahead. So we do not think that the Coast Guard has really been tested, even though folks are working at phenomenal activity levels.

In conclusion, the Coast Guard has done a stellar job dealing with major new challenges. It has got significant challenges, though, to try to balance the organization's priorities, define the new normalcy, and have the increased funding to in fact translate into better balance in performance of its many, multiple missions.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Hecker follows:]

PREPARED STATEMENT OF JAYETTA HECKER, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the challenges that the Coast Guard faces in its fiscal year 2003 and future budgets and the critical management issues it must resolve as it focuses relatively more of its resources on homeland security. Like many federal agencies, the Coast Guard's priorities were dramatically altered by the events of September 11, 2001. Analysis of changes in the Coast Guard budget is made more difficult by the fact that funds from the emergency supplemental were made available at different times.[1] The Coast Guard's fiscal year 2003 budget request of $7.3 billion is a 36 percent increase from the previous year, part of which is for an increased emphasis on homeland security. At the same time, the Coast Guard has many other ongoing responsibilities, ranging from boater safety to icebreaking. How—and whether—the Coast Guard can continue to meet all of these responsibilities is a matter of concern to the Congress.

My testimony today, which is based on recently completed and ongoing work, addresses three topics: (1) the extent to which the homeland security measures undertaken by the Coast Guard since September 11th affected the agency's multiple missions; (2) how these changes are reflected in the requested fiscal year 2003 funding levels for each of the Coast Guard's major missions, and (3) the challenges the Coast Guard faces in 2003 and beyond in continuing to perform all of these missions. Appendix I describes the scope and methodology of our review.

In summary, our work shows the following:

- The events of September 11th caused a substantial shift of effort toward homeland security and away from certain other missions. Cutters and aircraft, used mainly on the high seas, were redeployed closer to major harbors; security was strengthened for potential terrorist targets such as oil refineries, cruise ship terminals, and port facilities; and security patrols and monitoring of ships in port were stepped up. As resources were shifted to meet these needs, the law enforcement mission area, which consists mainly of drug and migrant interdiction and fisheries enforcement, saw the most dramatic drop in mission capability, according to the Coast Guard. Although activity levels for law enforcement and other mission areas are once again on the rise, they have not all reached levels of activity that existed before the terrorist attacks.
- The Coast Guard's fiscal year 2003 budget request reflects an attempt to maintain and enhance heightened levels of funding for homeland security while also

[1] Eighteen million dollars was allocated to the Coast Guard in fiscal year 2001 and $209 million in fiscal year 2002. In this testimony we use the $209 million figure for fiscal year 2002 since that is what is shown in the Coast Guard budget documents used for the analysis.

increasing funding for all other Coast Guard missions beyond fiscal year 2002 levels. About two-thirds of the requested increase of $1.9 billion would be used for future retirement payments, in keeping with proposed legislation that would make agencies more accountable for funding such obligations on an ongoing basis. The remaining one-third of the requested increase, or $680 million, would be used for maintaining and enhancing missions. Marine safety and security, the mission area that encompasses most of the Coast Guard's homeland security activities, is slated to receive the largest percentage increase in operating expenses of any mission area—20 percent, or $180 million. The remaining mission areas would each receive an increase over fiscal year 2002 levels of at least 12 percent. A substantial part of the increase in each mission area would go to pay increases and other entitlements, but we have not yet determined these amounts.

- The Coast Guard faces substantial management challenges in translating its requested funding increases into increased service levels in its key mission areas. When the Coast Guard received supplemental fiscal year 2002 funding after September 11th, it increased services by stretching available equipment and personnel to the limit, according to Coast Guard personnel. Additional cutters, aircraft, and patrol boats are not immediately available. Workforce issues present a daunting challenge: the Coast Guard will add an additional 2,200 full-time positions in the fiscal year 2003[2] (if the budget request is approved), retain and build the expertise and skills of its current workforce, and deal with issues of already high attrition rates and looming civilian retirements. Finally, the Coast Guard has not yet determined the level of security required in the long term to protect the nation's major ports. These challenges mean that in the short term giving the Coast Guard additional funding does not immediately translate into an increased ability to carry out its missions.

Background

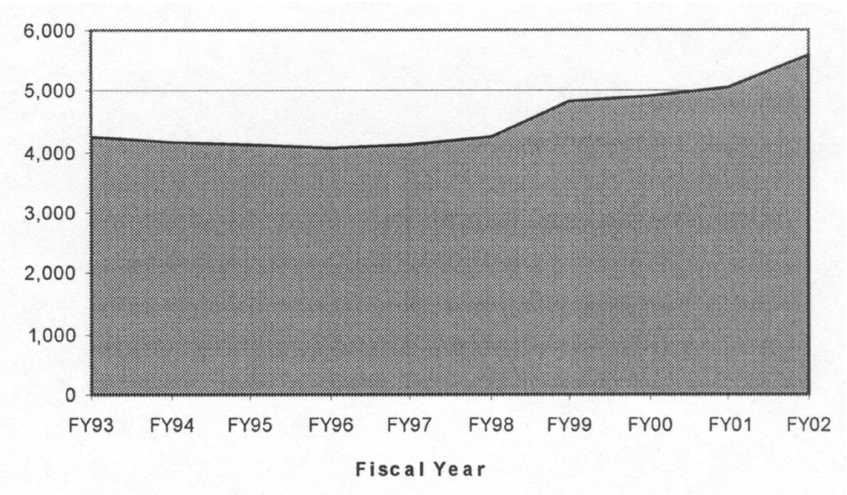
The Coast Guard, a Department of Transportation agency, is involved in seven main mission or program areas: (1) enforcing maritime laws and treaties, (2) search and rescue (3) aids to navigation, (4) marine environmental protection, (5) marine safety and security (including homeland security), (6) defense readiness, and (7) ice operations. Most of the Coast Guard's services are provided through a number of small boat stations, air stations, marine safety offices, and other facilities and assets located in coastal areas, at sea, and near other waterways like the Great Lakes. Its equipment in operation today includes 228 cutters, approximately 1,200 small patrol and rescue boats, and 200 aircraft.

As an organization that is also part of the armed services, the Coast Guard has both military and civilian positions. At the end of fiscal year 2001, the agency had over 39,000 total full-time positions—about 33,700 military and about 5,700 civilians. The Coast Guard also has about 8,000 reservists who support the national military strategy and provide additional operational support and surge capacity during emergencies, such as natural disasters. Also, about 34,000 volunteer auxiliary personnel assist in a wide range of activities ranging from search and rescue to boating safety education.

Overall, after adjusting for the effects of inflation, the Coast Guard's total budget grew by 32 percent between fiscal years 1993 and 2002. During nearly half this period, however, in real terms the budget was basically flat. As figure 1 shows, in constant 2001 dollars, the Coast Guard's budget remained essentially static from fiscal year 1993 to 1998. Significant increases have occurred since fiscal year 1998.

[2] With funding provided in the Coast Guard's $209 million supplemental for fiscal year 2002, the agency plans to hire people during fiscal 2002 to fill 843 of the 2,200 positions.

Figure 1: Annual Budgets for the Coast Guard, Fiscal Years 1993—2002
(Dollars in Millions)

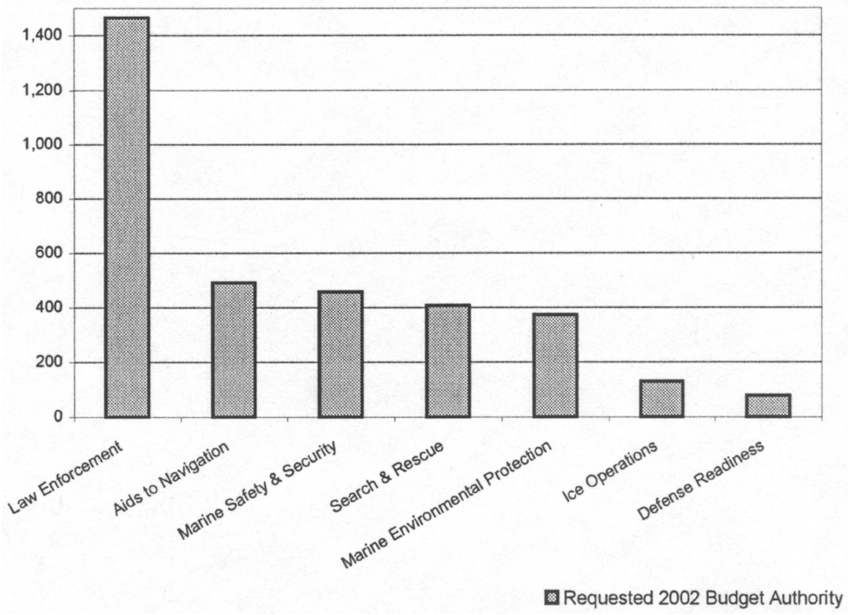


Note: Amounts are presented in 2001 dollars.
Source: GAO analysis of data provided by the Office of Management and Budget.

The Coast Guard's initial budget request for fiscal year 2002, submitted early in 2001, represents a pre-September 11th picture of how the Coast Guard intended to operate. As figure 2 shows, law enforcement was by far the largest mission category, with budgeted expenses estimated at $1.47 billion, or about 43 percent of total operating expenses. Marine safety and security, at $456 million, was about 13 percent of the total.[3]

[3] Budget allocations such as these are estimates, not final amounts. The Coast Guard's accounting system does not track cost by program area, so there is no precise way to measure the extent to which actual expenditures in each program area mirror these budget allocation projections. Coast Guard officials note that as an agency with multiple missions, the Coast Guard must be flexible in shifting resources from one priority to another. This means that resources such as cutters may be projected for one mission but, depending on circumstances, actually be used for another more pressing need.

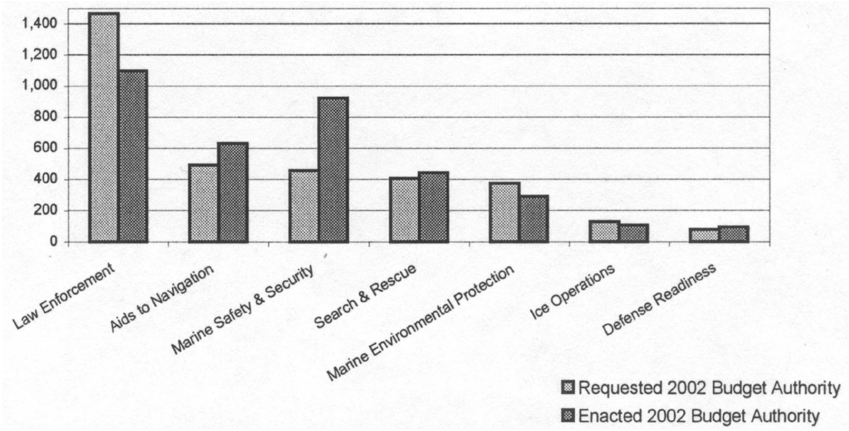
Figure 2: Distribution of Budgeted Operating Expenses by Mission, Fiscal Year 2002 Budget Request
(Dollars in Millions)



Source: GAO analysis of data provided by the United States Coast Guard.

Following the events of September 11th, the Congress provided the Coast Guard with a supplemental appropriation of $209 million. After it received this additional amount, the Coast Guard revised the budget allocation for its various missions. As figure 3 shows, the revision produced a doubling of projected expenses for marine safety and security and smaller increases for aids to navigation and search and rescue. By contrast, projected expenses for law enforcement, ice operations, and marine environmental protection were reduced.

Figure 3: Comparison of Initial and Final Operating Expense Projections by Mission, Fiscal Year 2002
(Dollars in Millions)



Source: GAO analysis of data provided by the United States Coast Guard.

Events of September 11th Substantially Affected Some Coast Guard Missions

Protecting Port Facilities Became a Top Priority

For the Coast Guard, the events of September 11th produced a dramatic shift in resources used for certain missions. The Coast Guard responded quickly to the attacks with a number of significant steps to ensure that the nation's ports remained open and operating. The Coast Guard relocated vessels, aircraft, and personnel from traditional missions—especially law enforcement—to enhance security activities. Subsequently, the Coast Guard has returned some of these resources to their more traditional non-security missions, but in some areas, it faces challenges in restoring the level of activity to what it had been.

After September 11th, the Coast Guard responded by positioning vessels, aircraft, and personnel not only to provide security, but also to increase visibility in key maritime locations. Key actions taken included the following:

- Recalling all cutters that were conducting offshore law enforcement patrols for drug, immigration, and fisheries enforcement and repositioning them at entrances to such ports as Boston, Los Angeles, Miami, New York, and San Francisco. The Coast Guard also used smaller assets, such as patrol boats, motor lifeboats, and aircraft, to supplement increased port security activities. The smaller boats were used mainly for conducting security patrols within port facilities and in fact, became the port's "cop on the beat,"[4] according to Coast Guard officials.
- Establishing a new National Vessel Movement Center to track the movement of all foreign-flagged vessels entering U.S. ports of call. The center is now the clearinghouse for vessel information, such as type of cargo and crew manifest. All commercial vessels over 300 gross tons are required to report this information to the center 96 hours in advance of their arrival. This information is then provided to the Coast Guard's local marine safety offices, which use a risk-based decision model to decide if a specific vessel is considered high interest, thus requiring an escort or additional security and safety inspections or oversight.
- Implementing a series of limited risk assessments that identified high-risk infrastructure and facilities within specific areas of operation.[5] These assessments, which were done by Coast Guard marine safety office personnel at individual ports, were the basis for deploying small boats for security patrols inside harbors and focused on identified high-threat facilities.
- Adopting a temporary regulation prohibiting any private vessel from approaching within 100 yards of Navy ships without permission. The Coast Guard is proposing that such a restriction become permanent.
- Activating and deploying the Coast Guard's port security units[6] to help support local port security patrols in high-threat areas. To maintain surge capacity and to deploy these units overseas, the Coast Guard also formed five interim marine security and safety teams, using full-time Coast Guard personnel trained in tactical law enforcement and based in Yorktown, Virginia. The Coast Guard is considering adding more of these teams in the future.
- Recalling about 2,700 reservists to active duty. Today, more than 1,800 are still on active duty. According to Coast Guard officials, reservists have played a major role in allowing the Coast Guard to respond to both its homeland security and other mission functions. Their functions include staffing boat crews and port security units and performing administrative functions in place of active duty personnel who were pressed into new responsibilities elsewhere.

Enhanced Security Activities Drew Resources From Other Missions

The precise extent to which these responses changed the Coast Guard's allocation of mission resources cannot be determined, mainly because the Coast Guard is still gathering and analyzing the data. However, in our discussions with Coast Guard personnel, we were told that law enforcement activities, such as fisheries and counter drug patrols, saw the greatest reduction in actual services. For example:

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[4] The Coast Guard reported that for some facilities there were requirements for conducting continuous 24-hour patrols, and this caused a great strain on both assets and personnel.

[5] Examples of high-risk infrastructure include fossil fuel processing and storage facilities, nuclear power plants, liquid natural gas transfer facilities, naval ships and facilities, cruise ships, and terminal facilities.

[6] The Coast Guard's port security units are specially trained reserve personnel that provide port security for U.S. Navy vessels deployed oversees.

- A number of Coast Guard districts have reported that security activities have impacted their ability to conduct fisheries enforcement missions, such as boarding of recreational and commercial fishing vessels. For example, District 1[7] reported a drop in fishing boat boardings in the New England fishing grounds, from 300 in the first quarter of fiscal year 2001 to just 38 during the first quarter of fiscal year 2002. Also, law enforcement-related civil penalties and fines were down substantially for the District as well.
- Districts also reported reduced drug interdiction efforts. For example, prior to September 11th, District 11[8] would send 110-foot patrol boats, which serve as the District's primary boats for drug patrols, from Alameda to areas off the southern California and Mexican shores. The District had to eliminate these patrols when the boats were reallocated for security functions.
- Some districts had to re-allocate personnel to specific security activities. For example, District 13[9] reallocated personnel from small boat stations along the Washington coast to help implement added security measures in ports in Puget Sound. District 13 staff reported that patrol boats and small boats experienced a large increase in operational hours and that Coast Guard personnel who were assigned to boat stations experienced a marked increase in work hours from 60 to 80 hours per week. Other districts reported similar strains on personnel.

Although the Coast Guard drew resources from many mission areas, some areas were less negatively affected than law enforcement in continuing to meet mission requirements. For example, although the Coast Guard had to put search and rescue vessels and personnel into security roles, doing so did not negatively affect search and rescue activities or detract from saving lives, according to the Coast Guard. The main reason was that the terrorist attacks occurred when the busiest part of the search and rescue season was essentially over. In addition, during the initial response, there were no major storms and the weather was warmer, requiring less icebreaker services, search and rescue calls, and oil tanker escorts.

Some Resources Are Returning to Non-Security Missions, but Others Are Not

In an attempt to restore capabilities in its key mission areas, the Coast Guard has begun Operation NEPTUNE SHIELD, which has a goal of performing new enhanced security missions, while at the same time returning resources to other missions such as law enforcement, search and rescue, defense readiness, and marine safety. Also, in March 2002, the Coast Guard Commandant issued guidance[10] that instructed his Atlantic and Pacific Area Commanders to plan and manage assets and personnel for long-term, sustainable operating tempos more in line with traditional mission functions, while still maintaining heightened security. Coast Guard officials from both the Atlantic and Pacific Areas have started implementing this guidance. As a result, deepwater cutters and aircraft are returning to traditional mission allocations but are still not at pre- September 11th levels. For example, because the Atlantic and Pacific areas each continue to allocate a deepwater cutter for coastal security patrols, the amount of time that will be spent on counter-drug and marine resources patrols is still below pre-September 11th levels.

While a return to the pre-September 11th activity pattern is under way for deepwater cutters, district patrol boats and small boats remain deployed closer to their post-September 11th levels. Because the Coast Guard has implemented a number of new security activities or has increased the level of normal port security activities, the Coast Guard has continued to use boats and personnel from small boats stations and other areas for security missions. These missions include performing security inspections of cargo containers and port facilities, escorting or boarding high-interest commercial vessels, escorting Navy ships and cruise ships, establishing and enforcing new security zones, and conducting harbor security patrols. To relieve or augment its current small boats now performing security functions, the Coast Guard plans to purchase 70 new homeland security response boats with supple-

[7] District 1 is headquartered in Boston, Massachusetts and is responsible for Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

[8] District 11 is headquartered in Alameda, California and is responsible for Arizona, California, Nevada, and Utah.

[9] District 13 is headquartered in Seattle, Washington and is responsible for Washington, Oregon, Idaho, and Montana.

[10] Operational and Marine Safety Mission Planning Guidance amended the fiscal year 2002 Law Enforcement Planning Guidance dated July 16, 2001 and COMDT COGARD Washington DC//G–M//P 042025Z of October 1, 2001.

mental funds appropriated for fiscal year 2002 and fiscal year 2003 funding.[11] According to the Coast Guard, these new boats will increase the capabilities of existing stations at critical ports, while others will provide armed platforms for the agency's newly established marine safety and security teams.

One program, San Francisco's sea marshal program, illustrates the continued strain occurring at local ports. This program uses armed Coast Guard personnel to board and secure steering control locations aboard high-interest vessels. Implementing this program has affected the ability of the local Coast Guard office to accomplish its traditional missions in at least two ways, according to Coast Guard officials. First, the program has created new vessel boarding training needs for the sea marshal personnel. Second, the program requires the use of Coast Guard small boats in transporting sea marshals to vessels at assigned boarding points. This means that the Coast Guard must use small boats that are also being used for such missions as search and rescue and marine environmental protection, which will require further prioritizing and balancing of missions. Similar sea marshal programs are being implemented at other ports, such as Boston and Seattle, with similar impacts on other missions.

Fiscal Year 2003 Budget Request Reflects Changing Mission Priorities

The fiscal year 2003 budget request of $7.3 billion would increase the Coast Guard's budget by about $1.9 billion, or 36 percent, over the fiscal year 2002 budget.[12] More than $1.2 billion of this increase is for retirement-related payments for current and future retirees, leaving an increase of about $680 million for operating expenses, capital improvements, and other expenses. Funding for operating expenses for all of the Coast Guard's mission areas would increase from fiscal year 2002 levels. Under the Coast Guard's allocation formula,[13] operating expenses for marine safety and security (the mission area that includes most homeland security efforts) would have the largest percentage increase—20 percent. Increases in other mission areas would range from 12 percent to 16 percent.

Retirement Expenditures Account for Nearly Two-Thirds of the Budget Increase

The fiscal year 2003 budget contains a significant amount for retirement funding. In October 2001, legislation was proposed[14] that would fully accrue the retirement costs of Coast Guard military personnel. This legislation directs that agencies fully fund the future pension and health benefits of their current workforce. Although this proposed legislation has not been enacted, the Coast Guard prepared its fiscal year 2003 budget to comply with these requirements.[15] Excluding the amounts for retirement costs,[16] the fiscal year 2003 increase totals about $680 million, which represents a 13 percent increase over the Coast Guard's fiscal year 2002 budget.

Remaining Budget Request Would Increase Operating Expenditures for All Mission Areas

About $542 million of the requested $680 million increase is for operating expenses for the Coast Guard's mission areas.[17] The requested amount for operating expenses represents an increase of 15 percent over fiscal year 2002 levels. These expenses include such things as pay increases and other entitlements as well as new initiatives. Pay increases and military personnel entitlements in the fiscal year 2003

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[11] The fiscal year 2002 supplemental appropriation provided funds to purchase 42 homeland security response boats. The fiscal year 2003 request includes funding in the operating expenses account to purchase an additional 28 of these boats.

[12] The Coast Guard's budget for fiscal year 2002 included both an initial budget of $5.2 billion and a supplemental appropriation of $209 million for operating expenses. The supplemental appropriation was for expenses to respond to the September 11, 2001 terrorist attacks on the United States. Budget figures presented in the report are based on data provided by the Coast Guard.

[13] The Coast Guard uses a cost allocation model to apply dollars to mission resource hours. Direct, support, and overhead costs associated with each asset type are multiplied by the operation baseline (resource hours devoted to each mission area) to determine the allocation of operating costs across mission areas.

[14] "Managerial Flexibility Act of 2001" (S.1612).

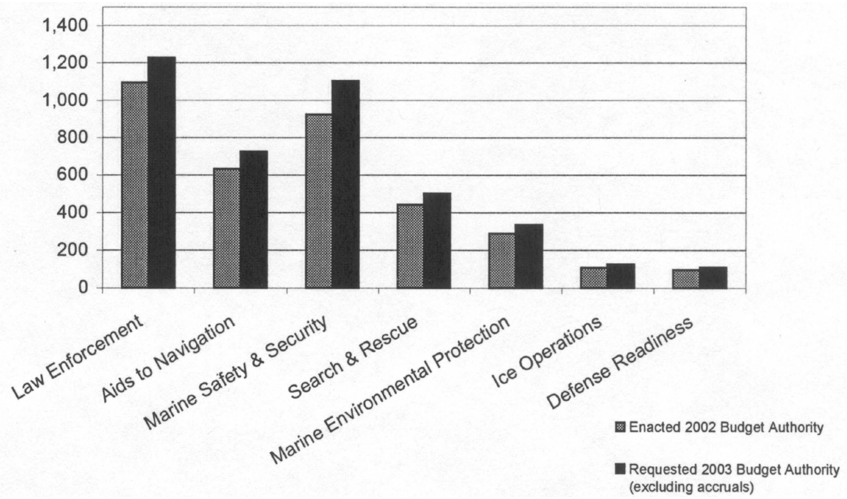
[15] The Coast Guard's fiscal year 2002 budget did not include accruals.

[16] Retirement funding in the budget request includes a $736 million payment to the Coast Guard's Military Retirement Fund and $496 million included in the budget request for operating expenses, capital improvements, and other expenditures.

[17] Most of the remainder of the $680 million increase would be for Acquisition, Construction, and Capital Improvements (AC&I)—the Coast Guard's capital expenditures budget. AC&I expenses would increase by nearly $89 million, an increase of 14 percent. About $48 million of the $680 million increase would be for other expenditures, which include such things as environmental compliance and restoration; reserve training; and research, development, testing, and evaluation.

budget request total about $193 million or 36 percent of the requested increase for operating expenses. This leaves $349 million for new mission-related initiatives and enhancements. As figure 4 shows, all mission areas would receive more funding than in fiscal year 2002.

Figure 4: Comparison of Operating Expenses by Mission Area for Fiscal Years 2002 Enacted and 2003 Requested.
(Dollars in Millions)



Source: GAO analysis of data provided by the United States Coast Guard.

Projected increases in operating expenses would range from a high of 20 percent for the marine safety and security mission area to a low of 12 percent for the law enforcement mission area. (See table 1.) The Coast Guard stated that the increases are intended to improve the Coast Guard's capabilities in each respective mission area. For example, if fully funded, operating expenses for the search and rescue mission area would increase by 13 percent. According to Coast Guard officials, the Coast Guard has experienced staffing shortages, resulting in personnel working an average of 84 hours per week; therefore, if the budget request is fully funded, the Coast Guard intends to improve readiness at small boat stations by adding 138 new positions to reduce the number of hours station personnel must work each week.

Table 1: Percentage Increase for Operating Expense by Mission Area, Fiscal Year 2003 Budget Request Compared to Fiscal Year 2002 (Enacted)

	Increase	
Mission Area	Dollars (in millions)	Percentage
Law enforcement	131.5	12
Aids to navigation	94.3	15
Marine safety and security	180.5	20
Search and rescue	59.2	13
Marine environmental protection	45.5	16
Ice operations	17.3	16
Defense readiness	14.1	15

Source: GAO analysis of data provided by the United States Coast Guard.

In line with the Coast Guard's relatively new responsibilities for homeland security, the marine safety and security area would receive the largest portion of the operating expenses increase. The levels of funding requested for the maritime security area would allow the Coast Guard to continue and enhance homeland security functions, begun in 2002, aimed at improving the security of the nation's ports, waterways, and maritime borders. New security initiatives to be undertaken in fiscal

year 2003 include programs to build maritime domain awareness,[18] ensure controlled movement of high-interest vessels,[19] enhance presence and response capabilities, protect critical infrastructure, enhance Coast Guard force protection, and increase domestic and international outreach. For example, to enhance presence and response capabilities, the Coast Guard intends to spend $12.7 million to establish two additional deployable maritime safety and security teams, which are mobile law enforcement and security specialists that can be used in various regions during times of heightened risk. These teams would be added to the four teams already established with funds from the fiscal year 2002 supplemental appropriation. Other new security initiatives would largely be funded from the operating expenses appropriation.[20] Table 2 provides a detailed breakdown of the cost of each of the proposed security measures.

Table 2: Homeland Security Strategies and Initiatives in the Fiscal Year 2003 Budget Request

(Dollars in millions)

Strategy	Security Initiative	Amount (in millions)
Build maritime domain awareness	Improve communications and connectivity	$34.4
	Improve information and investigations capability	26.1
Ensure controlled movement of high interest vessels	Maritime escort and safety patrols	18.5
Enhance presence and response capabilities	Maritime Safety and Security Teams	47.5
Protect critical infrastructure and enhance Coast Guard force protection	Chemical, biological and radiological countermeasures	17.5
	Critical infrastructure protection	11.2
	Firearms and ammunition	9.1
Increase domestic and international outreach	Security readiness and planning	21.5
	Incident command system	2.3
Total fiscal year 2003 new initiatives		$188.1

Source: United States Coast Guard Fiscal Year 2001 Performance Report and Fiscal Year 2003 Performance Plan.
Note: Figures may not add up to total due to rounding.

Coast Guard Faces Difficult Budget and Management Challenges

While the fiscal year 2003 budget request provides funding increases for every mission area, these increases alone may not return all of its missions to levels that existed prior to September 11th. The Coast Guard faces other daunting budget and management challenges and unknowns as it strives to achieve its new mission priorities and maintain its core missions at desired levels. The most serious challenges are as follows:

- The Coast Guard is now at or near its maximum sustainable operating capacity in performing its missions. The agency has a finite set of cutters, boats, and aircraft to use in performing its missions, and according to Coast Guard officials, these assets, particularly the cutters, are now being operated at their maximum capabilities. In fact, officials in some districts we visited said that some of the patrol boats and small boats are operating at 120 to 150 percent of the levels they normally operate. Significantly increasing the numbers of its cutters, boats, and aircraft is not feasible in the short term. Adding new deepwater cutters and aircraft, for example, is years away as are new motor lifeboats to replace the aging 41-foot boats, which have been the mainstay of harbor security patrols in recent months. Also, according to officials in various

[18] Maritime domain awareness is the real-time tracking of vessels, people, and cargo. The Coast Guard plans to increase intelligence efforts in ports and improve advanced information on passengers, crew, and cargo.

[19] High-interest vessels are vessels that may pose a threat to the United States or that require a heightened level of security. For example, naval vessels or vessels carrying hazardous materials would be considered high interest vessels.

[20] A portion of this funding, $9.4 million, would come from the AC&I appropriation. This would fund the Maritime Domain Awareness Information Management initiative, which is intended to enhance the Coast Guard's information management capabilities and improve its ability to collect, analyze, and disseminate information.

Coast Guard units, many personnel are also working long hours even now, six months after the terrorist attacks.

- The Coast Guard does not yet know the level of resources required for its "new normalcy"—the level of security required in the long term to protect the nation's major ports and its role in overseeing these levels. Until the Coast Guard completes comprehensive vulnerability assessments at major U.S. ports and the Congress decides whether or not to enact proposed port security legislation,[21] the Coast Guard cannot define the level of resources needed for its security mission. Also, the full extent of the demands on its resources to deal with all of its missions may not have been fully tested. In terms of its ability to respond to port security functions, the Coast Guard was fortunate in the timing of the terrorist attacks. For example, the busiest part of the search and rescue season was essentially over, and the agency was able to redeploy search and rescue boats from stations during the off-season to perform harbor security functions. The cruise ship season was over in many locations, requiring fewer Coast Guard escorts for these vessels. There were no major storms, and the weather has been warmer—requiring less icebreaking services, search and rescue calls, and oil tanker escorts. Also, there were no major security incidents in our nation's ports. A major change in any or a series of these events could mean major adjustments in mission priorities and performance.
- The Coast Guard faces a host of human capital challenges in managing its most important resource—its people. Even before September 11, 2001, the Coast Guard saw signs of needed reform in its human resources policies and practices. Attrition rates among military and civilian employees are relatively high, and about 28 percent of the agency's civilian employees are eligible to retire within the next five years. Budget constraints during the last decade had led to understaffing and training deficiencies in some program areas. For example, a recent study[22] of the Coast Guard's small boat stations showed that the agency's search and rescue program is understaffed, personnel often work over 80 hours each week, and many staff are not fully trained. All of these challenges have been exacerbated by new challenges added since September 11th. As a result of its new emphasis on homeland security, the Coast Guard plans to hire over 2,200 new full-time positions to its workforce and increase its pool of reservists by 1,000 if its funding request is approved—putting added strain on its recruiting and retention efforts. While the Coast Guard has embarked on a strategy to address these issues, many of its human capital initiatives are yet to be developed or implemented.
- Other needs that have been put on the "back burner" in the fiscal year 2003 request may require increased attention—some rather soon. For example, sizeable capital improvements for shore facilities may be required in the near future, and required funding for this purpose could be considerable. For example, it appears that the agency reduced the fiscal year 2003 budget request for this budget item to fund other priorities. In last year's capital plan, the Coast Guard estimated that $66.4 million would be required in fiscal year 2003 for shore facilities and aids to navigation. However, the fiscal 2003 budget request seeks only $28.7 million, a significant disparity from last year's estimate. Other priorities, such as funding for the Deepwater Project and the National Distress System, will consume much of the funding available for its capital projects for years to come. Coast Guard officials said that while they still face the need for significant capital projects at their shore facilities, they are taking steps in the fiscal year 2003 budget request to improve the agency's maintenance program in an effort to forestall the need for capital projects at these facilities.

In conclusion, to its credit, the Coast Guard has assumed its homeland security functions in a stellar manner through the hard work and dedication of its people. It has had to significantly adjust its mission priorities, reposition and add to its resources, and operate at an intense pace to protect our nation's ports. Now, six months after the terrorist attacks, the agency is still seeking to define a "new normalcy"—one that requires a new set of priorities and poses new challenges. By seek-

[21] Pending legislation (S. 1214 and H.R. 3437) proposed a number of security measures for U.S. seaports. Major provisions of these bills would require heavy involvement by the Coast Guard in conducting vulnerability assessments at 50 U.S. ports, reviewing port security plans, developing seaport security standards, and making loan guarantees and authorizing grants for port security improvements.

[22] Report on Audit of the Small Boat Station Search and Rescue Program, United States Coast Guard (MH–2001–094, September 14, 2001), U.S. Department of Transportation, Office of Inspector General.

ing increases in each of the agency's mission areas, the fiscal year 2003 budget request is an attempt to provide the Coast Guard with the resources needed to operate within this environment. But particularly in the short term, increased funding alone is not necessarily the answer and is no guarantee that key Coast Guard missions and priorities will be achieved. In fact, because of the formidable challenges the Coast Guard faces today—particularly the finite numbers of cutters, boats, and aircraft it has available in the short run and its significant human capital issues—the Coast Guard will likely have to continue to make significant trade-offs and shifts among mission areas until it develops clear strategies to address its new mission environment.

Mr. Chairman, this concludes my testimony. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

Appendix I: Scope and Methodology

To determine the nature of the Coast Guard's shift from traditional core missions to its new security functions for homeland security, we interviewed Coast Guard officials and reviewed relevant documents regarding the reallocation of Coast Guard resources. Coast Guard interviews involved personnel from Headquarters, Atlantic Area Command, Pacific Area Command, District 1, District 5, District 11, District 13, and a variety of group and small boat station personnel under these commands. These officials provided examples of post-September 11th activities and the operational status of assets and personnel. We gathered information on asset planning and operations from the Coast Guard's Abstract of Operations and the Commandant's Fiscal Year 2002 Law Enforcement Planning Guidance.

To evaluate the Coast Guard's efforts to fund enhanced security missions and increase funding for all other Coast Guard missions beyond fiscal year 2002 levels, we examined relevant budget and performance documents including the Coast Guard's Fiscal Year 2003 Budget in Brief and the Coast Guard's Fiscal Year 2001 Performance Report and Fiscal Year 2003 Performance Plan. We interviewed Coast Guard officials within the Office of Programs regarding proposed legislation establishing an accrual funding system, the Coast Guard's method of allocating operating costs across mission areas, and the fiscal year 2003 budget request. Analysis of changes in the Coast Guard budget is made more difficult by the fact that funds from the emergency supplemental were made available at different times.

To identify substantial management challenges that the Coast Guard will face translating these budget request increases into increased service levels, we relied on previous GAO work. We also interviewed Coast Guard Headquarters and field personnel regarding the Coast Guard's ability to establish a sustainable operating tempo, develop and implement new security requirements and port security assessments, manage and plan for major increases its workforce, and funding requests for capital improvements at shore facilities.

Senator KERRY. Thank you very much, Ms. Hecker.

Mr. Mead, welcome back.

STATEMENT OF HON. KENNETH MEAD, INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

Mr. MEAD. Thank you, Mr. Chairman, Senator Snowe.

I would like to begin by saluting my colleague Admiral Loy, both for being a great colleague and for being responsive to issues the IG has raised. I would also like to thank him for his quiet leadership within the Department in other areas beyond the Coast Guard. I look back to Y2K and think that Jim Loy deserves a lot of credit for the Department's ability to make it through that period.

I know that a lot of you have talked about security. By our reckoning before September 10th about 14 percent of the Coast Guard's resources were going there. After September 11th security went up to about 58 percent of Coast Guard's resources. I think they are moving back to about a 27 percent level.

I also want to talk about the search and rescue program and two of the Coast Guard's major acquisitions, the Deepwater Project and the National Distress "9-1-1" system.

First, search and rescue. You will probably recall that last year we finalized a report to the Coast Guard on the readiness of its small boat stations, which represent the first line emergency responder for mariners in distress.

I would just like to review what we found. Approximately one-third of station billets were either vacant or filled by personnel that were not qualified for boat duty. There was no formal entry-level training program for key staff. Many of the staff came directly from boot camp. Equipment at the stations was often in a state of disrepair and a very substantial percentage of the small boats were not, by the Coast Guard's own reckoning, at that time ready for sea.

The Coast Guard responded to our report with a very credible plan that we think will be responsive to our recommendations. The key now lies in the plan's execution. Congress gave the Coast Guard a plus-up in the budget for the search and rescue program. They also required us to conduct an audit to ensure the plus-up supplements, and does not supplant, what they were already spending.

You should know that the small boat stations also perform a port security role. People we have spoken to tell us that that is also placing an enormous strain on their resources. So you have the same people who were already strained with search and rescue program also performing security. It is unclear to us what this means for the long-term implementation of the Coast Guard's plan for addressing our recommendations. We know they intend well, but I think there needs to be a lot of sorting out over the coming year in terms of what is actually being done.

I would like to now address the major acquisition projects. The Coast Guard is approaching an important crossroads with Deepwater, which is the largest acquisition in Coast Guard's history. The project will easily be over $10 billion and probably take more than 20 years. More recently we have learned that it could run to 30 years. Another major acquisition is the National Distress System project.

As an overarching observation about both of these projects is that they consume a large part of the acquisition budget. As a matter of fact, the 5-year capital plan for the Coast Guard has zero capital funding allocated for shore facilities and aids for navigation for FY 04 and FY 05, and that includes family housing. I do not think that that is a sustainable level, but it is occurring because available funds are being absorbed by these big projects.

Regarding Deepwater, this is the second year that Congress will be asked to appropriate funding for Deepwater. It should also be this year that you find out what exactly will be acquired, at what price, and when those assets will be acquired. You should expect that information in the third quarter of this year.

Another big factor you should expect to find out is whether this is going to be a 20- or 30-year procurement, and what implications that has for the funding stream that will be needed. We thought that it was going to be about $500 million for 20 years. If it goes

more than 20 years, does that mean that the first 20 will be less than $500 million? Or, does that mean $500 million for however long this project is going to take?

The National Distress System is the "9-1-1" system where mariners in distress call the Coast Guard for search and rescue. The current system that the Coast Guard is replacing has many deficiencies. I would like to show you a chart. There are about 88 communications coverage gaps—put up the one of the United States, please.

Senator KERRY. He has already got it up there.

Mr. MEAD. OK, he has got it up there.

Those red and green dots indicate dead zones. There are about 88 of them covering 21,500 nautical miles, where the Coast Guard cannot hear mariners. They are trying to eliminate those gaps. I have a list of where they are, for everybody that is on the committee, if you care for that.

This smaller chart shows the coastline along Massachusetts and Rhode Island. The red area indicates a dead zone off of Rhode Island. There is also a red dot off of Massachusetts that is a dead zone. As you can see, Massachusetts does relatively better than Rhode Island. You can do these cutaways for the entire United States.

Now, the concern that we have is that, while the system the Coast Guard is procuring will be a vast improvement over the current system, they originally estimated that it would cost a lot less than the contractors estimated. The contractors came in and said a billion dollars to do everything Coast Guard wanted to do. So in order to control the cost, the Coast Guard, is settling for some specifications that will not close all those gaps. The problem is I do not know what gaps will be left or where they will be, and I would like to know what those will be before we put the system design totally to bed.

The other concern is the mean time that will be allowed to repair the system when it goes down. Originally it was 6 hours but now it has gone to a maximum of 24 hours. I am afraid that if you got caught up in a tragedy or a disaster or capsized during that 24-hour period, that could be a very long time to wait for rescue.

That concludes my statement, Mr. Chairman.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF KENNETH MEAD, INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to discuss Coast Guard's budget and management issues. We have identified balancing Coast Guard's missions and budget needs in light of post September 11 priorities as 1 of the top 10 management challenges in the Department of Transportation.

The Coast Guard is seeking a significant increase in its budget to be able to deal with an expanded security mission, perform its other major missions, and proceed with an extraordinary set of important major acquisitions. The budget will increase from $5.4 billion in fiscal year (FY) 2002 to $7.3 billion in FY 2003. There are currently a number of uncertainties about Coast Guard mission requirements, how it will execute major acquisition projects, and control costs.

Coast Guard needs an effective cost accounting system that meets Federal accounting standards to provide a basis for accurately measuring the costs of specific activities and making decisions about where to apply resources. Without such a sys-

tem, Coast Guard cannot provide detailed information concerning the allocation of resources or the true operating costs of specific missions.

My testimony today will address three areas.

First, the budget request for 2003. Coast Guard is seeking an increase of $1.9 billion for FY 2003. A large portion of the increase is $736 million for a required payment to Coast Guard's military retirement fund. Two other categories, operating expenses (up by $1 billion) and acquisitions (up by $99 million), account for most of the remaining increase. The increase in Coast Guard's operating capacity is not as large as it appears. About two-thirds of the increase will pay for entitlements and other inflationary adjustments and not add to operating capacity. The other one-third of the increase will fund the operation of new assets, such as seagoing buoy tenders and coastal patrol boats, continue increased security operations begun after September 11th, and fund new security operations.

Immediately after September 11th, Coast Guard devoted 58 percent of its resources to port safety and security, while deployment to other core missions fell. For FY 2003, Coast Guard plans to dedicate 27 percent of its resources to port safety and security programs. This is roughly twice the amount that Coast Guard planned to dedicate to these missions for FY 2002 prior to September 11th. The relative amount of resources Coast Guard plans to devote to drug interdiction and fisheries enforcement in FY 2003 is expected to decrease from planned FY 2002 levels. Coast Guard views its FY 2003 budget request as the initial phase of a 3-year plan to enhance its homeland security missions while still conducting other diverse missions that remain national priorities. It is not clear to us if Coast Guard intends to request additional increases in FYs 2004 and 2005 to support this plan.

Second, the Search and Rescue program. Last year we reported that the readiness of the Coast Guard's small boat station search and rescue program was declining because it did not have sufficient numbers of qualified personnel, a formal training program for key staff, and equipment that was up to standards. Coast Guard developed a strategic plan to improve readiness and the Congress provided $14.5 million for FY 2002 for added search and rescue program personnel and equipment. We have been directed to audit Coast Guard's use of these added funds and certify that the $14.5 million supplements and does not supplant Coast Guard's level of effort in this area in FY 2001. The FY 2003 budget proposal seeks $22 million to follow through on Search and Rescue program enhancements such as adding crew members to the 47-foot motor life boats and procuring small search and rescue boats.

Small boat stations are also playing a key role in port security activities since September 11th. More than half of all station hours are currently devoted to port security and operating tempo has increased significantly. Given the emphasis on security missions, it is unclear whether Coast Guard has implemented its plan to address the Search and Rescue program deficiencies we identified. As part of our audit to certify the use of FY 2002 funds, we will determine the status of Coast Guard actions to address the deficiencies identified in our prior audit report.

Third, major acquisition projects. The FY 2003 budget seeks $590 million for Coast Guard's two largest acquisition projects, the Deepwater Capability Replacement and the National Distress and Response System Modernization. Both projects are critical to improving Coast Guard's operations, but both also have significant uncertainties that the Subcommittee should expect to see resolved this fiscal year. Coast Guard, the Department's Deputy Secretary, and the Director of OMB have certified to congress that the FY 2003 5-year capital investment plan contains full funding for the Deepwater, NDS, and other essential search and rescue procurements.

- ***Deepwater***—This is the second year that the Congress is being asked to appropriate procurement funding for the Deepwater project without a detailed cost and schedule estimate. If the Congress appropriates the $500 million Coast Guard is seeking for 2003, it will have $790 million available for the procurement phase of the project. Given the acquisition approach that Coast Guard is using, reliable estimates that describe what assets will be modernized or replaced, at what cost, when that will occur, and when funding will be required, will not be available until after a contractor is selected. The selection is currently scheduled for the third quarter of FY 2002.

  Another area of uncertainty is how long the project will take to complete. Although Coast Guard originally stated this would be a 20-year project, the request for proposals states that the performance period for the contract could be up to 30 years. It is not clear to us whether this means that (1) previously planned annual funding levels will remain the same and result in increased

cost, or (2) the planned annual funding levels will be spread out and reduce the level of funding required each year.

- ***National Distress and Response System (NDS)***—Coast Guard has increased its estimate for the NDS project the 911 system for mariners in distress from $300 million to $580 million and it is seeking $90 million in the FY 2003 budget to begin procurement. If the Congress appropriates the $90 million Coast Guard is seeking for FY 2003, it will have $125 million available for the procurement phase of the project.

  The current system has many deficiencies including more than 88 communication coverage gaps, totaling 21,490 square nautical miles along the U.S. coastline where Coast Guard cannot hear mariners. The revised system will provide a significant improvement over the existing system.

  However, we are concerned that Coast Guard reduced or eliminated capabilities in the revised system that it initially considered essential. This occurred because Coast Guard reduced performance specifications after contractors estimated that a system meeting Coast Guard requirements would cost more than $1 billion. As a result of the reduced performance specifications, the revised system will still contain gaps in communication coverage. Because the acquisition strategy being used on NDS is following the same approach as that used on Deepwater, the number, size, and location of the gaps will not be known until a contractor's system is selected. Also, the time allowed to restore critical functions, if the system becomes unavailable, has been increased from 6 to 24 hours. However, at some time in the future, Coast Guard may have to upgrade the system to provide some or all of the capabilities that were to be provided by the $1 billion system. We have recommended that Coast Guard develop an acquisition plan that includes cost and schedule estimates for upgrading the system to provide these capabilities.

Coast Guard's Budget Request Represents a 35.6 Percent Increase

Coast Guard's FY 2003 budget request seeks an increase of $1.9 billion or 35.6 percent over the FY 2002 budget. As shown in the following table, most of the increase is in three categories: operating expenses; acquisition, construction, and improvements; and military retirement fund payment.

Comparison of Coast Guard's FY 2002 Budget With Its FY 2003 Budget Proposal

($ 000)

	FY 2002 Enacted	FY 2003 President's Budget	Change	Percent Change
Operating Expenses	$3,591,150	$4,635,268	$1,044,118	29.1
Acquisition, Construction and Improvements (AC&I)	636,354	735,846	99,492	15.6
Environmental Compliance and Restoration	16,927	17,286	359	2.1
Alteration of Bridges	15,466	0	−15,466	−100
Retired Pay	876,346			
Coast Guard Military Retirement Fund	.....	889,000	12,654	1.4
Reserve Training	83,194	112,825	29,631	35.6
Research, Development, Test and Evaluation	20,222	23,106	2,884	14.3
Oil Spill Recovery	61,200	61,200	0	0.0
Boating Safety	64,000	64,000	0	0.0
Gift Fund	80	80	0	0.0
Sub Total	5,364,939	6,538,611	1,173,672	21.9
Payment to Coast Guard Military Retirement Fund	.....	736,000	736,000	N/A
Total	$5,364,939	$7,274,611	$1,909,672	35.6

The increase includes approximately $736 million for payment to Coast Guard's military retirement fund consistent with legislation proposed in October 2001 by the Administration. The $736 million will fund the future retirement benefits of current Coast Guard uniformed personnel. The $889 million funding item in the above table for the Coast Guard Military Retirement Fund finances payments to existing retirees.

The FY 2003 budget request also includes $4.6 billion for Coast Guard operations and $736 million for acquisitions. Operating expenses and acquisition funding have increased approximately $1 billion and $99 million, or 29 percent and 16 percent, respectively, over FY 2002. About two-thirds of this increase will fund entitlements, such as pay raises, health care costs, and other inflationary adjustments. The remaining one third will fund the purchase and operation of new assets—such as those included in the Deepwater and NDS projects—continue increased security operations begun after September 11th, and fund new and enhanced operations, including port security. Funding for new security initiatives includes $48 million for marine safety and security team; $19 million for maritime escorts and safety patrols; $60 million for enhanced communications, information, and investigations, and $37 million for force protection.

The FY 2003 Budget Seeks to Balance Current Priorities With Coast Guard's Multiple Missions

In response to the September 11th attacks, Coast Guard deployed 58 percent of its resources to port safety and security missions. These resources included its fleet of rescue boats at small boat stations around the country. The redeployment, however, came at the expense of other important core missions including drug interdiction and Living Marine Resources (LMR) patrols (fisheries enforcement). For example, resources deployed to drug interdiction fell from approximately 18 percent to 7 percent. In Coast Guard's First District, no Living Marine Resources (LMR) patrols were conducted between September 11 and December 31, 2001. The First District estimates the number of patrol days devoted to LMR missions through the end of FY 2002 will be down at least 50 percent compared to historical averages. Other missions such as recreational boating safety, aids to navigation, commercial fishing vessel safety, and migrant interdiction were also hard hit.

For FY 2003, Coast Guard plans to use 27 percent of its operating expense budget for port safety and security programs. This is roughly twice the amount that Coast Guard planned to dedicate to these missions for FY 2002 prior to September 11th. To help fund the increased port safety and security program, Coast Guard will continue reduced levels of activity in other missions such as drug interdiction and fisheries enforcement. The following chart shows the resources projected to be used for major missions during FY 2003 compared to FY 2002. Because the amount of operating funding is different in each year, the change reflects the difference in the relative amount of resources projected by mission.

U.S. Coast Guard Mission Profile

Percent of Planned Operating Expenses Budget by Major Programs

Program	FY 2002	FY 2003	Change
Programs Increased in FY 2003			
Marine Safety	14*	5	+13
Ports, Waterways, and Coastal Security		22	
Aids to Navigation	5	17	+2
Defense Readiness	2	3	+1
Programs Unchanged in FY 2003			
Search and Rescue	12	12	0
Programs Decreased in FY 2003			
Ice Operations	4	3	−1
Other Law Enforcement	3	2	−1

U.S. Coast Guard Mission Profile—Continued

Percent of Planned Operating Expenses Budget by Major Programs

Program	FY 2002	FY 2003	Change
Migrant Interdiction	5	4	−1
Marine Environmental Protection	11	8	−3
Living Marine Resources	16	11	−5
Drug Interdiction	18	13	−5

*Combined in FY 2002

The Coast Guard is in the process of balancing its enhanced port safety and security mission requirements with its other missions. According to Coast Guard, the FY 2003 budget request represents the initial phase of a 3-year plan to address its needs. The Coast Guard's goal is to enhance all of its homeland security missions while still conducting other diverse missions that remain national priorities. It is not clear to us if Coast Guard intends to request additional increases in FYs 2004 and 2005 to support this plan.

The changes in Coast Guard's mission structure have impacted its operating and capital requirements and emphasize the need for a comprehensive cost accounting system. Although Coast Guard began developing a cost accounting model in 1997, it does not have a cost accounting system that meets the Federal managerial cost accounting standards. The cost accounting model contains only Coast Guard operating expenses and does not address acquisition, environmental compliance, retirement pay, reserve training, or research and development costs. Coast Guard must obtain a cost accounting system that includes all costs if it wants to make informed decisions concerning the allocation of its limited resources.

FY 2003 Budget Continues Efforts to Address Deficiencies in the Small Boat Station Search and Rescue Program

Coast Guard's small boat station Search and Rescue program provides the first line of response for mariners in distress. During FY 2000, the 188 small boat stations responded to approximately 40,000 calls for help and saved over 3,300 lives.

As we reported to you last year, the small boat station Search and Rescue (SAR) program was suffering from serious staffing, training, and equipment problems that go back more than 20 years. Our findings were:

- staff shortages required personnel at 90 percent of the SAR stations to work an average of 84 hours per week;
- high attrition rates among enlisted personnel were impacting experience levels at small boat stations;
- 70 percent of vacant positions at small boat stations were filled with Coast Guard boot camp graduates with little or no training in seamanship, piloting and navigation, small boat handling, water survival, or search and rescue techniques;
- there was no formal training for boatswain's mates, who are key SAR staff and one of the largest of the Coast Guard's enlisted job specialties;
- 84 percent of the standard rescue boat fleet inspected by the Coast Guard in FY 2000 were found to warrant a .Not Ready for Sea. evaluation; and
- Coast Guard had not requested funding to replace or extend the useful life of its 41-foot utility boat fleet, which is reaching the end of its service life.

In response to our recommendations, Coast Guard initiated a multi-year strategy to improve readiness at small boat stations. For example, during FY 2002, Coast Guard added 199 billets to support station operations and is in the process of expanding training opportunities for station boatswain's mates. In its FY 2002 supplemental funding request, Coast Guard received an additional 54 billets and funding to purchase 18 port security boats to augment station port security operations.

In DOT's FY 2002 Appropriations Act, Congress directed Coast Guard to use $14.5 million to add personnel, purchase personnel protection equipment, and begin the process of replacing its aging 41-foot utility boat fleet. We have been directed to audit and certify that the $14.5 million supplements and does not supplant Coast Guard's level of effort in this area in FY 2001. The FY 2003 budget proposal seeks $22 million to follow through on SAR program enhancements, such as adding crew

members to the 47-foot motor life boats and procuring small search and rescue boats.

In December 2001, the Coast Guard briefed us on its strategic plan for the small boat station SAR program. The plan identified actions to address the deficiencies found during our audit by, for example, adding personnel at stations to reduce the hours crew members are on duty and to provide administrative support to station management, freeing up management to train and certify crew members. Coast Guard also plans to open a formal school for training aspiring boatswain's mates, provide additional training opportunities for its small boat coxswains, and establish traveling small boat training teams to ensure station boat crews have the critical skills to safely and efficiently perform search and rescue missions. Coast Guard also plans to enhance personal protective clothing inventories to ensure all active duty, reservists, and auxiliary personnel are protected from the environment. Coast Guard is also working to replace the 41-foot utility boat fleet.

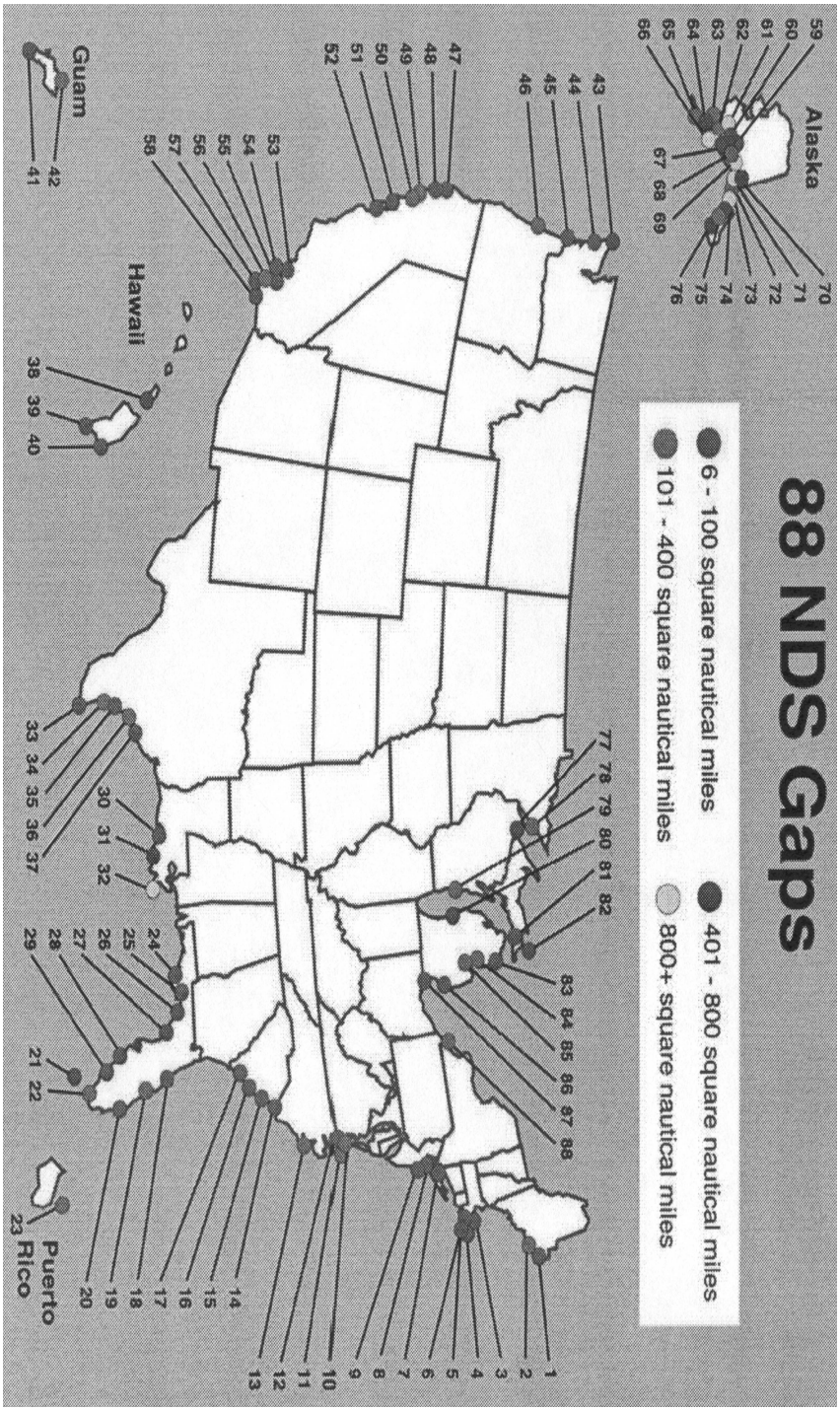
Since September 11th, the operating tempo at small boat stations more than doubled as they responded to support port safety and security efforts while maintaining a successful search and rescue capability. More than half of all station hours are now devoted to the port security mission. In addition, Coast Guard called up reservists and enlisted the Coast Guard auxiliary to support the port security mission. This mission includes: enforcing security/safety zones around high-risk vessels, oil/gas/chemical terminals, and power plants; conducting harbor patrols; providing round-the-clock force protection around U.S. Navy and Coast Guard vessels and facilities; escorting high-risk vessels in and out of ports, and transporting sea marshals and boarding teams to and from vessels. Given the emphasis on security missions, it is unclear whether Coast Guard has implemented its plan to address the Search and Rescue program deficiencies we identified. As part of our audit to certify the use of FY 2002 funds, we will determine the status of Coast Guard actions to address the deficiencies identified in our prior audit report.

Acquisition, Construction, and Improvements Budget Provides a Significant Funding Increase for NDS and Deepwater

The FY 2003 budget request seeks an acquisition funding increase of $99 million (16 percent) to $736 million. The funding request includes $90 million and $500 million for the NDS and Deepwater projects, respectively. As proposed, the NDS and Deepwater projects account for 80 percent of Coast Guard's capital budget for FY 2003. Coast Guard, the Department's Deputy Secretary, and the Director of OMB have certified to congress that the FY 2003 5-year capital investment plan contains full funding for the Deepwater, NDS, and other essential search and rescue procurements.

The NDS Project Is Likely to Experience Cost Growth

The 30-year old National Distress System no longer supports Coast Guard's short-range communication needs. System deficiencies, such as communication coverage gaps and limited direction finding capabilities, complicate Coast Guard's ability to effectively and efficiently perform search and rescue missions. For example, at least 88 major communication coverage gaps exist where Coast Guard cannot hear calls from mariners in distress. Totaling about 21,500 square nautical miles, the communication coverage gaps represent 14 percent of the total NDS coverage area and range in size from 6 to more than 1,600 square nautical miles.


88 NDS Gaps
6 - 100 square nautical miles
101 - 400 square nautical miles
401 - 800 square nautical miles
800+ square nautical miles
Alaska
Hawaii
Guam
Puerto Rico

Over the last 6 years, Congress appropriated $56 million for planning the NDS project. In the planning phase, Coast Guard and its technical support agent performed a significant amount of technical and market research and worked directly with three contractors to design a system that would meet Coast Guard's needs. During March 2001, each of the contractors submitted a cost proposal that individually exceeded $1 billion—nearly three and a half times Coast Guard's $300 million estimate.

When the contractors. cost estimates came in higher than expected, Coast Guard revised the system's performance specifications to lower the costs to an estimated $580 million. The proposed system will provide significant improvement over the existing system. However, Coast Guard eliminated or reduced capabilities in the $1 billion system that Coast Guard originally considered essential to address deficiencies in the existing system and to improve the SAR program efficiencies. As currently designed the proposed system:

- Contains communication coverage gaps, meaning Coast Guard will not be able to hear and locate all mariners in distress even when they are within the system's planned range of 20 nautical miles of shore. While it is anticipated that the gaps will not be as large or as numerous as the 88 gaps in the existing system, the exact size and location will not be known until a contractor is selected later this year.
- Cannot pinpoint the location of distressed mariners. The proposed system will provide only the general direction of the distress call. Compared to the $1 billion system, the revision has negatively impacted Coast Guard's original project goal to take the "search" out of search and rescue. Consequently, Coast Guard may have to perform other investigative procedures and conduct wide-area searches to locate distressed mariners.
- Restoring system outages will take longer. In the proposed system, the specified time allowed to restore critical system functions if they become unavailable has been extended from 6 hours to 24 hours and full system functions from 12 hours to 7 days. Coast Guard has no set parameters for restoring critical functions if the existing system becomes unavailable.
- Reduced the capability to support an increased level of operations during a national emergency or a natural disaster. Capabilities that were eliminated, such as the ability to send classified information and to talk with other agencies, may be necessary to support some Coast Guard homeland security activities.

While it is notable that Coast Guard has taken aggressive action to reduce cost estimates for NDS, Coast Guard may have to restore capabilities that were reduced or eliminated as the system is deployed to meet operational requirements. This will not only increase the cost of the NDS project, but will further compound Coast Guard's capital acquisition challenge.

We have recommended that Coast Guard develop an acquisition plan for approval of the Department prior to obligating any funds appropriated for the procurement contract, which is anticipated to be awarded in the fourth quarter of FY 2002. Coast Guard fully concurred with our recommendation. However, given our concern over the reduction in capabilities, we have since recommended that Coast Guard ensure the acquisition plan also contains cost estimates and milestones for adding the capabilities that were reduced or eliminated. In addition, we recommended that the plan should identify how Coast Guard intends to meet its short-range communication needs in response to its increased homeland security mission.

Uncertainties With the Deepwater Project Should Be Resolved This Year

The Deepwater project proposes to replace or modernize 209 aircraft, 92 vessels, and associated sensor, communications, and navigation systems that are approaching the end of their useful life. This project involves replacing or modernizing all of the Coast Guard assets that are critical to missions that occur 50 miles or more offshore, including drug interdiction, search and rescue, and migrant interdiction.

This project is unusual not only because of its size, but also because, if all goes as planned, it concentrates the responsibility for project success with one contractor (called the Integrator) and subcontractors extending over a planned period of at least 20 years. Given this, the Coast Guard should expect a high level of scrutiny by the Department and the Congress regarding this project.

The Congress supported the planning phase of the project by appropriating about $117 million. The Coast Guard plans to replace its Deepwater capability as an integrated system rather than a series of distinct procurements. For example, instead of specifying that it wants a medium endurance cutter or a long-range helicopter, Coast Guard tasked three industry teams to propose vessels and aircraft that can

work together to meet mission needs more effectively. The planning process has been comprehensive and provides Coast Guard a good basis for identifying its needs and developing an acquisition strategy.

The Coast Guard is rapidly approaching an important crossroads with respect to the Deepwater project. Although it previously planned to award the Integrator contract in the second quarter of FY 2002, Coast Guard has appropriately delayed the award to provide additional time to further analyze industry proposals. The award is currently scheduled for the end of the third quarter of FY 2002. The award of the integrator contract will start the Coast Guard moving forward on a course that is likely to be difficult and potentially expensive to alter once funding has been committed and contracts have been executed.

Coast Guard has not yet provided a reliable cost estimate for the Deepwater project, but that should be resolved once the Integrator is selected. The selection of the contractor will allow the Coast Guard and the winning contractor to reach agreement on the exact system the contractor will provide. Once the final system design and configuration is determined, Coast Guard will be able to establish a cost estimate and deliverable schedule.

Coast Guard received $290 million for the Deepwater procurement in FY 2002. If it receives the $500 million requested in FY 2003, Coast Guard will have $790 million available for the procurement phase of the project. Although Coast Guard originally thought this would be a 20-year project, the request for proposal states that the performance period for the contract could be up to 30 years. It is not clear to us whether this means that (1) previously planned annual funding levels will remain the same and result in increased cost, or (2) the planned annual funding levels will be spread out and reduce the level of funding required each year.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions the Subcommittee may have.

Senator KERRY. I appreciate it very much.

Both of you have framed, both of you, Ms. Hecker and Mr. Mead, you have framed sort of the essence of almost all the questions that we had. Admiral, you mentioned that if we wanted to talk about the dilution question I might come back to you. Well, I think the dilution question was essentially raised by Ms. Hecker as well as by both Senators Snowe and I in our earlier questions. Could you talk to that a little bit?

Essentially, what Ms. Hecker has said is that the Coast Guard is going from 43 percent in law enforcement down to 30 percent.

Admiral LOY. Yes, sir, happy to. First of all, I think the simple reality is to note that, although we cannot sustain those kinds of losses with respect to mission capability other than homeland security for any length of time without truly being concerned about it, we really ought to recognize that on the 11th of September one of the greatest strengths of the organization was exhibited in its agility, its flexibility to go to the scene, if you will, of the Nation's crisis at the moment.

Senator KERRY. I understand that. I understand that. It was brilliant and it was well done, it was well executed. But it came, at everybody's admission, at the complete and total expense of each of those other efforts.

Admiral LOY. Of other things we do.

Senator KERRY. Correct.

Admiral LOY. No doubt about it, sir.

Senator KERRY. Let me ask this question. With the current budget, what level, what percentage of law enforcement effort are we going to be at? We are not going to be at 100 percent.

Admiral LOY. No, sir. We will, through the course of the fiscal '03 budget, suffer what I will call budgeted capability shortfalls in this percentage thing. I think we keep getting wrapped around the axle of, for example, the three charts on the easel over here, which

offers percentages associated, which gives you the impression that we have a finite solid, same size set of pies and we are radically reducing the "devotion to duty," quote unquote, to all these other mission areas.

There is no doubt that we will be, in order to focus on gaining what we think is about a 22 to 24 percent requirement in the homeland security through the course of fiscal '03, make reductions, but I think they are reasonable reductions in the sense that we just made good judgments about it. Let us take living marine resources. If you take living marine resources from a fiscal '02 traditional mission allocation 10 September and before, we were pending about 16 percent of our annual budgeted capability as an organization on living marine resources, fisheries enforcement, if you will.

With a larger pie—and I should give you the dollar value, sir, as well as the simple percentage, because I think the simple percentage is a bit misleading. But in order for us to devote more attention to ports, waterways, and coastal security, living marine resources in the '03 budget will drop to about 11 percent. Now, the dollar value for living marine resources as opposed to, in the '03 request will actually increase from '02 enacted from about $440 million to $504 million. So we are talking about percentages of a growing pie. That is enormously important for us to consider whether the adequacy of the mission accomplishment set is on target or not.

Further, for example in New England, Admiral Naccara has done I think an enormous amount of good work with the local fisheries councils. The councils are actually increasing, for example——

Senator KERRY. Can I interrupt you just for a minute?

Admiral LOY. Oh, yes, sir, absolutely.

Senator KERRY. I am not sure that does the job for us, and I will tell you why. That pie chart by which you are measuring your new normalcy versus where we were previously is based on total allocation.

Admiral LOY. Yes, sir.

Senator KERRY. It is based on the billion dollars.

Admiral LOY. Yes, sir.

Senator KERRY. But the billion dollars is not going into the job. It is a very much smaller amount going into the job. So, I do not think the pie chart tells the story either way. I agree with you it does not tell the story in terms of overall numbers, but nor does it tell the story in terms of the new allocation.

The bottom line to me is as we look at this, for instance marine safety, there is increased demand, but we are going from 13 percent of the pie down to 5 percent. Now, there is no way marine safety is going to be getting the kind of expenditure it was.

Admiral LOY. Yes, sir, I think that is exactly right.

Senator KERRY. Or it demands.

Admiral LOY. In the instance of marine safety, it is because the concentration of marine safety offices and marine inspection offices are absolutely fundamental to the core of doing the work of port security in our ports and waterways. So yes, sir, you have put your finger right on that particular pulse, that the MSO's will be concentrating more on homeland security challenges than perhaps they

have been on otherwise routine maritime safety inspections that they would normally be concentrating on.

Senator KERRY. Resource hours are also going down, correct?

Admiral LOY. Resource hours, I would have to give you a good read on that, sir.

Senator KERRY. Search and rescue are going down.

Admiral LOY. What I can tell you is, for example, there are—let us go to the types of assets. Our new coastal patrol boats will be almost exclusively devoted to homeland security, when in the past they have in part, in the First Coast Guard District in New England, been part of the offshore law enforcement capability and certainly part of the search and rescue capability, which they will continue to be on a mission interrupt basis.

The 110-foot patrol boats in New England will be devoted probably 50 percent of their time to living marine resource activity. I just got off the phone this morning to check on this, knowing of your interest, with our area commander down in Norfolk and we will have a constant presence of a high endurance, medium endurance cutter offshore in the fisheries off New England for the balance of this year.

I think the other thing to keep in mind, sir, is that we are returning to those missions. Even as we speak, we are probably back up to about 75 percent or so of our devotion to our counter drug activity, which had gone probably down close to 10 or 12 percent in the immediate wake of 9-11.

So I recognize your concern. It is mine as well, sir, and I believe that in an incremental fashion we respond to the crisis of the moment and we will return as quickly as we can through the course of this 3-year plan to the legitimacy of all of the missions that we were responsible to the Nation for before 9-10.

Senator KERRY. Well, I certainly hope so. I think it is critical. I am just looking at the resource allocation and for boats in search and rescue—it is going to go down from 58,000 hours to 53,848. In marine safety, in boats it is going to go from 121,398 down to 18,672. In enforcement of laws and treaties, it is going to go from 19,792 down to 16,767. In marine environmental protection it is going to go from 6937 down to 5998. In aids to navigation, it is going down from 46,147 to 42,045. Finally, in ice operations, from 66 to 45 hours.

So in every category in terms of boats, resource hours are going down. In cutters and aircraft, hours are going up, I mean tiny amounts, like 4 hours, for instance, in aids to navigation, 100 and some hours in marine environmental, and so forth.

Admiral LOY. Clear recognition, sir, as you put your finger on at the beginning, this, the homeland security piece, is fundamentally a small boat local coastal operation. Therefore, to the degree the medium endurance and high endurance and aircraft will continue to be employed in these other mission areas, and no one wants better than I to get them back to where we need to get them.

Senator KERRY. Let me ask you this question. Since you are leaving, maybe you can leave this one with us. What does it take, how much would it take, to write the budget you think you need to fill out each of these areas? What is the plus-up that we are talking about in order to do what we need to do in interdiction, in enforce-

ment, in Deep Water, in the ports, and complete the task for the Coast Guard?

Admiral LOY. Yes, sir. My estimate on that, sir, in terms of '04-'05, the other two segments of a 3-year bill, would have us probably a billion and a half or more above what we are going in with here and probably a 6,000-person increase in the size of the organization. We are taking that in bite-sized increments over three pieces. That is a ballpark figure and we are working with the administration on what '04 and '05 should look like.

But as you know, '03 suggests about 2200 people, and we think about two more bites about that size will probably produce the Coast Guard that you and I want to have deal with our full mission array.

Senator KERRY. Well, I appreciate that, Admiral.

Regrettably, I need to go to this other meeting that I am being called to. But if I can just leave on the record a couple of concerns, maybe in the course of your answers to Senator Snowe you might touch on them. I am concerned about the intelligence commitment for homeland protection and how this compares with naval intelligence and may interrelate.

The port security issue with respect to the upgrading of seaport security and helping the States to do that, there is a piece there that I think we have to obviously look at.

I have raised the issue of drug interdiction, and Deepwater, and the National Distress System, which Mr. Mead has raised. Maybe you would sort of put that on the record and address those gaps in the time remaining.

Finally, bridge alterations. The budget zeroes out bridge alterations. I know that measured against everything else, I suppose that is a place one has to choose. But the money for bridge hazards to navigation it seems to me will reduce again the impact for communities, reduce congestion, provide safe crossing over navigable waterways. That is its own security issue.

Admiral LOY. Yes, sir.

Senator KERRY. As well as being a long-term infrastructure issue.

I apologize for dropping those, but I wanted to raise those concerns on the record. Again, I am confident we will see you before your date of departure, but let me again tell you what a great, great pleasure it has been working with you. It has been an honor to do so and we really appreciate all your input.

Thank you, Ms. Hecker. Mr. Mead, thank you also. You have been at this for a long time now and we appreciate very much your input, too.

Senator Snowe.

Admiral LOY. Thank you, Mr. Chairman.

Senator SNOWE. [presiding]: Admiral Loy, Ms. Hecker was talking about defining the new normalcy and I do not believe it is defined with respect to port security. Obviously, port security is now and has been a major responsibility of the Coast Guard, but in light of September 11th it has been enhanced. Do you think that we should make sure that we define precisely what the new normalcy is with regards to port security?

Second, I know the Coast Guard had embarked on an assessment of port security threats. In light of the Report of the Interagency Commission on Crime and Security in U.S. Seaports that actually was issued prior to September 11th, the risk was considered to be low and the threat to be high. After September 11th we found out this to be quite different.

Could you explain how you visualize the new normalcy regarding port security?

Admiral LOY. Yes, ma'am. What we have done is, as I indicated—and maybe the best thing for us to do, Senator Snowe, would be to arrange a briefing for the committee and the staff as you would desire, to get a feel for the full scope of the maritime security plan that we think is appropriate to define this new normalcy.

Our 3-year budgetary build is so as to reach the point where the Coast Guard contribution to that new normalcy will be adequate to the task and return to the other mission areas that were just discussed with Senator Kerry. But within each of the five main pillars that I heard Admiral Collins mention to you, this notion of Maritime Domain Awareness, there are specific things in that that we need to be doing better than we are doing today as it relates to the control of high interest vessels in our ports, as it relates to presence, as it relates to critical infrastructure protection, and as it relates to outreach, not only to locals but literally to the international sector.

The inventory is a very long list, Senator Snowe, as you know. But it is about credentialing, it is about real port vulnerability assessments, it is about having a criteria set established so that we know a generic set of attributes for a model port with a national threshold established that we offer to each and every port, 361 ports around the country, to take that model port and compare themselves to it. We will conduct sequentially with the 19 strategic ports, then the 55 ports that comprise 95 percent of the commerce, we will conduct full port vulnerability assessments.

We hope to do those 50 over the course of the next 2 years, such that at the other end of the day we are not guessing as to where the shortfalls are in these important ports of ours, rather we have homed in on them and challenged each of the local ports to do what they need to do.

Now, historically in our country, Senator Snowe, as you know better than most coming from New England, aviation and even the highway system in a post-Eisenhower Interstate kind of a system since the fifties, are a phenomenon of the twentieth century, while the port infrastructure of our Nation is a phenomenon of the eighteenth century. It is privately owned for the most part and a very different notion in terms of how we have over time supported them and especially with respect to infrastructure investments.

With aviation, airports, and with highways and transit systems, we have TEA–21 and AIR–21 and a grant system designed to allow Federal infusion of infrastructure projects to take place. That does not exist with our local ports and waterways. So the design impact of if and how the Federal Government will find a way to make an investment in infrastructure in ports and waterways is a crucial question that we as a Nation have to answer.

The '02 appropriation has $93 million that we are going to accept applications, and together with MARAD and TSA, we will very quickly, by the middle of June, have grants going back in the other direction that will take care of that $93 million. But I would offer that as a drop in the bucket in terms of what the true infrastructure needs are.

Senator SNOWE. So what would that money be used for? Would it be used for perimeter security?

Admiral LOY. Two categories, ma'am. The first one is associated with doing good assessments and the specific things, if you have already done one, that you can go toward and actually get funded. The second is things like physical security and infrastructure investments in that regard. That is what we read as we interpret the intent of the Congress and we have designed the process that way.

Senator SNOWE. It is an interesting point that you raise about the fact that up to this point there has not been a separate fund.

Admiral LOY. An SEA–21.

Senator SNOWE. Yes, exactly. That is an interesting concept that we certainly should consider. Perhaps it is essential, but I do not know. Would you agree?

Admiral LOY. I think I do, absolutely.

Senator SNOWE. Assuming we could pass a Coast Guard authorization bill, but that is another issue.

Admiral LOY. That is one thing that would be helpful. But the other piece, the Senate has already acted. The Maritime Security Act is a very solid step in the right direction for building the House counterpart with them so as to hopefully let that conference be something that we can actually gain legislation out of this session.

Senator SNOWE. With $93 million, exactly how many ports would that help? How far would that go?

Admiral LOY. It really depends on what kind of application pattern we get in by the deadline. It could be as easy as two $45 million grants or it could be 93 $1 million grants. I would like to think that the criteria set that we have established will allow us to make good judgments about the choices we make with respect to those grants.

Senator SNOWE. I think it is a logical direction. The roundtable discussions that I conducted in January with many local officials across Maine all indicated that grants are essential to the coastal areas.

Admiral LOY. I just met this morning with the American Association of Port Authorities and they feel also that they are delighted with the notion, but they also understand that not much ever in the past has the Federal arm of government made an infrastructure contribution to ports and waterways of our Nation, other than through Army Corps of Engineers, locks and dams projects, that kind of thing. But that is just something that is very different than the way we handle airports and terrestrial transportation infrastructure.

Senator SNOWE. On a separate note, is the Coastal Beacon program involving Maine fishermen a type of approach that you could visualize Coast Guard expanding to other parts of the country?

Admiral LOY. Absolutely.

Senator SNOWE. I really do think it makes eminently good sense.

Admiral LOY. I think it makes eminently good sense and we look forward to prototypes and those kind of best practice ideas. Where we can then make it happen in other places in the country, that is exactly what we do.

Senator SNOWE. Has the response been positive?

Admiral LOY. It has been positive, yes, ma'am.

Senator SNOWE. How many port vulnerability assessments will you be able to conduct in this fiscal year?

Admiral LOY. I think we will get to 55 by the end of fiscal year '03, so our hope is that, with the existent request, we would probably do—I do not know the number for the rest of '02, but I can get you that number.

Senator SNOWE. Is there a time line for completing all the port threat assessments? What would the time period be in which that would occur?

Admiral LOY. My guess is that the 55, which are obviously the most significant, most complex, port installations because they compose 95 percent of the non-NAFTA commerce that is coming and going, the balance will be very quick. So I would guess that within another 2 years or so we would have all the lesser ports dealt with.

But our goal here is to underpin the strength of our prosperity and economic stability, which is ports and waterways. The 55 that comprise 95 percent of the trade is our focus for the moment.

Senator SNOWE. That is why we also have to pass the Port and Maritime Security Act.

Admiral LOY. Yes, ma'am, precisely.

Senator SNOWE. Do you agree with Ms. Hecker on the point, that two-thirds of the increase would go toward retirement benefits entitlement-type expenditures rather than expanding operating capacity? If so, this is clearly an issue.

Admiral LOY. She has that right on target. JayEtta, I think it is $1.2 billion of the total $7.2 billion. That portion of the increase is all about, across all of our appropriations, OE and all of the rest, including the retired account, associated with the OMB judgment to go toward an accrual-based retirement system this year. So a significant portion of the total increase in the Coast Guard's budget is keyed to that, yes, ma'am, including the health care implications of it as part of the accrual retirement system.

Senator SNOWE. So the remainder then would address some of the readiness and retention issues and the expanding missions. This is insufficient; would you not agree?

Admiral LOY. Well, it is what we felt was the executable, sort of consumable bite that we could take in that first year of the 3-year bill.

Senator SNOWE. You do not think you could absorb more than a billion plus in 1 year?

Admiral LOY. That is correct. This is, as Ms. Hecker mentions—there are issues associated with recruiting and with the training infrastructure to get these young people through the system. The numbers that were challenged, just to give a little bit, she indicated that we had never done 4,000 before. Well, we just did 5,000 this year and last year, so the whole notion of how many people go through the boot camp system is something that we have lim-

ited our judgment and our imagination thereto, so it is something that we can actually execute.

We actually anticipate that retention for this year appears to be about a 6 or 6.5 percent positive jump for us. We feel very good about the efforts we have undertaken about retention. Officer side, probably as much as 12 percent better than in the last couple of years. Now, how much of that is our young people's patriotic zeal on one hand, how much of it is a downturn in the economy, it is a very soft science to cause and effect that. But we have a very good story to tell at the moment with respect to retention.

Senator SNOWE. Regarding the National Distress and Response System, as Mr. Mead I think pointed out in his testimony, both the Deepwater and the National Distress System programs are at a crossroads. First with Deepwater, I gather there is a projection here, Mr. Mead, that is suggesting that the timeline may increase to 30 years from 20 years for the life of this modernization program?

Mr. MEAD. We do not know. Until June of last year we thought it was 20 years and were projecting a budget of about $500 million a year. However, the RFP says you can do this in the 20 to 30 year frame, but it does not specify which. Given the consequential monetary amounts, I think that is an important decision.

Admiral LOY. My note here is simply this, Senator Snowe. The two parameters that were enormously important as framing parameters for the project's RFP overall was that they had to live within a $996 million OE account as they designed their system for the future and the AC and I would be $500 million of 1998 dollars over time. Those were planning parameters associated with the ability for us to make sure each competitor was working with the same limits as they designed their proposals for our future system.

Once the award is actually awarded, once the contract is actually awarded, there clearly will be each and every year adjustments based on what OMB requests and what the Congress appropriates. If we have more money appropriated to the Deepwater Project in any given year, I would hope that it would positively affect time and cost implications of performance. If we have less money sought for or appropriated in 2010 or 2012, that has the potential, of course, to lengthen the contract.

We will make cost, time, and performance decisions about that each year as we go through, as will the Congress have their opportunity to take that judgment each year as it goes by. We just need, I think, to get away from the notion of understanding that $500 million limit and the $996 million OE implication to be anything other than what they were, the planning parameters for the proposal design stage of the contract as it comes together.

Senator SNOWE. Mr. Mead, does that sound logical?

Mr. MEAD. It sounds very conceptual. I think that things will become clearer later this year when they do a downselect. We have, as Admiral Loy knows, been pointing out for 2 or 3 years along with GAO and probably the Office of Management and Budget too that it would be nice to know exactly what we are going to buy and when and how much.

On the other side, I have got to say that I do believe the Coast Guard has followed a very innovative approach on the procure-

ment. It is an unusual one, but we should not damn it because it is different. So next year at this time we will be back and we will know a lot more.

Senator SNOWE. I agree that we will know a lot more then.

Admiral LOY. Again, we could tell you today three different versions because that is where the competitors are, so to speak. Come the middle of June, we will be able to brief the committee at great depth with the proprietary brief. At the moment, however, it stays competition-sensitive and we sort of cannot go there.

Senator SNOWE. You are right. I think at that point we will have a better appreciation of what exactly Deepwater will encompass.

Admiral LOY. More importantly, Ken's point is a very good one with respect to the total capability of our AC and I account over time. As we push the CIP forward, the capital investment plan forward, for '04 and '05, we are very focused on the Deepwater Project and NDRSMP, to the exclusion of other very real needs that the organization has. Ken points out housing.

There is nothing I would rather have than a bit of money in the AC and I account to do good things for Coast Guard people housing-wise across the country. But priorities are priorities and for the moment I think both the administration and the Congress properly focus on IDS, Integrated Deepwater System, and NDRSMP to get those right, then when we are done with NDRSMP in '06 press on to the other needs the organization has.

Senator SNOWE. A lot will be contingent on Congress then for making sure this program is on track.

Admiral LOY. Yes, ma'am, absolutely. We owe that every year for the next 20 or however many it takes.

Senator SNOWE. That is a lot to hope for.

Admiral LOY. Or however many it takes.

Senator SNOWE. I am still waiting for that Coast Guard authorization bill.

Admiral LOY. I can promise you 2 more months.

Senator SNOWE. Which is not your fault, I should say. I wish that before the end of your term that we could pass that authorization bill. Frankly, it is inexcusable that here we are in the fourth year and now it is hung up on an amendment that is not even germane to the issue.

I think it is a sad commentary on the legislative process that we cannot bring it to the floor because we have an extraneous amendment. This is true given the missions that are assigned to the Coast Guard, especially in light of what happened on September 11th.

Admiral LOY. I tend to agree.

Senator SNOWE. I think this is really unfortunate and I regret that, because I do not think that there is any rationale or justification.

Admiral LOY. I hope we can get past that.

Senator SNOWE. I do too. I hope we can do it to honor your leadership before the end of your tenure. Additionally I think that there are many people overlooking the importance and the value of this legislation for the Coast Guard.

Admiral LOY. Did you want me to respond to the NDRSMP?

Senator SNOWE. Yes, I do, because there are a number of gaps that exist in the current system. I know several in fact are off the coast of Maine. But I gather there are 88 total, which represents more than 21,000 miles. I think that it is essential that we have a better understanding of how we can ensure that this is not going to compromise our communications with those who are on the sea.

Admiral LOY. Yes, ma'am. The 88, I think the number is sound. I have not challenged Ken's team's number with respect to that. But what I think is important for us to understand is that we did not embark on this project to fill 88 gaps. We embarked on this project to do away with the 1970's vintage system and replace it with a twenty first century system of command and control structure—not only, by the way, for our search and rescue requirements coastally, but for everything we do coastally, including maritime security. The C4ISR value that will come out of NDRSMP is enormously important.

We will be doing with the winning contractor site surveys region by region by region, and as each of those site surveys is done the contractor will make decisions associated with where high site towers are going to go for the system. As we know, any VHF–FM system that we are putting in place designed to cover, to provide reliable coverage out to 20 nautical miles, will always have the potential to be impacted by atmospherics, by physical obstacles. If the tower is here and there is a mountain in between you and the tower, it is going to be hard for your signal to be heard.

The goal that we have, Madam Chairman, is to reach 98 percent coverage factor for our Nation, with acceptable gaps as designed into the RFP. There are certain places, for example in the Bering Sea, the Aleutian Chain with the exception of Dutch Harbor, that we are not challenging the contractor to cover.

So when we have the contractor, we will work with him or her to produce that 98 percent coverage, which by the way will give us a system that is well above national first responder challenge systems today, fire and police response systems. They are normally keyed to about 95 to 96 percent coverage. We will impose 98 percent as a requirement and we are probably in the mid-eighties today, just as a reference to that.

So I would have us not focus on gaps so much as understand the new system and its incredible improvement. The capabilities inventory, there is a little chart that I will be glad to give you a copy of that just sort of goes down a set of columns. We are interested in monitoring distress calls. With this kind of capability that we want, we have all no's almost in the column of today's system and all yes's in the column of the new NDRSMP system.

It is about lessons we have learned from the Morning Dew case, from the loss of our own sailors in the Niagara tragedy last year, such that we know about own unit tracking and we know about DF capability and we know about whether or not the kid in the watch center can turn the system back and hear the call and try to interpret it.

So this is an enormously improved system, Senator Snowe. I agree that there are 88 gaps at the moment. I would rather us focus on a 98 percent coverage rate at the time we are done.

Senator SNOWE. Well, could you explain the current gaps on the coast of Maine. We are talking about the gap off Calais, Maine, which is 14 square miles? What exactly is that going to mean in terms of a distress call?

Admiral LOY. Well, as it stands at the moment, Senator Snowe, assuming that Ken has got this wired tight and I am sure that he does, if you happen to find yourself inside that colored red zone and in distress, it is going to be difficult, if not impossible, for the Coast Guard station at the moment to hear your distress call. We want very much to eliminate that gap.

How the contractor chooses to place high site towers to the 98 percent coverage level hopefully will eliminate that gap for us. We will review that, and if in fact we get to a settled system we will advise the boating public and all the other maritime users as to where existent gaps would continue.

Senator SNOWE. It is treacherous off that coast.

Admiral LOY. That is treacherous territory, yes, ma'am.

Senator SNOWE. Yes, it is.

Admiral LOY. I am not personally familiar with that, but the coast of Maine is.

Senator SNOWE. Yes, in that particular area.

Admiral LOY. Yes, ma'am.

Senator SNOWE. We have a lot of local fishermen down in that area where fishing is their way of life. It is off the coast of Washington County, so fishing does dominate. This represents sort of a perilous challenge.

Admiral LOY. If I may, Senator Snowe, I will go find out what is happening with respect to the game plan at the moment with that particular piece of geography and let you know.

Senator SNOWE. Then the other one, of course, is off Bar Harbor. Those are the two.

Admiral LOY. Bar Harbor.

Senator SNOWE. But as you may know, the coast of Maine just in general, but most especially in that area.

Admiral LOY. And most especially in the winter.

Senator SNOWE. Absolutely. Winter, fog, currents. It is treacherous.

Mr. MEAD. Senator Snowe, I would just like to comment on this percentage of coverage issue. Actually what the contractors have been asked is to make sure that they cover not less than 90 percent, and the goal is to cover between 90 and 98 percent of the area. The concern we have is we do not know where that delta or difference is going to show up along the United States coastline. In fact, if you just take the coast of Maine, you have got about 400 square miles of dead zone. You apply say 92 percent to that and that leaves a substantial number of miles. I do not want, and I am sure the Coast Guard does not want, a mariner to be caught up in distress there.

You know exactly, we all know, exactly what would happen in aviation in a similar situation if there was a gap. There would be simply no tolerance of the situation.

Senator SNOWE. You would not survive long off the coast of Maine during the course of the winter. Some would question even

in the summer, because the water is very cold. There is just no way. So survivability is very limited.

Mr. MEAD. To say nothing of if you had to wait 24 hours to get it there.

Senator SNOWE. It would not be possible, unless their ship or their boat is intact.

Admiral LOY. The 24-hour issue is a different issue, a related issue, but a different issue. This is classically when the hurricane comes by and the tower goes over how quickly do we get the tower re-established so as to be part of the system. The original RFP, the phase one, called for each of the respondents to help us understand the cost-benefit relationships between 6 hours or 8 hours or 10 or up to 24. The point of a 6-hour response capability would essentially virtually have us have airplanes sitting at the end of the runway in order to bring the men, personnel and materials that would be necessary to repair the thing.

The 24-hour system, if you will, would have us have in the warehouse portable towers that we could get to the right place at the right time in the midst of a tragedy like that. But all of these I would be the first to admit are about a cost-benefit tradeoff. If we want to spend $200 or $300 million more to put up however many more towers to go to 100 percent as opposed to 98, that is a choice that we would eventually have as part of the negotiation process both in the Department as we prepare budgets for '04, '05, and '06 and for the negotiations in Congress as well.

Senator SNOWE. But was that not the original goal of this program?

Admiral LOY. The original goal of the first phase of the project——

Senator SNOWE. To provide for these gaps. Don't we want to eliminate all gaps?

Admiral LOY. I would say, you would have a hard time saying eliminate all the gaps, especially if you think in terms of gaps being about the Everglades and the Aleutian Island chain where there is no one there and places like that in our Nation that would be very difficult for us imagining a distress to take place.

But we certainly want the best system we can have for our Nation to cover our people's requirements when they are in distress. 9-1-1 is what it is all about. Ken is right on target.

Senator SNOWE. We have 88 areas which I can see delineated on this map of the United States. Clearly we ought to work to rectify some of these gaps, because I do think that it would be unacceptable to have these gaps in the long term.

Admiral LOY. I could not agree more. The system that will be designed will make a significant dent in the 88 gaps. We will look and see what is left when they have designed their system and that will be part of the conversation that we will continue to have.

Senator SNOWE. Many years ago back in the eighties they were suggesting that if there would be a rescue off the coast of Eastport that they would rely on a helicopter from Cape Cod. That was not a workable option.

Admiral LOY. I spoke at great length about that.

Senator SNOWE. Remember that? Fortunately, we are not there any more to talk about that one. I think this is one of the issues.

Speaking of Eastport, let's turn to the OPTEMPO concerns at Coast Guard boat stations, that Mr. Mead raised. This is another serious readiness problem, particularly the burden that many of these stations are feeling. They are on the front lines of providing security along our coastlines.

Admiral LOY. Absolutely. That is exactly why we have taken so seriously the commentary from not only the Senate side, but the House side in committee last year, as well as GAO's review, as well as the IG's review. We had, as I indicated earlier, taken that so seriously as to design this 5-year game plan that will get us back to where we want to be. The '03 budget represents the third year of that. I think I heard Admiral Collins testify that we put about 200 people into the system last year, another 200 going in in '03, 130 or 140 of which go directly into those stations.

So one bite at a time we are methodically going to come by the time '05 rolls around with a system that, as Ken just mentioned, looked very good to him and his staff when we showed it to them, and we will methodically go down that road, because again it is Coast Guard people that get these things done at the other end of the day and all of us must be in the business of providing them the equipment and the training and the numbers they need to do the job.

Senator SNOWE. Absolutely, absolutely.

Finally on homeland security, I notice there is an article in *The Washington Post* today talking about the administration's proposal, it has yet to be announced, which indicates the President will recommend that INS and Customs be merged.

Admiral LOY. And the Border Patrol.

Senator SNOWE. And the Border Patrol. It is unsure whether they will be in Justice or in Treasury or wherever, but I guess the point is that the Coast Guard has not been included. Are you relieved?

Admiral LOY. I think for the moment, having been a participant in many of those long meetings on the issue, I think that it appears as if the proposal to the President will suggest that port of entry inspection kind of functions need to be dealt with and the people that do those things are INS and the Customs Service. To the degree that the Border Patrol is a part of INS, that is probably how they are being pulled in.

I think the right answer at the moment for transportation security and the focus that has found its way to that, not only by the Congress passing the TSA standup requirement inside Transportation, that Transportation is the right place for the Coast Guard to stay for the moment, for the foreseeable future, if you will. If there was not a maritime voice about port security and transportation security in the three-legged stool that really is our transportation system for the Nation, I think the Secretary would be trying to get a job done without a full team.

So the issue I think has always been about the synergies of the present compared to the synergies of the future. In other words, we do a lot within Transportation simply because we are there and it

is easy to do it because we are there and the Secretary has line authority on all the players that are there. If we in favor of border security and wanted a better synergy there, my testimony, if you will, through the course of all these meetings has been, let us make sure that we understand the unintended consequences of taking people out of point A and B before we create another well thought out, well designed, well intended organization that would deal with border security.

So I do not believe this is a decision made or taken quite yet, Senator Snowe. But if we stay in Transportation for the moment, especially while TSA comes on line, I think it is a good thing for the country.

Senator SNOWE. So you think it is logical where it stands today?

Admiral LOY. Where we are today?

Senator SNOWE. Yes.

Admiral LOY. Yes, ma'am, I do.

Senator SNOWE. Have you had to detail any of your personnel to the Homeland Security Office?

Admiral LOY. We have done that. We have sent over probably as many as, I think it is probably 25, 28 people, principally watchstanders so they could stand up a coordination center for themselves over at their new offices at the Naval Security Group on Nebraska Avenue. The notion there is that those are temporarily seconded to the Office of Homeland Security until they can bring their own people on, train them, and get them to the point where they can do those very important things for themselves.

So I thought it was sort of the least we could do to make a contribution toward the required success of the new initiative that Governor Ridge has undertaken for the President.

Senator SNOWE. Are you detailing any personnel to the Transportation Security Administration?

Admiral LOY. Only a small handful so far. We have sent over a captain, an O–6, as an executive agent kind of helper to Under Secretary Magaw. I am sort of watching my flag officers retire and get picked up for employment, including Admiral Naccara and Admiral Bennis from the Northeast. That is a good thing. If they can bring their skill set to the TSA, that will help them enormously.

Senator SNOWE. Again, Admiral Loy, you have my admiration for your steadfast leadership and service to our country. It has been a pleasure to work with you and hopefully we will see you again before your term of office is up. I want to applaud you for the exemplary service that you have given this country and the manner in which you have conducted yourself throughout your longstanding service to this country.

Admiral LOY. Senator Snowe, thank you very much. Those are very nice comments and I accept them only with your permission to pass them on to the young kids that are really doing the job for us out there.

Senator SNOWE. I know they are remarkable, but we appreciate the able leadership that you have given throughout your term of office and perseverance through some very difficult circumstances, particularly without an authorization and not to mention what

happened this fall. You have done it with great aplomb and I appreciate all that you have done for this country.

Mr. Mead and Ms. Hecker, thank you as well for your service and for your testimony. We are going to follow up on some of the issues which you have raised in your testimony and reports. Thank you.

This hearing is adjourned.

[Whereupon, at 4:50 p.m., the Subcommittee was adjourned.]

APPENDIX

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN F. KERRY TO ADMIRAL JAMES M. LOY

Plans to Return the Coast Guard to a New Normalcy

Question. The Coast Guard has explained that this budget request is the first of a "three year plan" to return the Coast Guard to normalcy, covering all operations.

—Will the Coast Guard be developing a three-year strategic plan for returning to "the new normalcy"? Can the Coast Guard share that plan with the Committee in the very near future?

—What is the long-term plan for incorporating new personnel over the three year road to "normalcy"? Won't this influx create other needs, such as housing, that may be strained?

Answer. Yes, the Coast Guard is developing a strategic plan to incorporate new normalcy. The President's fiscal year 2003 budget and request for additional fiscal year 2002 supplemental funding are critical and substantial steps to implement the multi-year strategy. These two funding requests support 5 major goals to achieving Maritime Homeland Security:

- Build Maritime Domain Awareness (MDA)
- Ensure the controlled movement of High Interest Vessels.
- Enhance Presence and Response Capabilities
- Protect Critical Infrastructure and Enhance Coast Guard Force Protection
- Increase Domestic and International Outreach

The Coast Guard has requested growth in operations and personnel to a level that is sustainable with current and requested support infrastructure. More specifically, the Coast Guard is growing in size proportionally to the ability to absorb new personnel.

The Coast Guard will continue to work with the Department of Transportation, the Office of Management and Budget, and with the Office of Homeland Security to align its strategic plan within the overall Homeland Security Strategy. We will keep Congress apprised of progress.

Resources Allocated for Intel—HLS

Question. Given the complexity of port security requirements, the sheer volume of international trade, and the geographic scope of the maritime area generating need for protection, it will be crucial that our port security effort include a strong component of intelligence and advance information on cargo, passengers and crew members as well as vessel information.

—What resources does the Coast Guard intend to allocate for intelligence with respect to homeland protection? How do these resources compare with Naval intelligence resources?

Answer. The Coast Guard's Intelligence Program (CGIP) is a multi-mission capability within the Coast Guard. Within the budget request for fiscal year 2003, there are three new intelligence initiatives focused on homeland protection. These include the continuation of initiatives funded in the fiscal year 2002 Emergency Response Supplemental, enhancing Area-level tactical intelligence fusion capability, and developing Port Intelligence & Investigative Teams.

New initiative	Military positions	Civilian positions	Total amount (in millions)
Annualization of FY02 supplemental	49	25	12.7
Tactical Maritime Intelligence Centers	41	13	3.2
Port Intelligence Teams	23	20	3.8
Port Investigative Teams	18	25	3.0

In addition, the President's fiscal year 2003 budget request includes $97.4 million for Maritime Domain Awareness initiatives. This includes the intelligence initiatives above plus additional Information Technology and sensors.

The overall size of the Naval Intelligence budget is classified, prohibiting a comparison. Please contact the Chief of Naval Operations (N20) for the size of their program as well as new initiatives to support homeland security.

Coast Guard Maritime Safety and Security Teams: Deployed

Question. New Maritime Safety & Security Teams are being deployed by the Coast Guard.

—Where will the new teams be deployed? Is it envisioned that a Marine Safety & Security Team will be assigned to the port of Boston?

Answer. Congress has provided the Coast Guard with funding to establish 4 Maritime Safety & Security Teams (MSSTs) in fiscal year 2002. These units will be assigned to Seattle, WA; Chesapeake, VA; San Pedro, CA; and Galveston, TX. The teams will be capable of deploying to any United States port to provide waterside and limited landside anti-terrorism and force protection. Two additional MSSTs were requested in the fiscal year 2003 budget. The locations of those teams are being reviewed at this time.

Local Port Security Funding

Question. The budget request does not include important funding to help the port authorities and states to upgrade seaport security. S. 1214, the Senate passed seaport security bill, authorizes port security funding for the Coast Guard and Customs. It also provides assistance to state and private sector port authorities. This funding will be crucial, since these entities are the agencies that actually own and control the entry points to our maritime borders.

Local port authorities and states have an important role to play in port security. Yet it does not seem that the budget request includes any funding to help these authorities to upgrade port security. Is that accurate, and if so, why isn't this included?

Answer. To assist ports in the near term, port authorities and states were able to apply for funds to address immediate port security mitigation needs through the Transportation Security Administration (TSA) Port Security Grant program. In the long term, the Coast Guard has begun its Port Vulnerability Assessment (PVA) program, which is a major step by the Coast Guard in supporting our port stakeholders in also meeting the security challenges facing our ports today. These security assessments will be the basis for identifying security vulnerabilities of ports and recommending mitigation strategies for addressing shortfalls. The valuable information provided by the assessments can then be utilized by Port Authorities and facility owner/operators as members of local Port Security Committees to determine the best course of action to close security gaps, develop Port Security Plans and seek long term funding.

Budget Zero—Bridge Alterations

Question. Once again this year, the Administration is recommending to eliminate funding for the Coast Guard to eliminate bridge hazards to navigation under the Truman-Hobbs, on the rationale, that there is ISTEA funding for bridge alterations. However, ISTEA has a fixed formula of funds available for bridges, and elimination of funding for Truman-Hobbs would have the overall impact of reducing amounts available to help communities to reduce congestion and provide safe crossing over our navigable waterways.-Why does the budget zero out the amount for bridge alterations? How will this be funded, if not through the Coast Guard budget?

Answer. Faced with the competing resource needs required to support increases in critical Coast Guard missions, the Coast Guard did not request funding for the alteration of bridges in Fiscal Year 2003.

Adequacy of Coast Guard Cost Accounting

Question. Under the accounting system currently in place in the Coast Guard, it is difficult to track with certainty both dollar and resource hours expended on specific mission areas. Thus, it is a challenge to know with confidence how appropriated dollars have actually been spent. While the Coast Guard is improving its accounting system, substantial improvements are still needed.

—What has the Coast Guard been doing to improve its accounting system?

—Is it possible to know with certainty how many human and capital resources are allocated to various missions?

—How can the accounting system be improved to enable tracking of how appropriated funds are actually expended?

Answer. The Coast Guard employs systems and techniques that significantly exceed the requirements of the Federal Accounting Standards Advisory Board's Statement # 4; Managerial Cost Accounting Concepts and Standards for the Federal Government. The elements of Coast Guard excellence in this area are: (1) highly reliable cost data which is based upon, and reconciled to, audited financial statements; (2) operating facility costs computed using state-of-the-market analytical tools and the latest Activity-Based Costing (ABC) protocols; (3) reliable, repeatable mission performance costs which are based on facility costs and our operational mission reporting, and (4) a performance budget reporting protocol meshed with our other reporting views.

Using the same techniques and tools that private sector firms use to cost their products, the Coast Guard generates accurate reports of mission spending. Cost accounting calculations in capital-intensive enterprises such as the Coast Guard traditionally rely upon algorithms to allocate indirect costs. Such methodology has enabled derivation of cost data appropriate and useful for managerial decision-making.

As management needs for greater cost granularity develop, we refine our models and allocation bases as appropriate. For example, KPMG Consulting is assisting with refinement of certain cost allocation modules that will yield specific improvements needed to support future Coast Guard acquisitions.

Status of Coast Guard/National Transportation Safety Board Memorandum of Understanding

Question. We understand that the issue of clarifying the leadership role of the National Transportation Safety Board (NTSB) has still not been resolved, despite language from Congress more than two years ago asking the two agencies to do so.

When will the MOU be finalized with NTSB? What specific steps must occur to finalize the MOU with NTSB?

Answer. The Coast Guard and the National Transportation Safety Board (NTSB) met numerous times during 1999 and 2000 to discuss modifications to the Memorandum of Understanding (MOU). The Coast Guard formally submitted the proposed "bright line test" to NTSB on March 29, 2000. A series of meetings between the Coast Guard and the NTSB followed the submission of the "bright line" test. The "bright line" test is essentially a flowchart and scoring protocol that categorizes a marine casualty to determine who should have investigative lead. The NTSB, in its letter dated February 14, 2001, indicated that there are "some remaining technical issues in its application." NTSB has not yet clarified those issues.

In October 2001, NTSB presented a draft MOU to the Coast Guard for consideration. The draft included a provision that NTSB may unilaterally elect to investigate up to five marine accidents per year as lead agency. For many decades there has not been a year where five catastrophic marine accidents occurred; therefore, the NTSB proposal potentially excludes the Coast Guard from the decision-making process in all of the most important cases. The Coast Guard did not accept the NTSB proposal, but offered several alternatives to unilateral election including not only the Bright Line scoring protocol, but also NTSB lead of any intermodal accidents and NTSB lead on accidents involving any public vessels. The NTSB did not accept. The Coast Guard continues to believe that there are ways to satisfy both agencies' needs without unilateral election for NTSB and will continue to work toward that end. The Coast Guard proposal for the "bright line" will be discussed by the Commandant of the Coast Guard and the NTSB chairperson in the near future.

Status of the National Invasive Species Act

Question. The National Invasive Species Act required a report to Congress in January, 2002, on the effectiveness of voluntary standards to address invasive species in ballast water. Three months later, no report appears to be forthcoming.

What is holding up the release of this report? When can we expect it?

Answer. In late January 2002, the report assessing the effectiveness of the voluntary ballast water management guidelines was forwarded to the Department of Transportation for approval and submission to Congress. The report was returned from the Office of Management and Budget on April 17 with comments from several agencies that need to be addressed before final delivery to Congress. The resolution of these comments and submission of the report is an immediate priority for the Coast Guard who is working towards a date of 20 May for completion of the report.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. OLYMPIA J. SNOWE TO ADMIRAL JAMES M. LOY

Inexperienced Personnel Affecting CG Readiness

Question. The Coast Guard is already facing a shortage of trained personnel particularly with petty officers. I am also concerned that the large numbers of personnel the Coast Guard intends to bring in this year will in the short term create additional readiness problems as more inexperienced personnel are assigned to operational units. What steps are you taking to ensure that this influx of new personnel won't adversely affect the Coast Guard's readiness?

Answer. The Coast Guard is concerned that high number of accessions required to meet expanding mission requirements will decrease overall experience levels. The Coast Guard is stressing workforce retention, expanded programs to increase the number of experienced entrants to the military workforce, expanded retired recall programs, and new training initiatives to address this issue.

Retention of both enlisted and officers has improved during Fiscal Year 2002 and the Coast Guard will take action to further address retention through bonuses, command intervention, education, and compensation.

The Coast Guard is expanding programs that bring experienced members into the military workforce through expanded integration of reservists, opening enlistment opportunities for those with prior military experience, and recalling retired members to active status. The Coast Guard sent letters to 1100 former active duty members, most of them serving in the Reserve component, asking them to return to active duty. In order to capitalize on the talented Reservists who were called up during the recent mobilization, the Coast Guard has offered a number of them an opportunity to apply for integration into the regular Coast Guard. The Coast Guard has also requested funding increases for accession and specialty training at its five training centers.

Partnerships in Fisheries Enforcement

Question. What efforts is the Coast Guard taking to forge partnerships with your partners in NOAA and the state marine patrols to develop alternate fisheries enforcement strategies?

Answer. The Coast Guard works closely with its partners in NOAA and the Fishery Management Councils (FMC) to ensure regulations are enforceable. In some instances due to a reduced Coast Guard presence after September 11th, the FMCs have called for stricter penalties for fisheries violations as a deterrence measure.

The Coast Guard Liaison Officer position at the National Marine Fisheries Service (NMFS) Headquarters in Silver Spring, Maryland, has provided substantial communication between our agencies. Additionally, both at the national and regional levels, the Coast Guard and NMFS Enforcement hold regular meetings to discuss fisheries enforcement implementation, strategies, and priorities.

The Coast Guard and NMFS have partnered to establish the National Vessel Monitoring System (VMS). Currently, our two agencies are working to expand the use of VMS for several fisheries.

The CG participates in Cooperative Enforcement Agreements (CEAs) with NMFS and the state marine patrols, whereby NMFS deputizes state enforcement officers to enforce federal fisheries regulations. So far NMFS has received $11M in funding to allocate to the various coastal states in return for an agreed upon level of federal enforcement effort.

The Coast Guard also partners with NOAA and the state marine patrols through our five Regional Fisheries Training Centers (RFTC). Often NMFS and the state marine patrols send new agents to one of these training centers to learn how the Coast Guard enforces fisheries regulations at sea. Additionally, these partners often provide guest instructors for RFTC curricula.

At the regional and local levels, Operational Commanders have always worked with their state counterparts to coordinate effective enforcement operations.

Need for Coast Guard Authorization Act

Question. The U.S. Coast Guard, which is part of DOT, plays a vital role in the security of our nation's seaports. It is my hope the Senate will soon pass S. 1214, the Port and Maritime Security Act of 2001, which, if enacted, would give the Coast Guard additional authority and authorize funding to address identified seaport security needs. Unfortunately, for the third year in a row, the Senate has been unable to pass other legislation to authorize the basic needs of the Coast Guard due to disagreements over a matter that is unrelated to the Coast Guard or its operations. The Coast Guard has not had an authorization bill since 1998. What is the impact to the Coast Guard by not having an Authorization Act? How has it hurt the Service? What planned activities have been delayed due to the lack of an authorization bill? In light of the Homeland Security role the Coast Guard is playing, what provisions do you need to continue your important work?

a) Do you believe the lack of an authorization is having an impact on the Coast Guard's ability to provide for our nations' seaport security? How will the lack of an authorization effect future Coast Guard operations relating to seaport security?

b) Do you believe that legislation intended to increase the level of security at our nations' seaports should be *linked* to reauthorization of the U.S. Coast Guard?

Answer. As noted, a Coast Guard Authorization Act has not been enacted since 1998. On December 20, 2001, the House passed H.R. 3507, its version of a Coast Guard Authorization Act. H.R. 3507 contains a number of Coast Guard-sponsored issues that deal with a broad range of Coast Guard administrative and operational programs.

Enactment of the Coast Guard's reauthorization is not directly linked to port security legislation. The Coast Guard and the Department of Transportation strongly support S. 1214, the Port and Maritime Security Act passed by the Senate on December 20, 2001, and appreciates the Committee's willingness to consider the Department's views on that important piece of legislation. S. 1214 provides a comprehensive approach to enhance the security of U.S. ports. Although it is not necessary to link S. 1214 directly to the Coast Guard's reauthorization, the Department also considers enactment of a Coast Guard Authorization Act to be one of its top legislative priorities.

Financial Resources & Statutory Authority—MDA Reality

Question. Since September 11th, what roadblocks have you faced in coordinating with other agencies? What are your plans to facilitate increased sharing of intelligence information with the Intelligence Community and the other law enforcement agencies? What additional financial resources and statutory authority will the Coast Guard need to make Maritime Domain Awareness a reality?

Answer. The Coast Guard has cooperated closely with its Intelligence Community and law enforcement agency partners, which willingly share intelligence and law enforcement information related to ports, waterways, and coastal security. The biggest problems to date are stovepiped databases, requiring the same query to be run multiple times. The Coast Guard is working with other agencies, including but not limited to, the Director of Central Intelligence, the Office of Naval Intelligence, the U.S. Customs Service and the Immigration and Naturalization Service (INS), to facilitate information and intelligence flow by linking databases through information technology.

The President's fiscal year 2003 budget request includes $97.4 million for Maritime Domain Awareness initiatives. This includes Intelligence Fusion Centers, Information Technology, Port Intelligence and Investigative teams, and sensors.

Although the Coast Guard's existing authority is very broad, we are working closely with the Department of Transportation to identify any additional requirements and propose legislative changes as needed.

Federal, State and Local Coordination of Maritime Security

Question. During the aftermath of the September 11th attacks there were reports of differing and sometimes conflicting requirements from the various agencies with jurisdiction over maritime activities. We heard from witnesses at our October 11th hearing discuss how coordination amongst jurisdictions worked well in some places, such as New York, and not as well in others, such as Portland.

What are the Coast Guard's plans with regards to implementing a planned and coordinated response with regional personnel, other federal agencies, state and local officials to the new threats to our maritime ports? What steps is the Coast Guard taking to work with other federal agencies and regional Coast Guard officers in creating non-conflicting requirements for vessels and people involved in maritime commerce?

Answer. The Coast Guard is moving ahead with an array of required new security plans for vessel crews, facility operators, and port areas. These plans will require a coordinated response to security threats that will include the regional stakeholders, government officials and law enforcement officials at the local, state, and Federal level.

Routine meetings between stakeholders; industry; and local, state, and federal agencies are led by the Coast Guard Captains of the Port (COTP). These meetings are used to discuss and coordinate a wide range of Marine transportation System issues including security and safety.

- The Port Readiness Committees ensure activities are coordinated in support of Department of Defense deployments in designated Strategic Ports.
- Harbor Safety Committees have been created to coordinate local maritime issues.
- In a December 17, 2001 message to Coast Guard units, the Commandant of the Coast Guard directed COTP's to "form port security committees or security subcommittees of existing harbor safety committees in each major port". Port Security Committees will provide a regular and active forum for the enhancement of security and the prevention of criminal activity within a port.

At the national level, the Coast Guard leads the Interagency Committee for the Marine Transportation System (ICMTS) and co-chairs the ICMTS Security Subcommittee. These interagency groups are working to improve coordination at the national policy and regulatory level. Regional efforts are also underway, to respond to those issues affecting the Southeast U.S., Great Lakes regions, and others.

There is greater coordination of budget builds and legislative initiatives between agencies, including the drafting assistance provided for the Port and Maritime Security Bill, S.2325 and ongoing discussions of how to best address gaps between port security needs and law enforcement authority.

- The Coast Guard is working with Customs and the Immigration and Naturalization Service to reduce the individual agency regulatory requirements for reporting vessel, cargo, crew, and passenger information.

Drug Seizure Tactics

Question. The Coast Guard recently announced that it had seized more than 19 tons of cocaine and 5.5 tons of marijuana during January and February 2002 in the Pacific Ocean and Caribbean Sea. I understand that these seizures were made using a combination of armed helicopters and larger, faster interceptor boats launched from Coast Guard cutters. These cocaine seizures bring the Coast Guard's totals for the fiscal year to date up to 71,767 pounds putting the Coast Guard ahead of pace to break its one year record of 138,000 pounds set last year. These successes run counter to the decrease in operational resources being applied to drug interdiction operations in the transit zone by the Coast Guard and the Department of Defense. Are these successes the product of better tactics, technology, and intelligence or are we are facing a larger maritime smuggling threat? Is more cocaine being smuggled to the U.S. via maritime means since September 11th? If so what are the Coast Guard's plans to counter this threat? How can we apply the lessons learned from these recent seizures to other Coast Guard missions such as fisheries enforcement, which are also facing reduced operational resources?

Answer. Estimating an annual seizure amount based on a short period of time or comparing it to a particular date in a prior year can be difficult. The large amount of cocaine seized in January and February 2002 was primarily due to three large seizures totaling more than 18 tons. If this rate were to continue, we could expect to surpass last year's record seizure amount for cocaine. However, a longer period will be a more accurate representation of overall seizure trends.

Two of the large seizures in January and February 2002, including the largest at 25,300 pounds, were attributed to improved intelligence and interagency intelligence sharing. One of those was attributed to Operation New Frontier: the Coast Guard's Armed Helicopter, Over the Horizon interceptor boats, and major cutter force package. This seizure totaled 6,750 pounds. All three seizures were made possible by having a combination of air and surface interdiction resources patrolling along the threat vectors for cocaine.

There is no substantiated evidence to suggest that the flow of illegal narcotics toward the United States is significantly different prior to September 11, 2001. However, preliminary information indicates drug smugglers adjusted their activities in the transit and arrival zone immediately following the events of September 11, 2001 to both exploit the gaps in coverage of the transit zone and avoid increased law enforcement presence in the arrival zone. National law enforcement agencies observed

evidence of temporary shortages of cocaine in Puerto Rico and surpluses in Mexico indicating the tighter U.S. border controls were having an effect on drug flow into the country.

After the immediate surge after September 11th, the Coast Guard reallocated its forces to achieve a counter drug deployment rate of more than 90% of pre-September 11th levels. The Department of Defense did not significantly reduce their counter drug deployments following September 11th.

The Coast Guard will continue to look for new ways to improve our level of effectiveness through improved sensors, end-game capability, intelligence/information sharing, and international/interagency cooperation, to other law enforcement missions, such as fisheries enforcement and migrant interdiction.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BARBARA BOXER TO ADMIRAL JAMES M. LOY

Trinidad Head, California Property

Question. The Coast Guard has conveyed most of Trinidad Head in California to the City of Trinidad. The only part that the Coast Guard still has is some housing and a radio antenna. Although the city would like the Coast Guard to stay, I am interested to find out what the Coast Guard's plans are with the property. And, if the Coast Guard no longer wants the property, would the Coast Guard be willing to transfer the land to the city of Trinidad.

Answer. The Coast Guard relinquished a 46-acre parcel of Trinidad Head, California to the Bureau of Land Management in 1983. The City of Trinidad, in turn, received this parcel from the Bureau of Land Management. Presently, Coast Guard retains two parcels of property. An active navigation light, fog signal, radio beacon, High Frequency radio communications site, and a three-unit housing complex are situated on a 12.97 acre parcel. Additionally, two communication antennas encompass 1.08 acres. The Coast Guard is reviewing the remaining property in order to determine what, if any, of the property is excess to the Coast Guard's operational needs. The aids to navigation are expected to remain active into the foreseeable future and the Coast Guard will retain easements of ingress/egress, visual rights, and any other rights pertaining to maintenance or operation in the event of transfer. If determined excess, the Coast Guard would relinquish the remaining property, in whole or in part, to the Bureau of Land Management or report to the General Services Administration/Department Of Interior under the Historic Lighthouse Preservation Act of 2000 in that order. The property is listed in the National Register # 91001098. The Coast Guard does not have the authority to transfer the property directly to the City of Trinidad.

The Future of Pacific Headquarters on Coast Guard Island

Question. What is the future of Pacific Headquarters on Coast Guard Island in Alameda County?

Answer. The Coast Guard currently intends to maintain Pacific Headquarters functions on Coast Guard Island in Alameda County and has no immediate or projected plans for change regarding the facilities or property.

Resources for Environmental Protection Post-9/11

Question. I recognize all of the work that the Coast Guard has done since September 11th. I know that your limited resources were transferred to secure our coasts. I know that the Coast Guard also has a responsibility for environmental issues, such as oil spills.

Do you think that the Coast Guard has enough resources since September 11th to also perform its environmental role in our waters?

Answer. The shifting of resources towards ensuring our nation's security following September 11th has affected the amount of resources that were previously available for environmental protection, which includes both prevention and mitigation programs. However, the Coast Guard's multi-year budget strategy is designed to expand port security resources and enable resources dedicated to environmental protection to return to pre-September 11th levels.

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