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THE COAST GUARD'S FISCAL YEAR 2007 BUDGET REQUEST

HEARING

BEFORE THE

SUBCOMMITTEE ON FISHERIES AND THE COAST GUARD

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

JUNE 15, 2006

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ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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THE COAST GUARD'S FISCAL YEAR 2007 BUDGET REQUEST

THURSDAY, JUNE 15, 2006

U.S. SENATE,
SUBCOMMITTEE ON FISHERIES AND THE COAST GUARD,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:30 a.m. in room SD–562, Dirksen Senate Office Building, Hon. Olympia J. Snowe, Chairman of the Subcommittee, presiding.

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

Senator SNOWE. The hearing will come to order.

I'm pleased to be able to call this hearing today in order to focus the Committee's attention, as well as the Senate, on one of the most critical issues facing our Nation's homeland security, and that is to ensure the viability and ongoing success of the United States Coast Guard.

As Chair of the Fisheries and Coast Guard Subcommittee, I am convening today's hearing to review the ongoing challenges confronting the military service, such as readiness concerns due to overall degradation of legacy assets, as well as to examine the Coast Guard's budget request for Fiscal Year 2007, in light of its multiple increasing responsibilities.

Before we turn to these issues in-depth, I'd first like to thank Admiral Allen for being here today, as well as Mr. Caldwell for testifying, as well, on behalf of the GAO.

Admiral Allen, I extend to you my sincerest congratulations on assuming the position of Coast Guard Commandant last month. You will face many challenges in the next 4 years, yet I'm confident in your ability to maintain and protect our homeland security. I would be remiss if I did not also mention the debt of gratitude this Nation owes you for your service in the Gulf shore region in the aftermath of Hurricane Katrina. You single-handedly righted a ship that was sinking fast and plotted a course to save thousands and thousands of lives. So, we're deeply indebted to you, Admiral Allen.

I also want to thank you, and congratulate you, Mr. Caldwell, on recently assuming the position of Director for Homeland Security with the Government Accountability Office. Your assistance to Congress and the Coast Guard will be crucial to our collective success.

As we all know, the Coast Guard serves as a cornerstone of our Department of Homeland Security and is uniquely positioned to

perform a wide variety of missions critical to protecting American lives and property.

Last year alone, the brave men and women of the Coast Guard responded to more than 32,000 calls for assistance, and saved nearly 38,000 lives, most of which occurred in the wake of Hurricane Katrina. Few will be able to forget the Coast Guard's outstanding displays of courage and heroism in the aftermath of such devastation.

We also cannot forget that search-and-rescue is but one of the many vital missions of the Coast Guard, and that it performed admirably in other areas as well. In 2005, the Coast Guard prevented 348,000 pounds of marijuana and cocaine from crossing our borders. It also prevented more than 9,500 illegal immigrants from reaching our shores, conducted over 6,000 boardings to protect our vital fishery stock, and responded to more than 23,000 pollution incidents. The Coast Guard also aggressively defended our homeland by conducting more than 286,000 port security patrols, conducted 26,000 security boardings, escorted over 10,000 vessels, and maintained more than 50,000 Federal aids-to-navigation along 25,000 miles of marine transportation routes.

While I applaud the Coast Guard for this record of success, I'm greatly concerned about its ability to sustain this level of performance. The President's request that we're considering today recommends approximately $8.4 billion in funding for the Coast Guard, which is only 4 percent more than last year's enacted level. While any funding increases may appear to be good news, I'm concerned that this is not enough to meet our Nation's critical and ever increasing homeland security maritime protection imperatives. For example, I regret that I must once again address the issue of how the Coast Guard's high operational tempo combines with legacy asset degradation to hamper the service's overall readiness, an issue that plagues the Coast Guard and its personnel year in and year out. The Coast Guard hopes to remedy this problem through its Deepwater Fleet Modernization Program, but the budget request does not significantly increase funding for this. More critically, the Administration's request of $934 million would maintain this program on a 20-year-plus timeline, which does not allow the Coast Guard to fulfill the obligations the Nation has bestowed on it. We simply cannot expect the Coast Guard to do its job with unreliable or broken resources.

I will continue to fight for Deepwater acceleration, because it is the best and most cost-effective way to remedy the Coast Guard's readiness problems and provide the Coast Guard with the tools it requires to carry out all of its missions.

The FY07 budget request contains other items that raise considerable concern, as well. For example, it recommends inheriting an additional mission known as the National Capital Region Air Defense, in which the Coast Guard now would be responsible for intercepting wayward or hostile air incursions over Washington, D.C. Undoubtedly, this will put a severe strain on already limited personnel, assets, and financial resources. In addition, projects aimed at sustaining our aging legacy assets continue to absorb millions of dollars, such as the mission-effectiveness projects for both the 210- and 270-foot cutters.

Moreover, authorizing $50 million for construction of a new Coast Guard headquarters facility at the site of historic St. Elizabeth's Hospital campus does not appear to pass the test of cost effectiveness, accessibility, infrastructure capability, or even worker quality of life. I remain strongly opposed to this proposal, and I have incorporated language in this year's Coast Guard authorization bill that would require an additional extensive review of the proposal, as well as an analysis of more viable alternatives.

Our Committee's responsibility here today is to ensure that the Coast Guard is well positioned and prepared to meet our future maritime challenges and threats head on and to successfully fulfill its diverse, yet vital, missions. While the Coast Guard desperately requires additional resources, our new realities also require it to efficiently and effectively maintain a proper mission balance.

In today's hearing, I expect to learn how Congress can best facilitate achievement of that goal. As I'm sure Mr. Caldwell will discuss, we have to balance the available resources with our expectations for mission performance. The time to act on these issues is now, before we are further in crisis.

Admiral Allen, I look forward to discussing your agency's budget request today, as well as the other issues that I have raised, and any others that you want to put before this Subcommittee. Obviously, our country relies on you more than ever before, and the types of missions that you do. And, frankly, I don't think that we give you enough of the resources that are essential to carry out all of your missions. We're asking you to do more with less continuously, and I know that is a very difficult responsibility. But you perform it well, as do all the men and women who are part of the Coast Guard.

I also, Mr. Caldwell, want to welcome you to the Senate. And I know that the Coast Guard and the Committee welcomes your recommendations and your constructive advice and guidance. So, we thank you, as well.

And before we turn to our witnesses, I will turn to the Ranking Member of this Subcommittee, Senator Cantwell, for any comments that she might care to make.

STATEMENT OF HON. MARIA CANTWELL,
U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you Chairwoman Snowe. And thank you for holding this important hearing.

I would also like to thank Admiral Allen for his presence here today, and Mr. Caldwell, for joining us to discuss the President's Fiscal Year 2007 budget request and the critical role that the U.S. Coast Guard plays in keeping the waters and coast of the United States safe, secure, and free from environmental harm.

Admiral Allen, as you know, America expects a lot out of the Coast Guard, as my colleague just said, and we are always asking you to do more with less. In the post-9/11 era, the Coast Guard has elevated its homeland security mission in response to the very real threat of terrorist attacks on our ports and harbors. This is a big issue in my State, where the Ports of Seattle and Tacoma—combined—represent the third largest regional cargo load center in the Nation. The Coast Guard's nonsecurity missions are also chal-

lenging in our region and throughout the country. Fisheries enforcement, search-and-rescue, and polar icebreaking are also very essential. And I want to assure you that I'm going to remain committed to making sure that the resources are there and available for those important missions.

I was pleased to see that, given the Coast Guard's growing homeland security responsibility, this year's budget request contains a 6.4 percent increase over 2006 enacted levels for that homeland security mission. However, I'm concerned that the nonsecurity missions take a 6.1 percent decrease from 2006, and I plan to ask you, Admiral Allen, for your opinion on the proper balance between the Coast Guard's security mission and their nonsecurity missions.

With the budgets as tight as they are, it is increasingly important that all Government agencies, including the Coast Guard, make efficient and effective use of taxpayer dollars allotted to them. And so, like Chairwoman Snowe, I am concerned that two of the Coast Guard's biggest acquisition projects, the Deepwater Program and the Rescue 21 Program, are behind schedule and face massive cost overruns. As has already been said by the chairwoman, we know you're up to a tough task. You performed admirably for our Nation in dealing with the aftermath of Katrina. But the Deepwater Program, I think, remains a very big challenge for the Coast Guard and for our country. According to a new GAO report that Senator Snowe and I requested, the Deepwater Program is having numerous problems moving forward with the construction of the Fast Response Cutter, the boat to replace the Coast Guard's workhorse 110-foot cutter. I understand that, although Coast Guard has spent nearly $25 million developing the Fast Response Cutter, we have little to show for it, and the project is 3 years behind schedule.

Similarly, a recent GAO report found that Rescue 21, the Coast Guard's new system to track and respond to mayday calls, is 5 years behind schedule, with total acquisition costs estimated at $872 million, $161 million more than the Coast Guard's most recent estimate.

The GAO also indicates that system testing has shown up to 10 percent communication coverage gaps when the Coast Guard had originally promised 2 percent. And I also understand that Rescue 21 has encountered setbacks in implementing vessel asset tracking and other components of the system.

Obviously, the search-and-rescue missions are very important. I say that coming from a State which has more than 264,000 registered recreational boats, and a $3 billion commercial fishing industry, with a fleet of over 9,500 different vessels. On average, 27 people die in Washington State each year in recreational boating accidents. So, I want to get your opinion on the best way to move forward on the Rescue 21 system, and what we should do to help implement better safety and security.

I'm also concerned that the Deepwater and Rescue 21 Programs are indications of a fundamental problem with the Coast Guard's acquisition management and contracting approach. I have several questions I'm going to be asking you about that. And I would appreciate your honesty in how you think we move forward on that

program and oversight, and if there are changes that we—should be made to how that contract responsibility functions today.

Admiral Allen, I would like to commend you, again, for your service in Katrina and Rita, because part of, I think, our challenge, moving forward—while we've seen the devastation of coastlines in Louisiana and Mississippi, we saw the massive environmental damage that transpired there, and I think that one of the big challenges that we also face is the estimated 9 million gallons of oil that was spilled into the Gulf of Mexico. So, I'm concerned that the nearly $1 billion price tag for cleanup of spills may end up liquidating the Oil Spill Trust Fund, which certainly, I think, should be a national priority for us in moving forward on oil spill response and assuring essential safety in various regions of the country. In Washington State, over 750 oil tankers transited Washington State waters just in this last year. And just 2 years ago, money from the fund was used to mount a rapid response following the Dalco oil spill, which contaminated miles of shoreline across the southern parts of Puget Sound.

Again, I would just reiterate to you how big I know the challenge is facing the Coast Guard, and how important it is, in your new leadership, to make these decisive decisions and to help us move forward on further reforms.

I think, again, the State of Washington represents such a complex waterway system in which the Coast Guard is demanded to do so much. Besides the Ports of Seattle and Tacoma moving millions of cargo containers, we have cruise ship traffic, we have a ferry system that transports more people across Puget Sound than Amtrak, and you're very involved in the safety and security measures on our ferry system, as well as those other issues that I mentioned, about drug interdiction, polar icebreaking, and a variety of other issues that you are charged with on a day-to-day basis that make for a very, very complex challenge in organization.

But we look forward to your comments, and to Mr. Caldwell's, on how we can improve the accounting and oversight of the contract of these very, very big expenditures in the Deepwater and Rescue 21 Program.

I thank the Chair.

Senator SNOWE. I thank you, Senator Cantwell.

I'm also pleased to welcome the Co-Chairman of this Commerce Committee, Senator Inouye, if there are any comments he cares to make.

STATEMENT OF HON. DANIEL K. INOUYE,
U.S. SENATOR FROM HAWAII

Senator INOUYE. Thank you very much, Madam Chair.

I just wanted to come by to demonstrate my support for the Coast Guard and to thank them for all the work they've done for the people of Hawaii.

I would like to also state that the funding suggested is not quite adequate for the activities of the Coast Guard, and we're going to do our very best to lift it.

Madam Chair, may I have my full statement made part of the record?

Senator SNOWE. Without objection, it's so ordered.

[The prepared statement of Senator Inouye follows:]

PREPARED STATEMENT OF HON. DANIEL K. INOUYE, U.S. SENATOR FROM HAWAII

I would like to welcome Admiral Allen back to our Committee. I also would like to welcome Mr. Caldwell, the new Director of the Homeland Security office within the Government Accountability Office (GAO).

The Coast Guard's importance to the Nation cannot be overstated. It ensures the safety of our coastal communities, protects our natural resources, aids our country's national defense at home and abroad, and is widely recognized as the lead agency for port security.

The Coast Guard has always served an essential role to ensure safety and security on the ocean and in our ports. Earlier this year, in my state, the Coast Guard played a particularly critical role in rescue efforts on Kauai during the heavy, destructive flooding.

While the Administration has requested an increase in Coast Guard funding for Fiscal Year 2007, I am not convinced that it adequately addresses all of the Coast Guard's security and nonsecurity missions. Five years after September 11, 2001, we are still struggling to find the right balance in funding and resource allocation to meet all of the Coast Guard's critical duties.

We all recognize that homeland security is among our highest priorities. Yet other key missions such as maritime safety and the protection of our living marine resources, also must be a high priority.

Last year, just as in the four preceding years, the Coast Guard failed to detect any of the illegal fishing vessels spotted by other U.S. sources within the Western/Central Pacific area of the U.S. Exclusive Economic Zone. I am concerned that the problem stems from the fact that District 14, the largest Coast Guard district in the U.S., commands fewer assets than any other district in terms of personnel, aircraft, and cutters.

I also am frustrated by recent reports regarding the cost overruns and delays in two key modernization programs. Delays and cost overruns are particularly of concern, and the Coast Guard needs to address these issues. These programs must succeed, and I would like to know what is being done to rectify the current problems.

Senator INOUYE. Thank you very much.

Senator SNOWE. Thank you. Thank you very much, Senator Inouye.

Admiral Allen, please proceed. And welcome to your first testimony before this Committee in your new capacity as Commandant. Welcome.

STATEMENT OF ADMIRAL THAD W. ALLEN, COMMANDANT, U.S. COAST GUARD

Admiral ALLEN. Thank you, Madam Chairman.

I have a statement for the record, and, with your permission, I will submit it for the record and make a very brief opening statement.

Senator SNOWE. Without objection, so ordered.

Admiral ALLEN. On the 25th of May, Madam Chairman, I made a compact with the people of the Coast Guard, and I stated it publicly in my state-of-the-command speech, that our focus would be mission execution and mission excellence.

We had an extraordinary year, this last year in the Coast Guard, with the operations associated with hurricane response, but, as you know, since 9/11, we've had an extraordinary amount of expectations created for the Coast Guard. We need to be able to deliver the kind of performance the country expects of us. And, in my focus as Commandant, in a very opening conversation with my people, I've told them I'm going to focus on mission execution, but, behind that are the platforms and the equipment we give our people, and the people we put out there, and the competencies that we provide

them, and, behind that, the command-and-control system and the mission-support systems.

The issues that you've talked about here this morning already, whether the acquisition issues or the mission-balance issues, all relate to balancing that portfolio of missions the Coast Guard is assigned, and how we do that on a day-to-day basis, taking the pulse of the areas of responsibilities that our field commanders are given, and then allocating resources, based on risk, to the highest area possible.

I have committed to doing some immediate reviews that will impact some of the areas that were raised in your statements, and I can talk about these in greater detail. We are going to look at the entire command-and-control structure in the Coast Guard, how we deliver support services. We are going to look at the acquisition organization of the Coast Guard and see how that might be better aligned. And, in general, we are going to focus on—in terms of acquisition, both Rescue 21 and Deepwater. The term I've given my folks is "ruthless execution"—cost, schedule, and performance controls, lockdown requirements, get these pieces of equipment, these platforms, into production and put them in the hands of our people. They're very capable platforms, whether you're talking about Rescue 21 or Deepwater. The tools we're going to give our people are going to be very, very significantly better than the ones they have right now. We need to get these things into production, solve the problems, and move on. We need to cut steel and float boats, Madam Chairman.

I'd be glad to take any questions.

[The prepared statement of Admiral Allen follows:]

PREPARED STATEMENT OF ADMIRAL THAD W. ALLEN, COMMANDANT, U.S. COAST GUARD

Introduction

Good morning Madam Chair and distinguished members of the Committee. I am humbled by the confidence President Bush has placed in me with my recent appointment as the 23rd Commandant of the United States Coast Guard, and honored to be before you today. In my new capacity, I would like to discuss the Coast Guard's FY 2007 budget request, and how it will support our commitment to mission execution; a commitment my predecessor Admiral Collins established during his tenure as Commandant. Admiral Collins' commitment is my commitment.

The Coast Guard's "World of Work"

The Coast Guard operates on and around our oceans, seas, lakes, rivers, bays, sounds, harbors and waterways—this is the maritime domain and it is unique. Distinct from land borders characterized by clear legal boundaries, our oceans represent the last global commons. As the Committee knows well, we live in an interconnected world. Nowhere is this fact more clearly demonstrated than in the maritime domain. Safe and unfettered access to this domain is fundamental to our own and the international community's economic prosperity. As a result, maritime safety and security are not just issues of U.S. national interest and security, but of global stability. The maritime domain is also enormously complex, with an unparalleled variety of users. From the world's largest cruise ships and tankers to professional fishermen and weekend boaters, the profiles of maritime users are as varied as the jagged coastlines surrounding our country.

Thankfully, the Nation has a Coast Guard able to successfully operate in this complex and unique environment. Single-purpose agencies such as the Revenue Cutter Service, the Lifesaving Service, and the Lighthouse Service have been integrated over the last century into the uniquely effective and efficient Service we are today. The Coast Guard you oversee, the Coast Guard that we have collectively built has a relatively straightforward purpose—exercise authorities and deploy capability to guarantee the safety, security and stewardship of the U.S. maritime domain. That

is who we are, what we are charged to do, and represents the core character of the service.

While the character and nature of our Service are clear, our missions are not static. New threats emerge as others are mitigated; Coast Guard capabilities, competencies, organizational structure and processes must change accordingly.

The work of this Committee helped ensure that the Coast Guard was transferred intact to the Department of Homeland Security. We now must adapt to the reality of an ever-changing maritime domain. Our mandate and responsibility, indeed our passion, is serving the Nation with the best leadership, authorities and capability we can muster.

Priorities . . . Right Tasks . . . Right People and Tools . . . Effective, Integrated Support

Secretary Chertoff has set forth a six-point agenda to guide near term Department of Homeland Security priorities and initiatives.

- Increase overall preparedness, particularly for catastrophic events;
- Create better transportation security systems;
- Strengthen border security, interior enforcement, and reform immigration processes;
- Enhance information sharing with our partners;
- Realign the Department of Homeland Security (DHS) organization to maximize mission performance; and
- Improve DHS financial management, human resource development, procurement, and information technology.

I will work collaboratively throughout the Administration and with the Congress to translate this agenda into action. I will focus on:

- *Mission execution* . . . performing the right tasks with the right doctrine to reduce risk, mitigate threats, improve response, increase preparedness, and enhance our ability to recover from events that occur;
- *Capabilities and competencies* . . . we are nothing without our people, and our people cannot be effective without the right tools; and
- *Coast Guard organizational structure that optimizes mission execution* . . . aimed at field support, leveraging partnerships at all levels of government, and internally aligned with DHS systems.

Embracing the Department's agenda, we will strengthen the Nation's layered maritime security regime. Our shore-based operations, maritime patrol and presence and deployable, specialized forces create a *strategic trident* for integrating with our partners and responding to *all threats* . . . *all hazards* . . . *at all times.* We have taken bold steps forward already by creating Sectors for shore-based operations, and we have taken equally bold steps by advancing the Deepwater acquisition for maritime presence, patrol, and response. We must now organize our agile, deployable forces and support them with proper doctrine, equipment, logistics, training and exercises. Across all of our forces, we will partner with other services and agencies to integrate and coordinate our efforts. To improve mission execution of this *strategic trident,* we will analyze our command and control structure. We will also re-evaluate and realign our mission support system, including organizational structures, human resources, maintenance, logistics, financial management and information systems to fully support the Secretary's and the Coast Guard's priorities.

The Coast Guard continues to adapt to growing mission demands to enhance maritime security, while appropriately meeting other mission requirements. For example, in 2005, the Coast Guard:

Secured the maritime border:

- Completed verification of security plans, required by the Maritime Transportation Security Act (MTSA), for U.S. port and facilities and vessels operating in U.S. waters;
- Completed 31 foreign port security assessments in order to improve our awareness of foreign port compliance with international requirements;
- Prevented more than 338,000 pounds of cocaine (an all-time maritime record) and over 10,000 pounds marijuana from reaching the United States; and
- Interdicted nearly 9,500 undocumented migrants attempting to enter the country illegally by sea, the second highest number of any average year in the past 20 years.

Enhanced national maritime preparedness:

- Began comprehensive security reviews of waterside nuclear power plants;
- Created formal processes for addressing security concerns and requirements involving the citing of new shore-side Liquefied Natural Gas facilities; and
- Established a new Area Maritime Security Exercise program requiring annual local exercises, and designed to assess the effectiveness of the Area Maritime Security Plans and the port community's preparedness to respond to security threats and incidents.

Strengthened partnerships:

- Established a National Maritime Security Advisory Committee to provide a strategic public-private forum on critical maritime security topics;
- Launched *America's Waterways Watch,* a citizen involvement program that leverages the Coast Guard's relationship with the maritime public;
- Deployed the *Homeport* information sharing web portal, which allows for collaboration and communication in a controlled security environment (for sensitive but unclassified material) among Area Maritime Security Committee members and port stakeholders at large;
- Conducted more than 268,000 port security patrols, 5,800 air patrols and 26,000 security boardings; and
- Provided security escorts to over 10,000 vessels.

Saved lives and property:

- Saved over 33,000 lives in the wake of Hurricanes Katrina and Rita, one of the largest search-and-rescue operations in United States history;
- In addition to hurricane response, responded to more than 32,000 calls for maritime rescue assistance; and
- Saved the lives of over 5,600 mariners in distress.

Protected the environment:

- Boarded more than 6,000 fishing vessels to enforce safety and fisheries management regulations, a 30 percent increase over 2004;
- Conducted more than 3,000 inspections aboard mobile offshore drilling units, outer continental shelf facilities and offshore supply vessels; and
- Responded to 23,904 reports of water pollution or hazardous material releases from the National Response Center, resulting in 4,015 response cases.

Facilitated maritime commerce:

- Kept shipping channels and harbors open to navigation during the Great Lakes and New England winter shipping season;
- Ensured more than 1 million safe passages of commercial vessels through congested harbors, with Vessel Traffic Services; and
- Maintained more than 50,000 Federal aids-to-navigation along 25,000 miles navigation channels.

Supported national defense

- Safely escorted more than 169 military sealift movements at 13 different major U.S. seaports, carrying more than 20 million square feet of cargo; and
- Maintained an active patrol presence in the Arabian Gulf in support of the U.S. Navy and allied naval units.

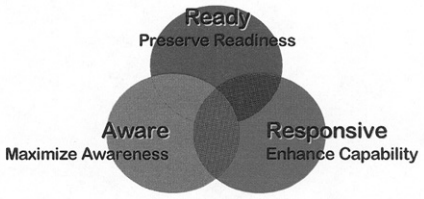
More than singular statistics or accomplishments, the above list, in total, demonstrates the winning formula of a military, multi-mission Service founded on core operational principles of flexibility, on-scene initiative and unity of effort. It is this time-tested and trusted operational model that allows the Coast Guard to meld its public safety and national security roles into a seamless set of maritime strategies that also protect and ensure the economic viability of the U.S. maritime domain.

2007 Budget

The above accomplishments are only possible with a Coast Guard that is Ready, Aware and Responsive. The President, Congress and public expect nothing less: *Ready* to prevent and respond to a broad range of maritime safety and security requirements; *Aware* of what is going on in our ports, along our coasts and on the high seas; and most of all, *Responsive* whenever and wherever there is a need for the Coast Guard to save lives, secure maritime borders, protect natural resources,

facilitate maritime commerce or contribute to national defense. The Fiscal Year 2007 request delivers on these expectations through its focus on three key investment priorities:

- Preserve Preparedness [READY],
- Maximize Awareness [AWARE], and
- Enhance Capability [RESPONSIVE]



The Integrated Deepwater System (IDS) acquisition program remains the centerpiece of a more ready, aware and responsive 21st century Coast Guard. The 2007 Budget provides a Deepwater investment plan that provides funding for:

- Constructing the fourth National Security Cutter;
- Acquiring the sixth Maritime Patrol Aircraft;
- Bolstering the network of command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) technology;
- Completing the HH–65 re-engining; and
- Initiating several essential legacy conversion projects, including installation of airborne use of force equipment aboard 36 helicopters.

While the Deepwater program necessarily invests in capabilities adequate to operate in the often unforgiving offshore environment, it is these same capabilities that are instrumental to effective response operations in port and coastal areas as well. As an example, assets scheduled for modernization under the Deepwater program include every Coast Guard aircraft type. These aircraft are critical parts of our port and coastal response infrastructure as well as extended offshore operations. The Deepwater program's conversion and/or enhancement of legacy aircraft and cutters are making an impact now. The operational benefits were apparent during the Coast Guard's response to Hurricane Katrina. Three more powerful re-engined HH–65C helicopters flew 85 sorties to save 305 lives. The converted aircraft can hoist 280 more pounds and stay on-scene longer than their predecessors. Similarly, the C4ISR improvements to high and medium endurance cutters enabled more effective on-scene coordination of rescue operations in New Orleans, LA, and Gulfport, MS during Hurricanes Katrina and Rita, with local first responders and other Federal agencies.

Preserve Preparedness. Strengthening preparedness within the U.S. maritime domain is a core competency and responsibility of the Coast Guard. It depends directly on the readiness of Coast Guard cutters and aircraft, infrastructure and personnel, as well as the coordination of a robust response posture through partnerships with DHS, DOD and other Federal, state and local entities. The FY 2007 requests funding to preserve and strengthen Coast Guard readiness. Relevant budget initiatives include:

- Depot level maintenance and energy account: *$51.3 million* to close inflationary cost growth gaps. These are bills that must be paid; without increased funding, Coast Guard readiness will be eroded.
- Medium endurance cutter mission effectiveness project: *$37.8 million* to support the Mission Effectiveness Project (MEP) for 270-foot and 210-foot Medium Endurance Cutters (WMEC). Our 210-foot and 270-foot cutters are currently operating with obsolete equipment and subsystems that must be replaced. The project includes replacing major subsystems such as small boat davits, oily water separators, air conditioning and refrigeration plants, and drinking water evaporators. The main propulsion control and monitoring systems will also be upgraded. This effort is vital to sustain our legacy fleet of medium endurance cutters until they are recapitalized.
- Operations and Maintenance for new assets: *$30.5 million* to fund operations and personnel for the airborne use of force program, the first national security cutter, new maritime patrol aircraft and secure communications systems; *$42.3 million* for Deepwater logistics support.
- Personnel protective equipment: *$7.2 million* to replace obsolete oxygen breathing apparatus aboard ships and training centers with safer self-contained breathing apparatus (SCBA). Over the past 30 years, all shore-based Federal

and DOD fire fighters, the Military Sealift Command, all western navies, all merchant ships, the U.S. Air Force and all U.S. Navy flight deck personnel have adopted and use exclusively the open circuit SCBA. The Navy is currently replacing all their OBAs with SCBAs. This leaves the Coast Guard as the only fire fighting organization without SCBAs for its personnel. In order to ensure the personal protection of Coast Guard personnel while serving aboard Coast Guard cutters, the transition from using the obsolete OBA to the SCBA is essential.

- Shore infrastructure and aids-to-navigation: *$25.9 million* to recapitalize aids-to-navigation nationwide and rebuild or improve aged shore facilities in Cordova, Alaska (housing); Integrated Support Command Seattle, Washington; and Base Galveston, Texas. These funds are necessary to improve critical shore infrastructure essential to supporting Coast Guard personnel as they execute missions and operational requirements.

Maximize Awareness. Securing our vast maritime borders depends upon our ability to enhance maritime domain awareness (MDA). Effectively addressing maritime vulnerabilities requires maritime strategies, through partnerships with the Navy and other maritime entities that not only "harden" targets but detect and defeat threats as far from U.S. shores as possible. Identifying threats as far from U.S. shores as possible requires improved awareness of the people, vessels and cargo approaching and moving throughout U.S. ports, coasts and inland waterways. Relevant budget initiatives include:

- Nationwide Automatic Identification System: *$11.2 million* to continue procurement plans and analysis for deployment of a nationwide system to identify, track and exchange information with vessels in the maritime domain.
- Maritime Domain Awareness: *$17 million* to support follow-on and new initiatives, including a new Coast Guard counterintelligence program, prototype Sector and Joint Harbor Operation Center support, and expanded secure communications system infrastructure.
- Deepwater C4ISR: *$60.8 million* to develop and install systems and subsystems that are part of the Deepwater Command, Control, Communications, Computer, Intelligence, Surveillance and Reconnaissance (C4ISR) system. This system is designed to support designated Coast Guard commanders in the exercise of authority while directing all assigned forces and first responders across the full range of Coast Guard operations. This system of "eyes and ears" allows us to see, hear and communicate activity occurring within the maritime domain, which is critical to deterring and defeating threats before reaching our shores.

Enhance Capability. Just as important to being ready and aware is equipping and training Coast Guard personnel with the *capabilities* and competencies to respond effectively. For example, the advance information required from vessels calling upon United States ports is critical to understanding who and what is arriving in order to identify potential threats. However, if Coast Guard cutters and aircraft do not have the capabilities necessary to deal with identified threats early and effectively, an opportunity to mitigate risk is lost. Relevant budget initiatives include:

- Deepwater: *$934.4 million* (total). The FY 2007 request for the Deepwater program reflects the Administration's continued commitment to the recapitalization of the Coast Guard's aircraft and ships and the network that links them together into an integrated system. More capable and reliable cutters, boats, aircraft and associated systems will enhance safety and security in U.S. ports by improving the Coast Guard's ability to perform all its missions. Specifically, the FY 2007 request provides funding for: the fourth National Security Cutter, the first Fast Response Cutter, HH–65 and HH–60J conversions, new maritime patrol aircraft, HC–130J operations, sustaining the HC–130H, arming two HH–60's and 34 HH–65's at seven Air Stations, and development of shipboard and land-based vertical unmanned aerial vehicle systems.
- Rescue 21: *$39.6 million* to continue system design (two locations), preparation (four locations) and installation (seven locations). The Rescue 21 project represents a quantum leap in maritime communications technology, enhancing effectiveness across all coastal missions.
- National Capital Region air defense: *$62.4 million* to establish infrastructure, acquire additional aircraft and fund operations for this newly assigned homeland security mission in the Nation's capital. The Air Defense mission in the National Capital Region rests with the Department of Defense (DOD) under the construct of OPERATION NOBLE EAGLE. Through a Memorandum of Agreement, DOD and the Department of Homeland Security (DHS) have agreed that

DHS will continue to conduct essential helicopter operations assisting with air security in the NCR. The Coast Guard has been directed to execute this requirement on behalf of DHS. Requested funding is critical to stand-up this new capability and avoid negative impacts to other Coast Guard mission-programs.

- Response Boat—Medium: *$24.8 million* to begin low-rate initial production to replace 41-foot utility boats and non-standard boats.
- Maritime Security Response Team (MSRT): *$4.7 million* to provide additional personnel and transform the prototype Enhanced Maritime Safety and Security Team in Chesapeake, VA. into an MSRT, providing on-call maritime counter-terrorism response capacity. This request will also enhance maritime counter-terrorism training facilities at the Coast Guard Special Missions Training Center at Camp Lejeune, N.C.

Table 1: Summary of the FY 2007 President's Request

Preserve Readiness (Ready)*	Maximize Awareness (Aware)**	Enhance Capability (Responsive)***
DW Legacy Sustainment	MDA—Sector Command Center	DW Modernization
SCBA Implementation	NAIS	R21
HF Recapitalization	DW C4ISR	RB–M
Financial Management	MAGNET	NCR Air Defense
DW Logistics	SIPRNET	MSRT
Shore Infrastructure	Counter-Intel	C–130J
Maintenance Inflation		Airborne Use of Force operations
Energy Gap		MPA follow-on

*Readiness is the foundation of the Coast Guards ability to prevent and respond to incidents. Katrina makes this point clearly. Readiness is the key to daily mission performance as well as the capacity to respond to national incidents.

**Awareness is the core enabler of effective decisionmaking and response. Expanded partnerships and new technology must be employed to ensure an integrated and coordinated response to the threats we face today.

***Building on recent investments we must continue to strengthen the foundation of CG readiness across each of our core missions while we fill remaining capacity and capability gaps in our layered security posture.

Conclusion

I am committed to continuously improving *mission execution.* To do so, we must better integrate with our partners, organize our deployable forces, assess our command and control structure and realign our mission support systems. I would like to take this opportunity to lead the Coast Guard toward these changes, and I request your support as I introduce steps that will improve *mission execution.* One step will organize all specialized, deployable forces under a single command structure. A second will be to transform the entire logistics systems by capturing efficiencies between the Deepwater logistics plan and our internal, Coast Guard-wide logistics process. Last, we plan on merging our Deepwater and Acquisitions Directorates into one Directorate expanding our major acquisition flexibility, coordination and effectiveness across all projects. These are all aggressive initial steps that will improve *mission execution* and ensure the Coast Guard is ready to respond to *all threats . . . all hazards . . . at all times.*

The Coast Guard is a *tested and trusted* Service ready to answer the Nation's call, but future successes are a function of the effective, integrated employment of our collective capabilities and competencies to reduce risks and mitigate threats to our Homeland. Our challenge is to attack each day and each task with a purpose grounded in who we are, what we have been and what we must become.

Thank you for the opportunity to testify before you today. I will be happy to answer any questions you may have.

Senator SNOWE. Mr. Caldwell?

STATEMENT OF STEPHEN L. CALDWELL, ACTING DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. CALDWELL. I thank you very much. I'm pleased to be here today, Madam Chair and Senators Cantwell and Inouye, to discuss Coast Guard issues.

Like my predecessors in GAO before this Subcommittee, we view this annual hearing as one of the most important ones for us to ad-

dress the wide-ranging Coast Guard issues that we review during the course of the year.

And I'm also honored to testify alongside the new Commandant of the Coast Guard. And, again, Admiral Allen, I offer my congratulations on your new leadership role.

While my complete statement is added for the record, I'd like to emphasize three things in my oral comments. And these have already been addressed, to some large extent, by you, Madam Chair, as well as Senator Cantwell.

The first issue is the Coast Guard's overall budget and performance. The second issue is acquisition management, to include Deepwater. And the third issue is the mission balancing.

As appropriate, I may refer to specific pages in my statement, when there are some tables or other graphics that might be helpful to the Committee.

Let me start with comments on the overall budget and performance.

As you know, the fiscal realities for the Coast Guard must be dealt with in the broader context of our Nation's growing long-term fiscal crisis. But getting to the specifics, page 18, as well as 30 of my statement, have details on the budget, trends, and makeup. And I think we're already aware of these, but these are there for your interest.

Coast Guard's 2007 budget request indicates more moderate growth than in previous years. Given the pace of increase over the past several years and competing demands for the Federal dollar, this more moderate growth is probably to be expected.

On the flip side, in terms of performance, page 31 of my statement has details on the Coast Guard's performance measures from 2002 to 2005. Notwithstanding aging assets, destructive hurricanes, and expanding homeland security missions, Coast Guard's 2005 performance was the highest it has been since 2005. When the final data are in, the agency will most likely, exceed 8 of its 11 mission performance targets.

As both of you have indicated, Hurricane Katrina is one of the most notable aspects of performance of the Coast Guard this year. Unlike much of the rest of the Federal Government, the Coast Guard was leaning forward, had anticipated many of these problems, and acted proactively. Some of the factors contributing to the Coast Guard's success here were its organizational flexibility and structure, several operational principles that emphasize focus, but flexibility, at the same time, as well as a general emphasis on planning and preparedness. In my statement, we give some more specific details on that.

In terms of acquisition management, I'd like to discuss the Deepwater Program and one other program. Both of these have been mentioned by you, Madam Chair and Senator Cantwell.

First, let me just start by saying the Coast Guard is not unique in having the kinds of acquisition programs it has for major management issues. GAO's high-risk report, issued last year, noted DHS-wide challenges, in terms of managing major systems procurements.

My written statement discusses a number of positive steps the Coast Guard has taken with respect to managing Deepwater. Page

23 of my statement actually has a chart that summarizes the recommendations we've made, as far as overall performance, as well as the status of implementation by the Coast Guard. Of our 11 recommendations, 5 have been implemented, and the other 5 are being implemented by the Coast Guard.

Despite the overall progress as noted, not all is well with the Deepwater Program. Regarding the Fast Response Cutter, the interim solution of extending the 110-foot patrol boats to 123 boats—I'm sorry—123-feet—has run into structural problems, as exhibited, in one case, with the hull buckling on the MATAGORDA. And, more recently, design work has been halted on the composite hull, as proposed by the contractor.

Acquisition problems are occurring outside Deepwater as well as with the Rescue 21 communications system. Senator Cantwell, you went into some of the details there, but the bottom line is, the program has grown from $250 million to $710 million or more, and the implementation schedule has slipped by 5 years.

Government Executive magazine recently quoted Admiral Allen as saying, "The Coast Guard will pursue Deepwater with ruthless execution." The Commandant has said that again here today. And, at GAO, we believe Coast Guard must also apply ruthless oversight as part of this ruthless execution. Obviously, Admiral Allen is already planning ways to do that, based on his statement here today.

In terms of balancing diverse missions, as is well known by this Committee in its oversight role for maritime security, Coast Guard has a very large portfolio of homeland security missions. And this—again, this situation is faced by many organizations other than the Coast Guard. As noted in GAO's report on 21st century challenges, many Federal agencies—many, many—must make the hard choices about homeland security priorities, given uncertain risks and limited resources.

In the Coast Guard's case, it must balance homeland security with its more traditional missions—provide safety through navigational aids, search-and-rescue, as mentioned, responding to maritime pollution incidents, as well as to protect important fishing grounds. After 9/11, GAO had noted a very large decline in some of these other missions' resource hours; however, recent Coast Guard data for performance actually shows that the performance in all these other missions is improving.

But the pressure to assume greater homeland security responsibilities is still very strong. In addition to the new Maritime Security Response Team the Coast Guard is setting up and making very robust, in terms of even adding chemical and biological capabilities to it, the Coast Guard has also taken on the new mission of air defense, as mentioned, which is outside its traditional domain. Though not without precedent, this is a new mission for the Coast Guard in some ways.

And, meanwhile, the replacement of some assets outside homeland security, such as buoy tenders and aids-to-navigation—and, sorry, icebreakers—are not funded at all, at least the replacement of ships is not funded at all in the 2007 budget.

In conclusion, several of the developments I've mentioned are good news here today. Despite many demands, Coast Guard continues to make progress across the board in terms of all of its mis-

sions, and its response to Hurricane Katrina is one bright aspect in what is otherwise a tale of tragedy and failure. Certainly, if one measure of organizational excellence is performance under crisis, the Coast Guard has demonstrated itself to be a very high-performing organization. But excellence must also be demonstrated in the more mundane aspects, such as the management of its acquisitions. Here, the record, as we've mentioned, is not unblemished. But, overall, we work with the Coast Guard on a daily basis, we are impressed by their general approach to managing their resources flexibly, and their can-do attitude, and our day-to-day work reveals an agency that is open to constructive feedback, wants to learn from its mistakes, and looks for opportunities to leverage its resources.

Madam Chair and Senator Cantwell, I would be happy to respond to any questions at this time.

Thank you.

[The prepared statement of Mr. Caldwell follows:]

PREPARED STATEMENT OF STEPHEN L. CALDWELL, ACTING DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Madame Chair and members of the Subcommittee:

I am pleased to be here today to discuss the President's Fiscal Year 2007 budget request for the Coast Guard—funding that the Coast Guard believes is critical to improving its performance and reducing vulnerabilities within the U.S. maritime domain. As you know, the Coast Guard has faced many extraordinary challenges and new responsibilities in recent years, including heightened responsibility for protecting America's ports, waterways, and waterside facilities from terrorist attacks, while maintaining responsibility for many other programs important to the Nation's interests, such as helping stem the flow of illegal drugs and illegal immigration, protecting important fishing grounds, and responding to marine pollution. Overall, the Coast Guard has met these heightened responsibilities despite added challenges posed by the declining condition of its aging assets and special surge operations it has periodically experienced—such as responding to Hurricane Katrina.

My testimony today provides; (1) an overview of the Coast Guard's Fiscal Year 2007 budget request and key performance information, (2) a discussion of the changes and initiatives the Coast Guard has implemented to meet growing responsibilities, (3) a status update on some current acquisition efforts, and (4) a look at some future Coast Guard challenges as it attempts to balance its various missions. My testimony is drawn from a number of reports we have issued on Coast Guard operations, as well as from work done specifically for this hearing. In some cases our work is still ongoing and fuller results will be reported once the engagements are completed. The scope of our work did not include evaluating whether the proposed funding levels are commensurate with the Coast Guard's stated needs. All of our work has been conducted in accordance with generally accepted government auditing standards. (See app. I for additional information regarding our scope and methodology and see related GAO reports for a listing of recent reports.)

Summary

Although the Coast Guard's budget continues to grow, the Agency's Fiscal Year 2007 budget request indicates a more moderate growth than that of previous years. Even with the need to sustain new homeland security duties, respond to particularly destructive hurricanes, and cope with aging assets, the Coast Guard reported that its Fiscal Year 2005 performance, as self-measured by its ability to meet performance targets, was the highest since the terrorist attacks in September 2001. The Coast Guard reported that it met or exceeded performance targets for 7 of 11 programs, and anticipates meeting the target for 1 additional program once final results for the year are available. Coast Guard officials attributed the missed targets to, among other factors, the increased flow of migrants and staffing shortages for certain security units within the defense readiness program. In particular, our ongoing work found that the Coast Guard's response to Hurricane Katrina highlighted three key elements that enabled the Coast Guard to provide an unprecedented search-and-rescue response during Hurricane Katrina: a priority on training and

contingency planning, a flexible organizational structure, and the agency's operational principles.

The Coast Guard has undertaken three organizational changes designed to assist it in adjusting to its added responsibilities. First, it is completing a realignment of its field structure, an effort that, according to the Coast Guard, will allow a field level commanding officer to manage operational resources more efficiently. Second, Coast Guard officials expect that the development and implementation of a new Maritime Security Response Team, modeled after Department of Defense (DOD) counter-terrorism teams, will provide increased counterterrorism capability to respond to threats in waters under Coast Guard jurisdiction. Finally, new and expanded partnerships that cut across both government and industry to address maritime security concerns also have the potential to improve operational effectiveness and efficiency. For instance, under requirements of the Maritime Transportation Security Act of 2002 (MTSA), each Coast Guard Captain of the Port is required to work in conjunction with a range of local partners to develop a security plan for its port area to address security vulnerabilities and respond to any incidents.[1] Another partnership that leverages governmental resources is the Coast Guard's relationship with the National Oceanic and Atmospheric Administration (NOAA). This partnership allows vessel tracking information obtained with NOAA technology to be shared with the Coast Guard, thereby assisting the Coast Guard with its enforcement of domestic fisheries regulations.

Our recent reviews indicate that while the Coast Guard has made progress in managing Deepwater acquisitions, further actions are needed and the lessons learned from this effort have not been applied to other ongoing acquisitions. In specific, the Coast Guard has successfully implemented most of GAO's recommendations to improve the Integrated Deepwater System, the largest, and most significant ongoing Coast Guard acquisition initiative. However, further attention and action are needed before all of our past recommendations for improving accountability and program management can be considered fully implemented. Despite these improvements in program management, the Deepwater program has continued to encounter difficulties, most recently in the acquisition of the Fast Response Cutters which are scheduled to replace the Coast Guard's aging patrol boat fleet. Meanwhile, the Rescue 21 program—an effort to replace antiquated command, control, and communication infrastructure used to monitor mariner distress calls and coordinate search-and-rescue operations—continues to be of concern as the program has been plagued by delays, technical problems, and cost escalation. Currently estimated implementation costs have escalated from $250 million to more than $710.5 million, and GAO's analysis, based on prior trends, indicates that Rescue 21 costs could be as high as $872 million. In addition, the program's originally proposed schedule for full implementation has slipped by 5 years resulting in continuing performance challenges for field units, and the potential for additional costs to keep the current system functioning until it is replaced. These problems and the causes underlying them have much in common with the issues we identified with the Deepwater program which has also experienced management and contractor oversight problems, schedule delays, and cost escalation. A third acquisition effort, designed to provide the Coast Guard with the capability to transmit and receive information to and from vessels entering and leaving U.S. waters, is still early in its development, limiting the Coast Guard's ability to identify and leverage potential partners to share costs, according to Coast Guard officials. The Coast Guard is taking steps to better manage these programs, but it cannot lose sight of the need to address and resolve these ongoing acquisition management concerns.

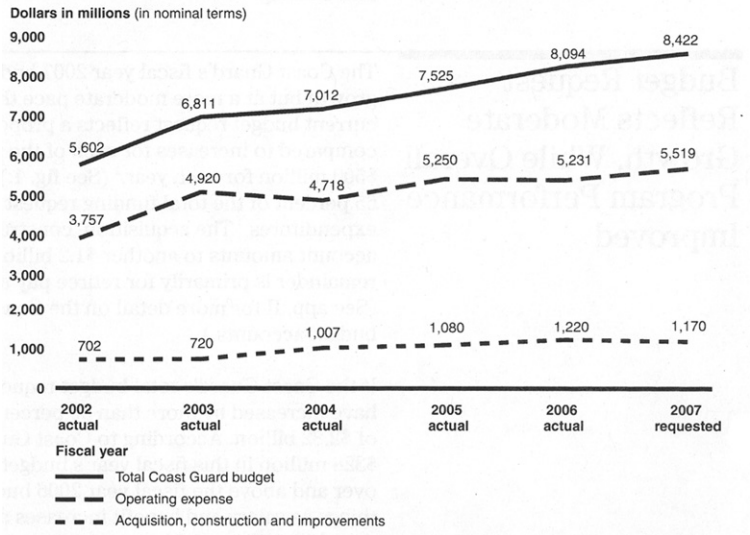
The Coast Guard also faces two additional challenges in managing its assets and balancing its various missions. Our ongoing work for this Committee found that some of the Coast Guard's buoy tenders and icebreakers are deteriorating and may need additional resources to sustain or replace them. Like the Deepwater assets, many of these types of assets are approaching or have exceeded their initial design service lives, and our preliminary observations indicate that the Coast Guard's key measure of their condition shows a decline for some assets of both types. Although the Coast Guard has identified the need to sustain or replace these assets, no funds have been budgeted to carry out this project. A second challenge the Coast Guard faces is the addition of a new mission, defending the air space surrounding the Nation's capital, which falls outside its traditional focus on the maritime environment and therefore represents further growth in its responsibilities. While groundwork has been laid through the request of Fiscal Year 2007 funds to purchase the equipment necessary to carry out this new responsibility, it is likely to require additional personnel and training.

Budget Request Reflects Moderate Growth, While Overall Program Performance Improved

The Coast Guard's Fiscal Year 2007 budget request shows continued growth but at a more moderate pace than that of the past 2 years. The current budget request reflects a proposed increase of about $328 million, compared to increases for each of the past 2 budget years that exceeded $500 million for each year.[2] (See Fig. 1.) About $5.5 billion, or more than 65 percent of the total funding request of $8.4 billion, is for operating expenditures.[3] The acquisition, construction, and improvements (AC&I) account amounts to another $1.2 billion, or about 14 percent, and the remainder is primarily for retiree pay and healthcare fund contributions. (See app. II for more detail on the Coast Guard's Fiscal Years 2002–2007 budget accounts.)

If the Coast Guard's total budget request is granted, overall funding will have increased by more than 50 percent since Fiscal Year 2002, an increase of $2.82 billion. According to Coast Guard officials, much of the additional $328 million in this Fiscal Year's budget request, which is about 4 percent over and above the Fiscal Year 2006 budget of $8.1 billion, covers such things as salary and benefit increases and maintenance. In addition, more than $57 million of this increase is to establish a permanent National Capital Region Air Defense program to enforce the National Capital Region no-fly zone, a program previously conducted by U.S. Customs and Border Protection (CBP).[4] By comparison, the increases for the AC&I account for this time period have been even greater than the overall funding increase, growing by 66 percent since Fiscal Year 2002. However, the Fiscal Year 2007 AC&I budget request of almost $1.2 billion represents little change in funding from the Coast Guard's Fiscal Year 2006 enacted AC&I budget.

Figure 1: Coast Guard Budget from Fiscal Year 2002 to Fiscal Year 2007



Source: GAO analysis of Coast Guard data.

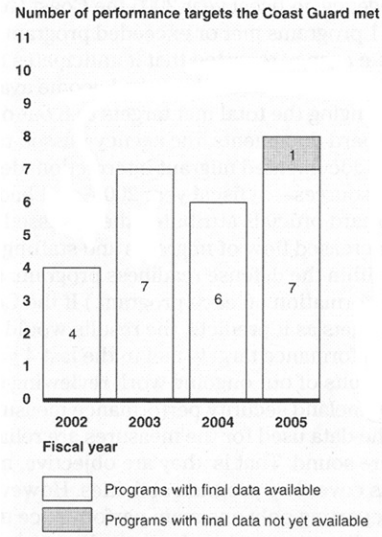
Notes: In order to provide greater year-to-year consistency for budget comparisons, the fiscal years 2005 and 2006 enacted amounts do not include supplemental appropriations. The supplemental amounts were largely for unforeseen events. According to a Coast Guard budget official, in fiscal year 2005 the Coast Guard received supplemental appropriations of $34 million for Operation Iraqi Freedom and $195 million for hurricane and tsunami relief efforts, and in fiscal year 2006 the Coast Guard received supplemental appropriations of $100 million for Operation Iraqi Freedom and $206 million for Hurricane Katrina relief efforts.

The total Coast Guard budget is a sum of operating expenses; AC&I; and other accounts such as environmental compliance and restoration; alteration of bridges; retired pay; research, development, testing and evaluation; oil spill recovery; boat safety; and Medicare-eligible healthcare fund contributions. Operating expenses and the AC&I accounts are almost 80 percent of the total Coast Guard's budget request for fiscal year 2007, and are shown because they are of primary interest for this analysis. Detailed information on all of these accounts is in app. II.

Coast Guard Reported Progress Made in Meeting Program Performance Targets

Even with sustained homeland security responsibilities, aging assets, and a particularly destructive hurricane season stretching resources across the agency, in Fiscal Year 2005 the Coast Guard reported that 7 of its 11 programs met or exceeded program performance targets.[5] In addition, the agency reported that it anticipates meeting the target for 1 additional program when final results become available in July 2006, potentially bringing the total met targets to 8 out of 11 programs.[6] According to Coast Guard documents, the agency missed targets for three programs—undocumented migrant interdiction, defense readiness, and living marine resources—in Fiscal Year 2005, as it had in some previous years. Coast Guard officials attributed these missed targets to, among other factors, the increased flow of migrants and staffing shortages for certain security units within the defense readiness program. (See app. III for more detailed information on each program.) If the Coast Guard meets 8 performance targets as it predicts, the results would represent the greatest number of performance targets met in the last 4 years. (See Fig. 2.) The preliminary results of our ongoing work reviewing the Coast Guard's six non-homeland security performance measures suggests that, for the most part, the data used for the measures are reliable and the measures themselves are sound. That is, they are objective, measurable, and quantifiable as well as cover key program activities. However, given the DHS policy of reporting only one main performance measure per program and the limits on how comprehensive a single measure is likely to be, there may be opportunities to provide additional context and information to decision-makers about Coast Guard performance results. We will provide final results on this work in a report to be published later this summer.

Figure 2: Number of Performance Targets the Coast Guard Met, or Anticipates Meeting, for the Coast Guard's 11 Programs for Fiscal Years 2002 through 2005



Source: GAO analysis of Coast Guard data.

Notes: Fiscal year 2005 data includes the illegal drug interdiction program for which final data are not yet available. Data for this program are not available because the performance measures are based, in part, on data from other agencies that are not reported until later in the fiscal year. However, based on past data trends and performance data collected to date, the Coast Guard anticipates meeting the performance target for this program.

For fiscal year 2002 the Coast Guard had performance measures and targets for 9 of its 11 programs—the two programs without measures and targets were the marine safety and ports, waterways, and coastal security programs. For fiscal years 2003 and 2004, the Coast Guard had performance measures and targets for 10 of its 11 programs—the one program without a measure and target during this time was the ports, waterways, and coastal security program.

Overall Progress Came Despite Additional Demands Posed by Hurricane Katrina

This overall progress came in a year when the Coast Guard faced significant additional demands brought on by Hurricane Katrina. As it had to do when it implemented MTSA and when it conducted heightened port security patrols immediately after the September 2001 terrorist attacks, the Coast Guard found itself operating at an increased operational tempo for part of Fiscal Year 2005. Although the Hurricane Katrina response period was relatively brief for some missions, such as search-and-rescue, Coast Guard officials told us that the sheer magnitude of the response made it unique, and responding to it tested the agency's preparedness and ability to mobilize large numbers of personnel and assets within a short time. In this effort, the Coast Guard had several responsibilities during and immediately following the hurricane: to conduct search-and-rescue; to direct the closing and re-opening of ports in cooperation with stakeholders, (such as shipping companies, harbor police, DHS, CBP, and local fire and police departments), to ensure safety and facilitate commerce, thereby lessening the economic impact of the storm on the Nation; and to monitor pollution clean up of the many oil spills that occurred in the wake of the flooding. For the purposes of this testimony, I would like to focus on the Coast Guard's search-and-rescue response. We are conducting a more complete review of the Coast Guard's role and response to Hurricane Katrina across several mission areas under the authority of the Comptroller General, and expect to provide additional information later this summer. So far, however, this work is showing that three factors appear to have been key to the Coast Guard's response to Hurricane Katrina:

- *The Coast Guard was prepared to respond to search-and-rescue needs.* Although the magnitude of Hurricane Katrina required substantial response and relief efforts, the Coast Guard was well prepared to act since it places a priority on training and contingency planning. First and foremost, the missions the Coast Guard performed during Hurricane Katrina were the same missions that the Coast Guard trains for and typically performs on a day-to-day basis. The Coast Guard's mission areas include, among others, search-and-rescue, law enforcement, regulatory functions, and, most recently, homeland security responsibilities, allowing the Coast Guard to respond and act in a myriad of situations. However, with regard to Hurricane Katrina, the magnitude of the Coast Guard's mission activity appears noteworthy. For example, for all of 2004, according to the Coast Guard's Fiscal Year 2005 Report, the Coast Guard responded to more than 32,000 calls for rescue assistance and saved nearly 5,500 lives. By comparison, in 17 days of Hurricane Katrina response, Coast Guard officials reported conducting over 33,500 rescues, including rescuing 24,135 people by boat and helicopter and evacuating 9,409 people from hospitals. Coast Guard officials we spoke to underscored the importance of the planning, preparation, and training that they regularly conduct that allowed them to complete the many challenging missions presented by Katrina.
- *The Coast Guard's organizational structure and practices facilitated the agency's response.* In terms of the Coast Guard's organizational structure, the Coast Guard has personnel and assets throughout the United States, which allows for more flexible response to threats. In terms of Coast Guard practices, according to the hurricane and severe weather plans we reviewed for Coast Guard Districts 7 (Florida region) and 8 (Gulf region), and discussions we had in Washington, D.C., Virginia, Florida, Alabama, and Louisiana with Coast Guard officials responsible for implementing those plans, the Coast Guard tracks the likely path of an approaching storm, anticipates the necessary assets to address the storm's impact, and repositions personnel and aircraft out of harm's way, with a focus on reconstituting assets to respond to local needs once it is safe to do so. Given the magnitude of Hurricane Katrina, the Coast Guard took a more centralized approach to prioritize personnel and assets to respond, but the operational command decisions remained at the local level. That is, the Coast Guard's Atlantic Area Command played a key role in identifying additional Coast Guard resources, and worked with District Commands to quickly move those resources to the affected Gulf region, while local operational commanders directed personnel and assets to priority missions based on their on-scene knowledge.
- *The Coast Guard's operational principles facilitated the agency's actions.* Throughout our field work, Coast Guard officials referred to the principles of Coast Guard operations that guide the agency's actions. Coast Guard officials identified these principles, which ranged from the importance of having clear objectives and flexibility to managing risks and exercising restraint, as instrumental in their preparation for Hurricane Katrina.[7] The Coast Guard prides

itself on these operational principles that collectively form the foundation of Coast Guard culture and actions during operations. These principles set an expectation for individual leadership in crisis, and personnel are trained to take responsibility and action as needed based on relevant authorities and guidance. For example, during the initial response to Hurricane Katrina, a junior-level pilot, who first arrived on-scene in New Orleans with the planned mission of conducting an environmental inspection flight, recognized that search-and-rescue helicopters in the area could not communicate with officials on the ground, including those located at hospitals and at safe landing areas. This pilot took the initiative while on-scene—an operational principle—to redirect her planned mission, changing it from an environmental flight to creating the first airborne communication platform in the area. Doing so helped ensure that critical information was relayed to and from helicopter pilots conducting search-and-rescue so that they could more safely and efficiently continue their vital mission. When we consulted her commanding officer about these actions, he supported her decision and actions and noted that Coast Guard personnel generally have the flexibility to divert from their intended mission to accomplish a more important mission, without obtaining advance supervisory approval. He indicated that this was not only common practice, but it was supported by a written directive at his unit.

While acknowledging the importance of these operational principles, it is equally important to note that the response to Hurricane Katrina also hinged on discipline and adherence to critical plans. For example, multiple aircraft were operating in a confined space with little separation, thus adhering to critical search-and-rescue plans, as well as using experience and judgment, resulted in numerous rescues despite these difficult circumstances. While the Hurricane Katrina search-and-rescue effort was unprecedented, sustaining this effort might have been much more difficult if it had gone on for a much longer period. Combining a longer-term catastrophic response with the continuing needs of the agency's day-to-day missions would be more challenging for a small service such as the Coast Guard. Relative to other military services, the Coast Guard is small, and when resources are shifted to any one specific mission area, other mission areas may suffer.[8] For example, Coast Guard units in Florida sent many air and surface assets to the Gulf region to respond to Hurricane Katrina. While the assets were deployed to the Gulf region, the Coast Guard noticed a spike in the level of illegal migration activity off of the Florida coast. However, once Coast Guard assets returned to the Florida region, the Coast Guard initiated a more intensive air and sea patrol schedule to markedly announce their return to the area, and focus on interdicting illegal migrants.

The Coast Guard Continues with Organizational Changes and Expanded Partnerships to Meet Growing Responsibilities

Coast Guard organizational changes and expanded partnerships have helped to alleviate some resource pressures posed by added responsibilities or further deterioration of assets, as well as help accomplish its mission responsibilities. I would like to highlight three of these efforts: a revised field structure that consolidates decisionmaking processes at the operational level into a single command, a new resource for confronting and neutralizing terrorist activity, and new and stronger partnerships both within and outside DHS.

New Field Command Structure Aimed at Improving Operational Efficiency

In conducting our work for this hearing, we followed up with the Coast Guard to obtain an update on the implementation of a new field command structure that unifies previously disparate Coast Guard units, such as air stations, groups, and marine safety offices into integrated commands.[9] As we reported to you last year, the Coast Guard began making this change to improve mission performance through better coordination of Coast Guard command authority with operational resources such as boats and aircraft.[10] Under the previous field structure, for example, a marine safety officer who had the authority to inspect a vessel at sea or needed an aerial view of an oil spill as part of an investigation would often have to coordinate a request for a boat or an aircraft through a district office, which would obtain the resource from a group or air station. Under the realignment, these operational resources are to be available under the same commanding officer—allowing for more efficient operations. This revised structure involves dividing operations into 35 geographic "sectors." Coast Guard officials stated that all 35 sectors have been established as of May 2006. According to Coast Guard personnel, the realignment is particularly important for coordinating with other Federal, State, and local agencies,

as well as meeting new homeland security responsibilities and preparing for the challenge of protecting the United States against terrorist attacks.

New Maritime Security Response Team to Provide Additional Security Capability

Another initiative to protect the United States against terrorist attacks is the Coast Guard's development and implementation of a Maritime Security Response Team (MSRT)—a prototype team similar to DOD's counter-terrorism teams. The Coast Guard, in cooperation with DOD and other Federal law enforcement agencies, plans to outfit the MSRT with specialized tactical equipment and train the team to conduct high-risk boardings of vessels and perform other offensive counter-terrorism activities within the maritime environment. The Coast Guard's $4.7 million request for Fiscal Year 2007 would provide the team with chemical, biological, radiological, nuclear, and explosive detection equipment; improve the Coast Guard's Special Missions Training Center facility; and provide additional personnel and operating capacity for a third 60-member unit, building the team toward 24/7 response capabilities. Coast Guard officials said that once the MSRT is fully developed, it will provide active counter-terrorism and advanced interdiction operations and address capacity and capability gaps in national maritime counter-terrorism response.

New and Evolving Coast Guard Partnerships Designed to Improve Operational Effectiveness and Efficiency

In addition to partnering efforts associated with the development of the first MSRT, the Coast Guard is developing other partnerships, both internal and external to DHS, designed in part to improve operational effectiveness and efficiency. For example, the Coast Guard is currently developing a pilot program to increase operational efficiencies between the Coast Guard and CBP aimed at pushing potential threats away from U.S. ports. This offshore operation, currently in a pilot stage, includes the integration of each agency's vessel targeting efforts, unifies their boarding operations, and includes professional exchange opportunities. Although this effort is only being tested within the Pacific Area Command of the Coast Guard, according to a senior Coast Guard official, the Pacific Command intends to send its results to Coast Guard headquarters so the agency can determine how to best implement the program across the Coast Guard at a later date.

In addition to partnering with other Federal agencies, the Coast Guard has also initiated partnerships with both government and industry. Under regulations implementing MTSA, a Coast Guard Captain of the Port must develop an Area Maritime Security Plan in consultation with an Area Maritime Security Committee. These committees are typically composed of members from Federal, local, and state governments; law enforcement agencies; maritime industry and labor organizations; and other port stakeholders that may be affected by security policies. The security plan they develop is intended to provide a communication and coordination framework for the port stakeholders and law enforcement officials to follow in addressing security vulnerabilities and responding to any incidents. Stakeholders in two ports we visited identified their Area Maritime Security Committees as an invaluable forum for port partners. For example, they said meetings of these committees serve as an opportunity for members of the port community to network with one another, build relationships, address various maritime-related issues, and coordinate security planning efforts.

The Coast Guard has expanded its partnership with NOAA to enforce domestic fisheries regulations. NOAA operates a technology-based system, called the vessel monitoring system, to track and monitor fishing vessels. This system offers real-time data on a ship's course and position, where the ship has requested to fish, the type of fishing requested, and the number of days the ship has been out of port. The Coast Guard uses this information to assist with its enforcement of domestic fisheries regulations by identifying vessels that may not be in compliance with domestic fisheries regulations. For example, the monitoring information will show if fishing vessels are operating within a restricted area. According to Coast Guard officials, the information shared from this partnership has allowed Coast Guard assets to be used more efficiently in checking on potentially noncompliant vessels and enforcing fishing laws.

Progress Made with Ongoing Acquisition Efforts, but Continued Attention Is Warranted

Our recent reviews indicate that while the Coast Guard has made progress in managing the Deepwater program, further actions are needed and the lessons learned from this effort have not been applied to other ongoing acquisitions. For example, even with the Coast Guard's improved management and oversight of its Deepwater program, further steps are needed before all of our past recommendations for improving accountability and program management can be considered fully

implemented. In addition, the acquisition of Fast Response Cutters has recently experienced setbacks. Meanwhile, the Rescue 21 program continues to be of concern as the program has been plagued by delays, technical problems, and cost escalation—issues that parallel the problems encountered in the early years of the Deepwater program. Another program, the Nationwide Automatic Identification System, is still in early development stages and specific technical system requirements remain undefined. As a result, according to Coast Guard officials, this has affected the Coast Guard's efforts to respond to our recommendation that the agency cultivate potential partnerships in order to leverage resources toward implementing the system. Because all of these programs are important for the Coast Guard in meeting growing operational demands, they bear close monitoring to help ensure they are delivered in an efficient and effective manner.

Progress Continues in Making Recommended Improvements to Deepwater Program Management, but Some Recommendations Are Not Yet Fully Implemented

One of the largest and most significant acquisitions that the Coast Guard has undertaken is the upgrade and replacement of its Deepwater assets, an acquisition approach that has raised a number of management and accountability concerns over the past 8 years.[11] The Coast Guard has devoted considerable attention to concerns that we and others raised, in particular to implementing recommendations for improvement. Our past concerns about the Deepwater program have been in three main areas—ensuring better program management and oversight, ensuring greater accountability on the part of the system integrator, and creating sufficient competition to help act as a control on costs—and to address these concerns, we made a total of 11 recommendations.[12] Table 1 provides an overview of the 11 recommendations, including their current status. In short, five recommendations have been fully implemented, five have been partially implemented, and one has not been implemented.[13] Three of the five partially implemented recommendations appear close to being fully implemented, in that the actions taken appear to be sufficient but results are not yet known or final procedural steps (such as issuing a policy currently in draft form) are not complete. The remaining two partially implemented recommendations, both of which deal with effective program management and contractor oversight, remain somewhat more problematic, and these are discussed further below. In both cases, however, the steps needed to fully implement these recommendations are relatively straightforward.

Table 1: Status of GAO Recommendations to the U.S. Coast Guard Regarding Management of the Deepwater Program

Areas of concern	Recommendations to the U.S. Coast Guard	Recommendation status
Key components of management and oversight are not effectively implemented	Put in place a human capital plan to ensure adequate staffing of the Deepwater program	Implemented
	Improve integrated product teams responsible for managing the program by providing better training, approving charters, and improving systems for sharing information between teams	Partially implemented
	Provide field personnel with guidance and training on transitioning to new Deepwater assets	Partially implemented
Procedures for ensuring contractor accountability are inadequate	Develop measurable award fee criteria consistent with guidance from the Office of Federal Procurement Policy	Implemented[a]
	Provide for better input from Coast Guard technical representatives	Implemented
	Hold the system integrator accountable for improving effectiveness of the integrated product teams[b]	Implemented
	Establish a baseline for determining whether the acquisition approach is costing the government more than the tradition asset replacement approach	Will not be implemented
	Establish a time frame for putting steps in place to measure contractor's progress toward improving operational effectiveness	Partially implemented
	Establish criteria to determine when to adjust the project baseline and document the reasons for change	Partially implemented
Control of future costs through competition remains at risk because of weak oversight	For subcontracts over $5 million awarded by the system integrator to the two major subcontractors, require notification to the Coast Guard about decision to perform the work in-house rather than contracting it out	Implemented[a]
	Develop a comprehensive plan for holding the system integrator accountable for ensuring adequate competition among suppliers	Partially implemented

Source: GAO analysis of Coast Guard data.

[a]Determined to be implemented during work performed in 2005 for GAO's report, *Coast Guard: Progress Being Made on Addressing Deepwater Legacy Asset Condition Issues and Program Management, but Acquisition Challenges Remain*, GAO-05-757 (Washington, D.C.: July 22, 2005).

[b]Integrated product teams are responsible for overall program planning and management, asset integration, and overseeing delivery of specific Deepwater assets. They are generally chaired by a subcontractor representative and consist of members from subcontractors and the Coast Guard.

Strengthening Integrated Product Teams

In 2004, we reported that the integrated product teams (IPTs), the Coast Guard's primary tool for managing the Deepwater program and overseeing contractor activities, were struggling to carry out their missions because of four major issues: (1) lack of timely charters to provide authority needed for decisionmaking, (2) inadequate communication among team members, (3) high staff turnover, and (4) insufficient training. Despite progress in addressing these four issues, we do not consider this recommendation to be fully implemented. There are indications that the IPTs are still not succeeding in developing sufficient collaboration among subcontractors. Coast Guard officials recently reported that collaboration among the subcontractors continues to be problematic and that the system integrator wields little influence to compel decisions among them. For example, when dealing with proposed design changes for assets under construction, the system integrator has submitted the changes as two separate proposals from both first-tier subcontractors rather than coordinating the separate proposals into one coherent plan. According to Coast Guard performance monitors, because the two proposals often carry a number of overlapping work items, this approach complicates the Coast Guard's review of the needed design change. Several improvements designed to address these problems are under way, but it is too early to determine if these will effectively eliminate the problems.

Providing Field Personnel with Guidance and Training on Transitioning to New Deepwater Assets

In 2004, we reported the Coast Guard had not effectively communicated decisions on how new Deepwater and existing assets are to be integrated during the transition and whether Coast Guard or contractor personnel (or a combination of the two) will be responsible for maintenance of the Deepwater assets. For example, Coast Guard field personnel, including senior-level operators and naval engineering support command officials, said they had not received information about how they would be able to continue meeting their missions using existing assets while also being trained on the new assets. Since that time the Coast Guard has placed more emphasis on outreach to field personnel, including surveys, face-to-face meetings, and membership in IPTs. Despite these efforts, there are indications that the actions are not yet sufficient to consider the recommendation to be fully implemented. In particular, our review of relevant documents and discussions with key personnel make clear that field operators and maintenance personnel are still concerned that their views are not adequately acknowledged and addressed, and have little information about maintenance and logistics plans for the new Deepwater assets. For example, though the first National Security Cutter is to be delivered in August 2007, field and maintenance officials have yet to receive information on plans for crew training, necessary shore facility modifications, or how maintenance and logistics responsibilities will be divided between the Coast Guard and the system integrator. According to Coast Guard officials, many of these decisions need to be made and communicated very soon in order to allow for proper planning and preparation in advance of the National Security Cutter's delivery.

Design Risks Have Delayed Delivery of the Fast Response Cutter

Despite improvements in Deepwater program management, the Coast Guard has encountered difficulties in the conversion and acquisition of one Deepwater asset—its Fast Response Cutter (FRC). Under the original 2002 Deepwater Implementation Plan, all 49 of the Coast Guard's 110-foot patrol boats were to be converted into 123-foot patrol boats, with increased capabilities, as a bridging strategy until a replacement vessel, the 140-foot FRC, came on line beginning in 2018. The Coast Guard converted 8 of the 110-foot patrol boats to 123-foot boats, but discontinued further conversions because the patrol boats were experiencing technical difficulties, such as hull buckling, and were not able to meet post-September 11, 2001 mission requirements. This prompted the Coast Guard to revise this part of the Deepwater program. The 2005 Revised Deepwater Implementation Plan reflected the Coast Guard's cancellation of further patrol boat conversions and acceleration of the design and delivery of the FRC, which was being designed to use composite materials in the hull, decks and bulkheads.[14] Under the 2005 revised plan, the first FRC was scheduled to come on line in 2007—11 years earlier than originally planned.

In late February 2006, the Coast Guard suspended design work on the FRC because of risks with the emerging design. In particular, an independent design review by third-party consultants preliminarily demonstrated, among other things, that the FRC would be far heavier and less efficient than a typical patrol boat of similar length. As a result, the Coast Guard is now pursuing three strategies for moving forward with the FRC acquisition. The first strategy involves Integrated

Coast Guard Systems, the prime contractor, purchasing design plans for and building an "off-the-shelf" patrol boat that could be adapted for Coast Guard use as a way to increase patrol hours until the FRC design could be finalized. The Coast Guard issued a request for information in April 2006 to assess the off-the-shelf options. The second strategy is to revise the requirements of the FRC in order to allow for modifications to the current FRC design. Concurrent with the first two strategies, the Coast Guard's third strategy is to have a third party reassess the analyses used in the decision to use composite materials for the FRC to determine if the use of composite materials will, in fact, reduce total ownership costs. The result of the Coast Guard pursuing these strategies is that the Coast Guard would end up with two classes of FRCs. The first class of FRCs would be based on an adapted design from a patrol boat already on the market, to expedite delivery, and a follow-on class that would be based on revisions made to address the problems identified in the original FRC design plans. Pursuant to these three strategies, Coast Guard officials now estimate that the first FRC will likely not be delivered until late Fiscal Year 2009, at the earliest. GAO plans to release a report in late June 2006 providing updated information on the status of FRC design efforts.

Rescue 21 Continues to Be of Concern as It Enters Implementation Phase

The Rescue 21 acquisition program—the Coast Guard's effort to replace its antiquated command, control and communication infrastructure used primarily to monitor mariner distress calls, and coordinate search-and-rescue operations—continues to be of concern as the program has been plagued by numerous delays, technical problems, and cost overruns. GAO's recently released report shows that the program is about 5 years behind its originally proposed schedule for full implementation in 2006, as a result primarily of delays in development and testing of the system.[15] In addition, these delays have raised the Coast Guard's estimated costs for bringing Rescue 21 up to full operating capability from $250 million to $710.5 million.[16] Moreover, our analysis of contractor performance trends, including a significant number of contract items not completed as planned and requiring renegotiation, indicates that total acquisition cost overruns will continue, and implementation costs could reach as high as $872 million.[17]

These delays, technical problems, and cost overruns are the result of deficiencies in Coast Guard acquisition management and contractor oversight—deficiencies similar to those that we identified earlier in the Deepwater program. Such a pattern is of concern because it suggests that the Coast Guard has not translated the lessons learned from Deepwater to its overall acquisition management.[18] In particular, deficiencies in the Rescue 21 program include common problems of acquisition management and oversight including ineffective project monitoring and risk management, poorly defined user requirements, unrealistic schedule and cost estimates developed by the contractor, and limited executive-level oversight. And although the Coast Guard has developed the high-level requirements for Rescue 21, it has relied solely on the contractor to manage these requirements.

As discussed, we found similar problems in the Deepwater program with comparable adverse impacts on cost, schedule and results. For example, at the start of the program we identified a number of risks that would need to be addressed for the program to be successful—including ensuring that procedures and personnel are in place for managing and overseeing the contractor, and taking steps to minimize potential problems in developing new technology. Since that time, we have made numerous specific recommendations to the Coast Guard based on the deficiencies uncovered by our audits.[19]

The delays in implementing Rescue 21 mean that field units will continue to face limitations in their ability to hear boaters in distress and the agency will be subject to cost and performance challenges to maintain the legacy equipment. For example, as a result of Rescue 21's delay, some field units will likely continue to experience coverage gaps, limiting their ability to monitor mariners in distress and some will continue to be at risk of performing larger and potentially more costly searches due to the legacy system's more limited capabilities. In addition, because the legacy equipment is over 30 years old, it is at high risk for failure, a factor which could result in costly repairs. Moreover, although the Coast Guard previously issued a moratorium on upgrades to the legacy system, delays in the Coast Guard's implementation of Rescue 21 may require units to upgrade or install new equipment for the legacy system. This would result in further costs, and in fact, this has already occurred at some units.[20]

The importance of resolving acquisition management problems is underscored by the operational benefits that are expected to be realized from system implementation, and some of these benefits have already been achieved in a few locations where the Rescue 21 system has been used. For example, following Hurricane Katrina, the

Coast Guard took advantage of Rescue 21's capabilities to address communications challenges through an early deployment of a portable antenna to Louisiana in September 2005 to provide communications capabilities that had been lost due to the storm. In another case, the direction-finding capability of the Rescue 21 system helped the Coast Guard to rescue some stranded boaters who had inaccurately identified their location to the Coast Guard.

Coast Guard in Early Phase of Developing the Nationwide Automatic Identification System

The Coast Guard is at an early phase in developing the Nationwide Automatic Identification System (NAIS)—an important step in the overall effort to increase port safety and security by collecting, integrating, and analyzing information on vessels operating within or bound for U.S. waters—and is pursuing partnership opportunities that could potentially accomplish NAIS installation goals more quickly and reduce installation costs to the Federal Government. According to the Coast Guard, NAIS will allow the Coast Guard to both receive and transmit information to vessels entering and leaving U.S. waters, supporting both MTSA and the National Plan to Achieve Maritime Domain Awareness.[21] In July 2004, we recommended that the Coast Guard seek and take advantage of opportunities to partner with organizations willing to develop systems at their own expense as part of the acquisition process.[22] In response, according to Coast Guard officials, the agency has begun to develop partnerships. However, officials noted that because the project and technology are still in the early stages of development, these partnerships remain limited. For example, Coast Guard officials said that because the Coast Guard still does not know all of the specific technical system requirements, they do not yet know of all the potential partners that could enable the Coast Guard to leverage resources. In addition, system requirements may change as the technology is further developed, and as a result, some current partnerships may be short-term.

The Coast Guard intends to use the Fiscal Year 2007 budget request of $11.2 million, along with past unobligated project funding, to award a NAIS contract in Fiscal Year 2007 for initial design, logistics, and deployment in strategic ports and critical coastal areas of the country. According to the Coast Guard, officials are performing market research as part of the development phase of the Coast Guard and DHS major acquisition processes, and the project office is analyzing this information to determine capabilities within the market to satisfy NAIS requirements and to establish an optimal acquisition strategy. Coast Guard officials we spoke with noted that NAIS is currently in the initial stage of a major acquisition project. As such, the acquisition project plans for costs, schedule, and performance have not yet been established. The Coast Guard expects these project plans to be determined later this year and stated that both the baseline costs and current completion schedule are early estimates and subject to revision as final requirements mature.

Coast Guard Faces Future Challenges as It Balances Missions

The Coast Guard also faces two additional challenges in managing its assets and balancing its various missions. The first challenge is to find the resources to replace some additional assets, not included in the Deepwater program, for its non-homeland security missions. Our ongoing work found that some of the Coast Guard's existing buoy tenders and icebreakers are approaching or have exceeded their initial design service lives. The second challenge the Coast Guard faces is the addition of a new mission, defending the air space surrounding the Nation's capital, which falls outside its traditional focus on the maritime environment. While groundwork has been laid through the request of Fiscal Year 2007 funds to purchase the equipment necessary to carry out this new responsibility, it is likely to require additional personnel and training.

Some ATON and Icebreaking Assets Show Decline and May Need Additional Resources to Sustain Capabilities

To facilitate maritime mobility through its aids-to-navigation (ATON) and icebreaking missions, the Coast Guard uses a variety of assets, such as buoy tenders and icebreakers. Like the Deepwater legacy assets, many of these types of assets are approaching or have exceeded their initial design service lives. We are currently conducting work for this Committee to look at the condition and the Coast Guard's actions to upgrade or better manage these assets. While this work is still ongoing, our preliminary observations indicate that some of these assets are experiencing maintenance issues that may require additional resources in order to sustain or replace their capabilities.

Coast Guard's Condition Measures Show Decline in Some ATON and Icebreaking Assets

From 2000 to 2004, the Coast Guard's key condition measures show a decline for some ATON and icebreaking assets.[23] For ATON and icebreaking cutter assets,[24] the key summary measure of condition—percent of time free of major casualties[25]—fluctuated but generally remained below target levels[26] for some asset types. According to Coast Guard officials, even though it did not have a centralized tracking system for the condition of its ATON small boat assets during this time period, the Coast Guard's overall assessments of these smaller assets indicated that most of the asset types were in fair to poor condition. According to Coast Guard officials and documents, the reasons for their condition include the fact that many of the asset types are beyond their expected service lives and the general workload of the assets has increased to carry out other missions, such as maritime security after September 11, 2001, or providing disaster response after events such as the recent hurricanes on the Gulf Coast.

Increasing Amount of Maintenance on ATON and Domestic Icebreaking Assets Is Being Performed

Coast Guard personnel reported to us that crew members have had to spend increasingly more time and resources to troubleshoot and resolve maintenance issues on the older ATON and domestic icebreaking assets. The Coast Guard personnel we met with indicated that because the systems and parts are outdated compared with the technology and equipment available today, it can be challenging and time consuming to diagnose a maintenance issue and find parts or determine what corrective action to take. For example, the propulsion control system on the 140-foot icebreaking tugs uses circuit cards that were state-of-the-art when the tugs were commissioned in the late 1970s to 1980s but are no longer manufactured today and have been superseded by computer control systems. According to the Coast Guard personnel we met with, the lack of a readily available supply of these parts has forced maintenance personnel to order custom made parts or refurbish the faulty ones, increasing the time and money it takes to address maintenance problems. The personnel also told us that because such equipment is outdated, finding knowledgeable individuals to identify problems with the equipment is difficult, which further complicates the maintenance of the assets. Crews of other assets we visited also confirmed the difficulty of diagnosing problems and obtaining replacement parts for other critical subsystems such as the main diesel engines.

Aware of such issues, the Coast Guard completed a mission needs analysis for ATON and domestic icebreaking assets, and developed an approach to renovate or recapitalize these assets. This analysis, which was completed in 2002, looked at the condition of the existing assets and their ability to support mission needs. The analysis concluded that all of the assets suffered in varying degrees with respect to safety, supportability, environmental compliance, and habitability, and would need replacement or rehabilitation to address these issues. In response to this analysis, the Coast Guard developed a plan to systematically replace or renovate the assets. Program officials at the Coast Guard indicated that current estimates place the total cost to carry out this plan at about $550 million. According to a Coast Guard official, although resource proposals to carry out this project had been made during the budget planning processes for Fiscal Years 2004, 2005, 2006, and 2007, those proposals were either deferred or terminated by DHS or the Office of Management and Budget from inclusion in the final budget requests.

Polar Class Icebreaking Assets Are in Need of Significant Maintenance

Preliminary observations from our review of the Coast Guard's polar icebreaking assets revealed similar challenges for the Coast Guard to perform the maintenance needed to sustain the capabilities of these assets. As with the other older ATON and domestic icebreaking assets, the two Polar Class icebreakers that are used for breaking the channel into the Antarctic research station are reaching the end of their design service lives of 30 years.[27] According to Coast Guard officials, the icebreakers' age combined with recent harsh ice conditions and increased operational tempo have left the Polar Class icebreakers unable to continue the mission in the long term without a substantial investment in maintenance and equipment renewal. These officials also told us that while the hull structures are sound, critical systems such as the main gas turbine controls and the controllable pitch propeller systems have become unreliable. Corroborating this account of the icebreakers' condition, an interim report issued in December 2005 by the National Research Council of the National Academies also found that the icebreakers have become inefficient to operate because substantial and increasing maintenance is required to keep them operating

and that significant long-term maintenance had been deferred over the past several years.[28]

Given the age and obsolescence of the Polar Class icebreakers, funding for maintenance and repair has been and will likely continue to be a challenge. Coast Guard officials indicated that the cost of maintenance activity for the icebreakers required that additional funding be transferred from other Coast Guard asset maintenance accounts in previous years in order to carry out this maintenance. For Fiscal Years 2005 and 2006, the Coast Guard also obtained additional funds for maintenance from the National Science Foundation (NSF).[29] The Coast Guard has considered undertaking a project to extend the service lives of the existing assets by refurbishing or replacing those systems that have reached the end of their service lives. The Coast Guard estimates that this extension project could provide an additional 25 years of service for the existing assets. The cost to carry out this project for both Polar Class icebreakers is estimated between $552 and $859 million. Coast Guard capital planning documentation indicates that failure to fund this project could leave the Nation without heavy icebreaking capability and could jeopardize the investment made in the Nation's Antarctic Program. According to Coast Guard officials, the agency has identified these needs but has not yet requested funds in part, because other agencies have taken financial responsibility for funding polar icebreaking assets.[30]

The Coast Guard Is Undertaking New Responsibility Beyond Typical Maritime Missions

While the Coast Guard continues to face the challenge of performing the diverse array of responsibilities associated with its many missions, the Fiscal Year 2007 budget request includes initial funding for a new Coast Guard responsibility of enforcing a no-fly zone in the national capital region. The scope of the mission—intercepting slow and low flying aircraft—falls outside of the Coast Guard's typical mission of protecting and preserving the Nation's ports and waterways. According to Coast Guard officials, DHS agreed to this mission through a memorandum of understanding with DOD and subsequently determined that the Coast Guard was the best suited agency within DHS to perform the mission.[31] Coast Guard officials also said, the agency will officially take over these responsibilities from CBP in late Fiscal Year 2006. However, despite previous experience performing air intercept activities, according to Coast Guard officials, the new homeland security mission has required additional training and assets.[32] The Coast Guard's $57.4 million Fiscal Year 2007 budget request, the first year of a planned 2-year project, would provide funding to acquire five of the seven HH–65C helicopters needed for the mission, and, according to Coast Guard officials, update infrastructure at Air Station Atlantic City, as well as upgrade equipment at Reagan National Airport. Officials added that efforts to train Coast Guard pilots have already been underway. While groundwork has been laid through the request of Fiscal Year 2007 funds to purchase the equipment necessary to carry out this new responsibility, it is likely to require additional personnel and training.

Concluding Observations

Several of the developments we are reporting on today are good news. Despite many demands, the Coast Guard continues to make progress in meeting its performance targets, and its successful search-and-rescue work in responding to Hurricane Katrina is one positive aspect of what largely otherwise appears to be an ongoing tragedy. Certainly, if one measure of organizational excellence is performance in crisis, Hurricane Katrina shows that the Coast Guard is well along on that scale. Excellence must also be demonstrated in more mundane ways, however, such as how an organization manages its acquisitions. In this case, the Coast Guard needs to consistently, and from the beginning, employ widely known best practices for its acquisition management processes particularly with respect to developing requirements, project and risk management, and ensuring proper executive level oversight. Although the Coast Guard is to be complimented for its willingness to make improvements after our audits have identified problems, such as with the Deepwater program, its acquisition management would be better if the agency employed the lessons once learned and translated them into generally-improved practices. Better overall practices would help to ensure that future projects will not repeat past problems and will be completed on time and at cost.

The Coast Guard has clearly been at the vortex of many of the most sweeping changes in the Federal Government's priorities over the past several years. "Homeland security" carries a much different tone, as well as budgetary significance, in the national consciousness after September 11, 2001. However, dramatic infusions of money are no guarantee of success; rather they bring added responsibility to en-

sure that large investments of taxpayer dollars are wisely spent. Our work has shown that the Coast Guard continues to face some challenges in balancing all of its missions and in keeping a sustained focus on managing its significant capital acquisition programs. Continued efforts are needed to sustain the progress that has been made thus far.

Madame Chair and members of the Subcommittee, this completes my prepared statement. I would be happy to respond to any questions that you or other Members of the Subcommittee may have at this time.

APPENDIX I: OBJECTIVES, SCOPE, AND METHODOLOGY

To provide a strategic overview of the President's Fiscal Year 2007 budget request for the Coast Guard, we analyzed the Coast Guard's budget justification and other financial documents provided by the Coast Guard, focusing on several areas of particular Congressional interest. We also interviewed Coast Guard headquarters officials familiar with the Coast Guard's budget and acquisition processes.

To report on the Coast Guard's progress in meeting its performance targets, we reviewed Coast Guard data and documentation addressing the status of performance targets between Fiscal Years 2002 and 2005. In reporting the performance results, we did not assess the reliability of the data or the credibility of the performance measures used by the Coast Guard. Previous GAO work indicates that the Coast Guard data are sufficiently reliable for the purposes of reporting on general performance, but we have not examined the external sources of data used for these measures. In addition, we are currently involved in ongoing work looking at the reliability of the data and credibility of performance measures for the Coast Guard's six non-homeland security programs.

To determine the status of key outstanding Coast Guard recommendations, we interviewed Coast Guard headquarters officials regarding the status of the recommendations—including any progress made to implement them. We also obtained and reviewed relevant documents from the Coast Guard.

To discuss the Coast Guard's response to Hurricane Katrina, we relied on our ongoing work regarding Hurricane Katrina, with particular focus on the Coast Guard's preparation, response, and recovery to Katrina with respect to search-and-rescue, pollution response, and facilitation of maritime missions. To obtain a more detailed understanding of the Coast Guard's response to Hurricane Katrina, we interviewed officials, reviewed documents, and conducted site visits at two Coast Guard Districts, the Atlantic Command, and Coast Guard headquarters. We also interviewed city and state officials in areas impacted by Hurricane Katrina and assisted by the Coast Guard.

To determine the Coast Guard's progress in implementing our prior recommendations related to its Deepwater program, we drew from ongoing work, which included extensive reviews and analyses of documentation provided by the Coast Guard. We supplemented our document reviews and analyses with extensive discussions with officials at the Deepwater Program Executive Office, as well as with interviews with key Coast Guard operations and maintenance officials, contract monitors, and representatives of the system integrator.

To report on the status and cost of Coast Guard's Rescue 21 program, we drew from our work examining (1) the reasons for significant implementation delays and cost overruns against Rescue 21's original 2002 proposal; (2) the viability of the Coast Guard's revised cost and implementation schedule that is projected to reach full operational capability in 2011; and (3) the impact of Rescue 21's implementation delay upon the Coast Guard's field units which are awaiting modernization of antiquated communications equipment. This work has involved reviewing acquisition plans, implementation schedules and cost estimates for Rescue 21, as well as documentation regarding problems associated with the antiquated communications equipment. We also interviewed Coast Guard field personnel at units using the antiquated equipment and at the two sites where Rescue 21 has been deployed.

We also drew from our ongoing work to report on Coast Guard's ATON and icebreaking assets. Specifically, this work is examining: (1) the recent trends in the amount of time ATON and domestic icebreaking assets have spent performing various missions and the impact of these trends on their primary missions; (2) the condition of the ATON and domestic icebreaking assets and the impact of their condition on performing their primary missions; and (3) the actions the Coast Guard has taken to upgrade or better manage its ATON and domestic icebreaking assets or use alternatives to carry out their missions. While conducting this work, we have interviewed Coast Guard program and maintenance officials at headquarters, area commands, and selected districts to obtain information on the missions these assets carry out, the condition of the assets, and the past and estimated future costs to

maintain and deploy them. We also interviewed these officials and reviewed documents about the Coast Guard's plans to maintain or replace these assets. We also analyzed Coast Guard data from 2000 to 2004 on condition tracking measures, resources spent to operate the assets, and the number of hours the assets spent on Coast Guard missions. Finally, we interviewed crew members of various assets, selected by nonprobability sample—to provide diversity among asset types and locations—to obtain their views on the condition and maintenance of their assets and any impact the assets' condition may have had on their ability to carry out their missions.[33]

This testimony is based on published GAO reports and briefings, as well as additional audit work that was conducted in accordance with generally accepted government auditing standards. We conducted our work for this testimony from July 2005 through May 2006.

APPENDIX II: BREAKDOWN OF THE COAST GUARD'S FISCAL YEAR 2007 REQUEST

Appendix II provides a breakdown of the Coast Guard's Fiscal Year 2007 budget request. In addition to operating expenses and acquisition, construction, and improvements, the remaining Coast Guard budget accounts include areas such as environmental compliance and restoration, reserve training, and oil spill recovery. (See Table 2.)

Table 2: Coast Guard Funding Accounts by Fiscal Year

Dollars in millions (in nominal terms)

	FY 2002 actual	FY 2003 actual	FY 2004 actual	FY 2005 enacted	FY 2006 enacted	FY 2007 request
Operating expenses	$3,757	$4,920	$4,718	$5,066	$5,231	$5,519
Acquisition, construction, and improvements	702	720	1,007	1,065	1,220	1,170
Environmental compliance and restoration	17	17	17	17	12	12
Alteration of bridges	15	17	19	16	15	0
Retired pay	876	889	1,020	1,085	1,014	1,063
Reserve training	83	86	94	113	118	124
Research, development, testing, and evaluation	20	22	15	19	18	14
Oil spill recovery	68	75	57	71	168	127
Boat safety	64	65	64	64	101	115
Medicare-Eligible Retiree Healthcare Fund Contribution[a]	NA	NA	NA	237	261	279

Source: GAO analysis of Coast Guard data.

Note: NA not available.

[a]Fiscal year 2005 funding for the Medicare-Eligible Retiree Healthcare Fund Contribution was accounted for within the Operating Expenses appropriation, but it is displayed here for fiscal year 2005 separately for presentation purposes. Beginning in fiscal year 2006, the contribution was officially re-allocated from the Operating Expenses appropriation to the Medicare-Eligible Retiree Healthcare Fund Contribution appropriation.

APPENDIX III: ADDITIONAL INFORMATION ON SPECIFIC COAST GUARD PROGRAM RESULTS

Appendix III provides a detailed list of Coast Guard performance results for the Coast Guard's 11 programs from Fiscal Year 2002 through 2005. Shaded entries in Table 3 indicate those years that the Coast Guard reported meeting its target unshaded entries indicate those years that the Coast Guard reported not meeting its target. Each program is discussed in more detail below.

Table 3: Performance Results by Program from Fiscal Year 2002 through Fiscal Year 2005

Program	Program performance measure	Performance results by FY 2002	2003	2004	2005	Performance target for FY 2005
Programs meeting 2005 targets						
U.S. Exclusive Economic Zone Enforcement	Number of detected Exclusive Economic Zone incursions by foreign fishing vessels	250	152	247	174	≤ 200
Ice operations (domestic icebreaking)	Number of waterway closure days	7	7	4	0	≤ 2[a]
Search and rescue	Percentage of distressed mariners' lives saved	84.4%	87.7%	86.8%	86.1%	≥ 86%
Aids to navigation	Number of collisions, allisions, and groundings	2,098	2,000	1,876	1,825	≤1,831
Ports, waterways, and coastal security	Reduce homeland security risk in the maritime domain	NA	NA	NA	14%	NA[b]
Marine environmental protection	Average of oil and chemical spills greater than 100 gallons per 100 million tons shipped	35.1	29.4	22.1	18.5	≤ 20
Marine safety	Average of maritime injuries and fatalities	1,332[e]	1,307	1,299	1,311	≤ 1,317
Program expected to meet 2005 target						
Illegal drug interdiction	Percentage of cocaine removed out of total estimated cocaine entering the U.S. through maritime means[d]	Not reported	Not reported	30.7%	TBD[c]	≥19%
Programs not meeting 2005 targets						
Defense readiness	Percentage of time units meet combat readiness level at C-2 level	70%	78%	76%	67%	100%
Living marine resources	Percentage of fisherman found in compliance with regulations	97.3%	97.1%	96.3%	96.4%	≥ 97%
Undocumented migrant interdiction	Percentage of interdicted illegal migrants entering the U.S. through maritime means	88.3%	85.3%	87.1%	85.5%	≥ 88%

Performance targets met Performance targets not met

Source: GAO analysis of Coast Guard performance data.

Note: TBD, to be determined; NA, not available.

[a] The target for ice operations noted here is for domestic icebreaking only, and the target level varies according to the index of severity for an entire winter. Thus, for those winters designated as severe, the target is 8 or fewer closure days. For winters designated as average, the target is 2 or fewer closure days. Because 2002 and 2004 were designated as average winters, the 7 and 4 days of closures did not meet the target.

[b] The ports, waterways, and coastal securities program did not have a numeric target for the program's performance measure because this was the first year this performance measure was used and a numeric baseline had not been established. However, according to the Coast Guard, in the absence of a numeric target, the program used, and met, a target of fully implementing all planned activities geared toward lowering the risk due to terrorism in the maritime domain.

[c] Complete data are not yet available for the illegal drug interdiction program, however, the Coast Guard anticipates meeting the performance target for this program based on past performance.

[d] The performance measure for the illegal drug interdiction program, the percent of cocaine removed, was revised in Fiscal Year 2004 from the percent of cocaine seized in order to more accurately report the impact Coast Guard counter-drug activities have on the illicit drug trade. As a result, the cocaine removal rates for Fiscal Years 2002–2003 are not available.

[e] The Coast Guard did not have a performance target for the marine safety performance measure in Fiscal Year 2002. Therefore, we were unable to determine whether marine safety program results met a performance target for Fiscal Year 2002.

Programs Meeting Fiscal Year 2005 Performance Targets

U.S. Exclusive Economic Zone Enforcement.[34] The Coast Guard reported that in Fiscal Year 2005, it met the performance target for U.S. Exclusive Economic Zone enforcement—defined as the number of foreign vessel incursions into the U.S. Exclusive Economic Zone, by detecting 174 foreign vessel incursions, within the performance target of 200 or less incursions. This represents a more than 30 percent decrease in foreign vessel incursions since Fiscal Year 2004, when the Coast Guard detected 247 incursions. Coast Guard officials attributed this decrease in incursions to many factors, including the agency's efforts in combating incursions, such as an increased number of air and water patrols, and the likelihood that some Mexican fleets known to cross into U.S. waters were damaged during the 2005 hurricane season.

Ice operations. To meet this performance target, the Coast Guard's ice operations program must keep winter waterway closures to 8 days or fewer for severe winters and less than 2 days per year for average winters. According to Coast Guard documents, the agency met its target for an average winter with 0 days of waterway closures during the 2005 ice season.

Search and rescue. The Coast Guard reported that performance in this area, as measured by the percentage of mariners' lives saved from imminent danger, was 86.1 percent, just above the target of 86 percent for Fiscal Year 2005. This result is similar to the Fiscal Year 2004 result of saving 86.8 percent of lives in imminent danger. The Coast Guard identified continuing improvements in response resources and improvements made in commercial vessel and recreational boating safety as the main reasons for continuing to meet the target.

Aids to navigation. According to Coast Guard reports, the aids-to-navigation program performance measure—that is, the 5-year average number of collisions, allisions, and groundings—improved in Fiscal Year 2005 by dropping to 1,825 incidents from 1,876 incidents in Fiscal Year 2004. The Fiscal Year 2005 total was also below the target of 1,831. The Coast Guard attributes this continued decrease to a multifaceted system of prevention activities, including radio aids-to-navigation, communications, vessel traffic services, dredging, charting, regulations, and licensing.

Ports, waterways, and coastal security. In Fiscal Year 2005, the Coast Guard began using a new measure of program performance—the percent reduction of terrorism-related risk in the maritime environment. According to Coast Guard officials, this measure is based on an assessment of the total amount of maritime risk under the Coast Guard's authority. At the end of each fiscal year the Coast Guard calculates the amount of this total risk that has been reduced by the program's activities throughout the fiscal year. Officials added that because of the dynamic and changing nature of risk, the total amount of maritime risk under the Coast Guard's authority—the baseline level of risk—is recalculated annually. Because this was the first year the agency used the measure, there was no previous performance baseline to establish a numeric annual target. However, according to the Coast Guard, in the absence of a numeric target, the program used, and met a target of fully implementing all planned activities geared toward lowering the risk due to terrorism in the maritime domain.

Marine environmental protection. The marine environmental protection measure of performance is the 5-year average annual number of oil and chemical spills greater than 100 gallons per 100 million tons shipped. According to Coast Guard reports, since Fiscal Year 2002, the reported average number of oil and chemical spills has dropped from 35.1 to 18.5 in Fiscal Year 2005. The Coast Guard identified its prevention, preparedness, and response programs—including industry partnerships and incentive programs—as reasons for the drop.

Marine safety. The marine safety measure—a 5-year average of passenger and maritime deaths and injuries—achieved its Fiscal Year 2005 performance target of 1,317. During Fiscal Year 2005 there were 1,311 incidents, a slight increase from 1,299 incidents in Fiscal Year 2004. Beginning in Fiscal Year 2006, the Coast Guard will use a revised version of this measure that includes injuries of recreational boaters as well, representing a broader and more complete view of marine safety.

Program Expected to Meet Fiscal Year 2005 Target

Illegal drug interdiction. While complete results for the illegal drug interdiction performance measure—the rate at which the Coast Guard removes cocaine bound for the U.S. via noncommercial maritime transport—are not yet available, the Coast Guard anticipates exceeding the Fiscal Year 2005 target of removing 19 percent or more of cocaine bound for the U.S. According to Coast Guard officials, in Fiscal Year 2005 the Coast Guard removed a record 137.5 metric tons of cocaine bound for the U.S. Coast Guard officials believe that this record amount of cocaine removed will

result in exceeding the Fiscal Year 2005 performance target. Final program results are due to be published in July 2006.

Programs Not Meeting Targets in Fiscal Year 2005

Defense Readiness. Defense readiness is measured by the percentage of time that units meet combat readiness status at a C–2 level.[35] The Coast Guard reported that the overall level of performance for the defense readiness program decreased for the second consecutive year from a high of 78 percent in Fiscal Year 2003, to 76 percent in Fiscal Year 2004, and 67 percent in Fiscal Year 2005. According to Coast Guard officials, this decline in recent years was because of staffing shortages for certain security units within the defense readiness mission. According to Coast Guard officials, the agency intends to solve these staffing problems by offering incentives for participation as well as making participation mandatory instead of voluntary, as it was previously.

Living marine resources. The Coast Guard reported that the performance measure for living marine resources—defined as the percentage of fishermen complying with Federal regulations—was 96.4 percent, just below the target of 97 percent for Fiscal Year 2005. This result is similar to the Fiscal Year 2004 result of 96.3 percent. According to Coast Guard officials, the agency missed the Fiscal Year 2005 target because of a variety of economic conditions and variables beyond Coast Guard control, such as hurricane damage, high fuel costs, fewer days-at-sea allocations, and lucrative seafood prices in some fisheries—which created greater incentives for fishermen to violate fishery regulations. The Coast Guard conducted 6,076 fisheries boardings in Fiscal Year 2005, an increase of more than 30 percent since Fiscal Year 2004. However, it is important to note that the compliance rate is a conservative estimate of agency performance because the Coast Guard targets vessels for boarding, thereby making it more likely that they will find vessels that are not in compliance with fishery regulations. According to Coast Guard officials, a key contributor to targeting vessels is the vessel monitoring system, which has enhanced the agency's ability to target vessels by providing more timely information.

Undocumented migrant interdiction. According to Coast Guard reports, in Fiscal Year 2005 the Coast Guard did not meet its performance target of interdicting or deterring at least 88 percent of undocumented aliens from Cuba, Haiti, the Dominican Republic, and China attempting to enter the U.S. through maritime routes. The Coast Guard identified 5,830 successful arrivals out of an estimated threat of 40,500 migrants yielding an interdiction and deterrence rate of 85.5 percent, a decrease from the Fiscal Year 2004 result of 87.1 percent. According to the Coast Guard, program performance decreased because the flow of migrants was higher than in previous years, increasing from almost 22,000 in Fiscal Year 2002, to more than 40,000 in Fiscal Year 2005. Coast Guard officials said that the agency is developing a new measure to better account for both the Coast Guard's efforts and the migrant flow to more accurately report program performance. This new measure will include migrants of all nationalities that successfully arrive in the U.S. through maritime routes.

Related GAO Products

United States Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition. GAO–06–623. Washington, D.C.: May 31, 2006.

Coast Guard: Changes in Deepwater Acquisition Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring Is Warranted. GAO–06–546. Washington, D.C.: April 28, 2006.

Coast Guard: Progress Being Made on Addressing Deepwater Legacy Asset Condition Issues and Program Management, but Acquisition Challenges Remain. GAO–05–757. Washington, D.C.: July 22, 2005.

Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges. GAO–05–651T. Washington, D.C.: June 21, 2005.

Maritime Security: Enhancements Made, but Implementation and Sustainability Remain Key Challenges. GAO–05–448T. Washington, D.C.: May 17, 2005.

Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges. GAO–05–307T. Washington, D.C.: April 20, 2005.

Coast Guard: Observations on Agency Priorities in Fiscal Year 2006 Budget Request. GAO–05–364T. Washington, D.C.: March 17, 2005.

Coast Guard: Station Readiness Improving, but Resource Challenges and Management Concerns Remain. GAO–05–161. Washington, D.C.: January 31, 2005.

Maritime Security: Better Planning Needed to Help Ensure an Effective Port Security Assessment Program. GAO–04–1062. Washington, D.C.: September 30, 2004.

Maritime Security: Partnering Could Reduce Federal Costs and Facilitate Implementation of Automatic Vessel Identification System. GAO–04–868. Washington, D.C.: July 23, 2004.

Maritime Security: Substantial Work Remains to Translate New Planning Requirements into Effective Port Security. GAO–04–838. Washington, D.C.: June 30, 2004.

Coast Guard: Deepwater Program Acquisition Schedule Update Needed. GAO–04–695. Washington, D.C.: June 14, 2004.

Coast Guard: Station Spending Requirements Met, but Better Processes Needed to Track Designated Funds. GAO–04–704. Washington, D.C.: May 28, 2004.

Coast Guard: Key Management and Budget Challenges for Fiscal Year 2005 and Beyond. GAO–04–636T. Washington, D.C.: April 7, 2004.

Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer. GAO–04–432. Washington, D.C.: March 22, 2004.

Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight. GAO–04–380. Washington, D.C.: March 9, 2004.

Coast Guard: New Communication System to Support Search and Rescue Faces Challenges. GAO–03–1111. Washington, D.C.: September 30, 2003.

Maritime Security: Progress Made in Implementing Maritime Transportation Security Act, but Concerns Remain. GAO–03–1155T. Washington, D.C.: September 9, 2003.

Coast Guard: Actions Needed to Mitigate Deepwater Project Risks. GAO–01–659T. Washington, D.C.: May 3, 2001.

Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain. GAO–01–564. Washington, D.C.: May 2, 2001.

Coast Guard: Strategies for Procuring New Ships, Aircraft, and Other Assets. GAO/T–HEHS–99–116. Washington, D.C.: March 16, 1999.

Coast Guard's Acquisition Management: Deepwater Project's Justification and Affordability Need to Be Addressed More Thoroughly. GAO/RCED–99–6. Washington, D.C.: October 26, 1998.

ENDNOTES

[1] Pub. L. 107–295, 116 Stat. 2064 (2002).

[2] GAO's analysis of the Coast Guard's budget is presented in nominal terms throughout this testimony.

[3] The $8.4 billion request for the Coast Guard represents about 20 percent of the Department of Homeland Security's (DHS) budget request for Fiscal Year 2007.

[4] In addition to the $57.4 million request, the Coast Guard's Fiscal Year 2007 budget request includes a $5 million transfer from CBP to support the National Capital Regional Air Defense program.

[5] These seven programs are ice operations, search-and-rescue, marine environmental protection, marine safety, aids-to-navigation, U.S. Exclusive Economic Zone enforcement, and ports, waterways, and coastal security.

[6] The one additional program the Coast Guard anticipates meeting the target for is the illegal drug interdiction program.

[7] The Coast Guard's seven operational principles include the Principle of: (1) Clear Objective, (2) Effective Presence, (3) Unity of Effort, (4) On-Scene Initiative, (5) Flexibility, (6) Managed Risk, and (7) Restraint. U.S. Department of Transportation, Coast Guard Publication 1, *U.S. Coast Guard: America's Maritime Guardian,* (Washington, D.C., 2002).

[8] Consisting of approximately 39,000 active duty personnel, the Coast Guard is a multi-mission agency with a longstanding Federal leadership role in protecting life and property at sea, such as directing search-and-rescue operations. Furthermore, the Coast Guard is a military service responsible for protecting U.S. ports and waterways. Other U.S. military branches include: U.S. Army with approximately 488,900 active duty personnel; U.S. Navy with approximately 358,700 active duty personnel; U.S. Air Force with approximately 351,700 active duty personnel; and U.S. Marines with approximately 178,700 active duty personnel.

[9] A Coast Guard group is an operational unit that oversees station operations and provides guidance on policy and administrative matters.

[10] GAO, *Coast Guard: Observations on Agency Priorities in Fiscal Year 2006 Budget Request,* GAO–05–364T (Washington, D.C.: Mar. 17, 2005).

[11] GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight,* GAO–04–380 (Washington, D.C.: Mar. 9, 2004).

[12] In June 2002, the Coast Guard contracted with Integrated Coast Guard Systems to identify and deliver the assets needed to meet a set of mission requirements

specified by the Coast Guard. Integrated Coast Guard Systems is a business entity jointly owned by Lockheed Martin Corporation and Northrop Grumman Ship Systems, which act as first-tier subcontractors and either provide Deepwater assets or award second-tier subcontracts for providing the assets.

[13] The Coast Guard disagreed with and declined to implement a recommendation that pertained to updating its cost baseline to determine whether the Deepwater acquisition approach is costing more than a conventional acquisition approach. While we stand behind our original recommendation, we decided not to pursue it further because the Coast Guard has decided not to take action on this issue.

[14] Composite materials, as used in shipbuilding, are typically fiber-reinforced plastic laminates consisting of plies of various reinforcing fabrics laminated together. Integrated Coast Guard Systems decided to use composite materials for the FRC's hull after an analysis of alternatives found that the use of such materials instead of steel generally offers several advantages, such as lower maintenance and life-cycle costs, a longer service life, and reduced weight.

[15] GAO, *United States Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition,* GAO–06–623 (Washington, D.C.: May 31, 2006).

[16] In April 2006, the Department of Homeland Security approved a new acquisition program baseline for Rescue 21 with a total acquisition cost of $730.2 million after decreasing certain functionality.

[17] The Coast Guard's Fiscal Year 2007 budget request for Rescue 21 is $40 million, a slight decrease from the $41 million Congress approved for Fiscal Year 2006.

[18] Our concerns from past audits of the Deepwater acquisition focus on the Coast Guard's overall ability to effectively and efficiently manage its major acquisitions, oversee contractors, and translate lessons learned from one program to another.

[19] GAO–05–757; *Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges,* GAO–05–651T (Washington, D.C.: June 21, 2005); *Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges,* GAO–05–307T (Washington, D.C.: Apr. 20, 2005); GAO–05–364T; *Coast Guard: Deepwater Program Acquisition Schedule Update Needed,* GAO–04–695 (Washington, D.C.: June 14, 2004); GAO–04–380; *Coast Guard: Actions Needed to Mitigate Deepwater Project Risks,* GAO–01–659T (Washington, D.C.: May 3, 2001); *Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain,* GAO–01–564 (Washington, D.C.: May 2, 2001); and *Coast Guard: Strategies for Procuring New Ships, Aircraft, and Other Assets,* GAO/T–RCED–99–116 (Washington, D.C.: Mar. 16, 1999).

[20] Coast Guard officials reported that the agency upgraded a console at one unit to mitigate operational challenges and installed a new antenna at a second unit to address coverage gaps.

[21] The National Plan to Achieve Maritime Domain Awareness was developed in October 2005 in support of the National Strategy for Maritime Security, as directed by National Security Presidential Directive—41/Homeland Security Presidential Directive—13. The plan outlines national priorities for achieving maritime domain awareness, including near-term and long-term objectives, required program and resource implications, and recommendations for organizational or policy changes.

[22] GAO, *Maritime Security: Partnering Could Reduce Federal Costs and Facilitate Implementation of Automatic Vessel Identification System,* GAO–04–868 (Washington, D.C.: July 23, 2004).

[23] The assets discussed here vary greatly in terms of their size, age, and operating environment. In terms of size they range from a 420-foot polar icebreaker to a 21-foot trailerable boat to service aids-to-navigation. In terms of age, the range is 2 years for recently commissioned seagoing buoy tenders to more than 60 years for inland construction and buoy tenders. ATON assets are located on both East and West Coasts, as well as the Gulf Coast and major Inland Rivers such as the Mississippi while domestic icebreakers are located on the East Coast and Great Lakes. The polar icebreakers operate in both Arctic and Antarctic regions.

[24] The Coast Guard defines a cutter as any Coast Guard vessel 65 feet in length or greater, having adequate accommodations for crew to live on board. Boats are defined as those vessels under 65 feet in length that usually operate near shore and on inland waterways.

[25] A casualty is a deficiency in mission essential equipment; a major casualty causes the major degradation or loss of at least one primary mission.

[26] The standard target level for the "percent of time free of major casualties" is 72 percent, which is a Navy standard that has been adopted by the Coast Guard.

[27] In addition to the two Polar Class icebreakers, the Coast Guard acquired a third icebreaker, the HEALY, in 2000. Unlike the Polar Class icebreakers, the

HEALY was designed to be an Arctic scientific platform and does not have the capabilities to break ice in the Antarctic under most conditions. According to Coast Guard officials, although the HEALY also has maintenance issues, the condition and extent of maintenance needed for the Polar Class icebreakers is more severe.

[28] National Research Council of the National Academies, *Polar Icebreaker Roles and U.S. Future Needs: A Preliminary Assessment,* 2005. The Council has been tasked to conduct an assessment of the current and future roles of the Coast Guard's polar icebreakers. A final report is expected to be released this summer in which it will provide a more detailed analysis and evaluation of the assets and capabilities needed to carry out the mission over the longer term.

[29] NSF is the lead agency responsible for supporting U.S. polar research. As such, it is the primary user of the polar icebreakers to provide logistical support and serve as research platforms in the polar regions. Coast Guard officials told us that under the terms of a memorandum of agreement, entered into in 1986 and updated in 1999, NSF and other users of the icebreakers reimbursed the Coast Guard for some of the operational costs.

[30] For Fiscal Year 2006, responsibility for funding the polar icebreaking assets was transferred to NSF, with the Coast Guard retaining custody of the assets to operate and maintain them. The President's budget request for Fiscal Year 2007 proposes to continue this arrangement. With this transfer of budget authority to NSF, Coast Guard officials indicated that while the Coast Guard plays an advisory role to NSF on the maintenance needs of the icebreakers, NSF is now responsible for making funding requests for maintenance projects such as the service life extension project.

[31] The Coast Guard's primary mission for the National Capital Region Air Defense program will be to determine intent of, and compel, low and slower moving aircraft to clear National Capital Region protected airspace.

[32] The Coast Guard's previous experience with air intercept activities includes responsibility for air intercept during planned national security special events, such as the Democratic and Republican national conventions and the Super Bowl, as well as performing some air intercept activities as part of its illegal drug interdiction program.

[33] Nonprobability sampling is a method of sampling where observations are selected in a manner that is not completely random, usually using specific characteristics of the population as criteria. Results from nonprobability samples cannot be used to make inferences about a population because in a nonprobability sample some elements of the population being studied have no chance or an unknown chance of being selected as part of the sample.

[34] The Exclusive Economic Zone is defined as an area within 200 miles of U.S. shores in which U.S. citizens have primary harvesting rights to fish stocks. The Coast Guard also refers to the U.S. Exclusive Economic Zone enforcement program as either the foreign fish enforcement program or as other law enforcement.

[35] According to the Coast Guard, the C–2 combat readiness level is defined as the level at which a unit possesses the resources and is trained to undertake most of the wartime missions for which it is organized or designed.

Senator SNOWE. Thank you, Mr. Caldwell. I appreciate your testimony, as well, and the recommendations and in-depth evaluation of the overall performance of the Coast Guard and all of its programs. And we're at a critical moment for the Coast Guard.

Let me start with you, Admiral Allen, with the Deepwater Program, because it's an ongoing concern of mine, and I know it is of yours and the Coast Guard's. And, obviously, the GAO has done extensive review and analysis. In one of the last hearings that we held on this question, we were informed that we can decrease the number of assets, the number of cutters and planes, and increase the capabilities. One, I have a concern about that, because there's no substitute for having a presence with either of our cutters or our planes. The second ongoing problem is whether or not we're going to be able to accomplish this goal while making the investments in the recapitalization of our assets over a 20- to 25-year period. This timeline has already been extended by 5 years, and we're trying to accomplish this goal at a time in which you're facing some very

aging equipment. So, is that the right solution? Because the longer it goes, I think you're going to have extensive problems. Obviously there are cost overruns that are associated with the program. We've already identified, an increase from $17 to $24 billion. And then, of course, we had the experience with the Fast Response Cutter, that you now have to go back to the drawing board because of the conceptual designs of that program. And I gather there were problems with the trials of the original design.

So what's the future for Deepwater, as you see it, given the urgency to get some of these assets online sooner rather than later? A 20- to 25-year timetable is about a quarter of a century. With the first National Security Cutter scheduled to come online in August 2007, how do you see this timeline working? Is this realistic? I proposed, as you know, an accelerated timeframe for Deepwater that would have actually saved money for the taxpayers, but we couldn't get the Administration's support for that program. I think it puts men and women in jeopardy, given where we are today and what's at stake. And the fact is that it is an open invitation for further delays, when you're talking about 20 to 25 years.

Admiral ALLEN. Thank you for the question, Madam Chairman. And, in fact, for the last 2 to 3 months, as I've gone through the confirmation process, I've spent a lot of time thinking about it. If I could just give you a couple of general thoughts.

First of all, the overall system. I think we've got that right. In other words, this interlocking, integrated system of cutters, aircraft, and sensors that can talk to each other and pass information. I think the basic rationale is sound, and remains sound. I, like you, look at the prospect of, at the end of this acquisition, out 25 years, something which I may never see, and wonder what the executability is.

But when I look at the problems that we have before us today related to the operational mix we're involved in, how these assets need to be employed for the mission set that we've got, I think, in the near term, I have to take a more immediate context of the gaps that we have in maritime patrol aircraft hours and patrol boat hours, as far as meeting the requirements the country has levied on us today, and then generalize that to a larger context. If you could accelerate or you could move something forward, how should you do that?

And I think there are a couple of basic elements related to that. One is filling immediate gaps. And the gaps that we've established are maritime patrol, patrol boat hour gaps. The second one is, get these articles to where they can be produced, and produce them as rapidly as you can. The National Security Cutter is poised to be put in the water and be delivered next year. I went to Pascagoula last week, on one of my first trips, and I actually walked through the entire ship, looked at it, looked at the progress. I think we're making real progress there. I think the ship is going to be an extensive improvement over the current fleet and our capability out there, and we look forward to getting that there.

The patrol boat fleet, we've been bookended by performance on both ends. The interim solution, to extend the 110-foot fleet to 123 feet, has produced structural problems with the extension. We terminated that at eight, and then decided to accelerate the develop-

ment of the Fast Response Cutter. There are design issues associated with that composite hull that needed to be worked out. But, in between those two performance bookends is a patrol boat gap that I have to fill. For that reason, we're going to focus on some type of an off-the-shelf what we call a paracraft, or replacement patrol boat design. It gives us an immediate filler for those hours that we need. We're not walking away from the composite structure, because we think there are definite advantages over the life cycle regarding maintenance costs, but until that's proven to be effective and producible, we need to fill those patrol boat-gap hours.

So, when I look at the overall acquisition, I look at, what do I need, today, to be most effective for the country? How does that fit into the overall 25-year timeline? And if there is an opportunity to move that up, or funds are made available, I would focus on those near-term gaps first, ma'am.

Senator SNOWE. How bad is the gap, in terms of the hours, for the patrol boats?

Admiral ALLEN. I can give you a statement for the record, and I can expand on it for the record, but I believe we're talking about 20,000 hours in patrol boats. And I'd have to get back to you on the aircraft hours, but we can submit that for the record.

Senator SNOWE. And so, how soon could you get off-the-shelf patrol boats online?

Admiral ALLEN. We've got a request for information out to industry right now. We're planning on reviewing that. And I would think to awarding a contract in the next 6 to 12 months is doable.

Senator SNOWE. I guess that sort of illustrates my concerns, when I look at the magnitude of this recapitalization project and the age of many of the cutters and the aircraft. It's troubling, because it just seems to me that the program is going to be much more vulnerable to deferrals, postponements, or cost overruns, over such a long period of time, particularly when there's such a necessity, right now, to get new equipment.

Admiral ALLEN. I agree——

Senator SNOWE. Do you——

Admiral ALLEN. I agree——

Senator SNOWE.—think it's realistic to have a 20- to 25-year timeframe?

Admiral ALLEN. Well, what I would rather propose is, I provide you information on how we close those gaps, and how we do it as quickly as possible, because I think that's the better measure of what we need to have right now. And it may be less than 25, but what we really need is those capability gaps closed.

Senator SNOWE. Were you surprised by the setback on the Fast Response Cutter?

Admiral ALLEN. Well, it was—it had to do with the feasibility of the design, vis-à-vis the requirements we provided to them. I think there was a little bit of surprise, but we also know there's value to this composite hull, if it can be done, and we're not trying to jeopardize that, at this point. But the real issue right now is getting patrol boats out there in the Straits of Florida and wherever else we need them.

Senator SNOWE. What do you see the implications being, Mr. Caldwell, of this question, on the Deepwater Program?

Mr. CALDWELL. Senator Snowe, I know that last year you raised the issue about whether we should accelerate this program, and there are two points I'd like to make. The first is, on some of these programs, we're at a very critical stage, still in the design and the early part of the production. So, because of some of the problems that have arisen, in terms of both cost and schedule and other problems, as we have talked about, we would not be supporting acceleration, at this time. Once you have a proven design, and proven beyond just the design, but building and actually field them, then acceleration is a much more reasonable approach, as opposed to 20 years.

Senator SNOWE. In other words, you're suggesting that because this is still all in the design stage, and because the new capabilities are going to be incorporated into these cutters, that it's not feasible to accelerate the program until they get the first one online?

Mr. CALDWELL. Well, until you have a proven design, we would not be in favor of acceleration of the program.

Senator SNOWE. I understand what you're saying, obviously, given the experience with the Fast Response Cutter, but it just suggests to me that it's going to lead to a perpetual series of delays and deferrals. The Deepwater Program's already been extended by almost 5 years, and an additional $7 billion, in terms of cost. I hesitate to think about what that means for the long term. Will it be extended for another 5 years, and another? That's the concern. I don't know what can be done about it, but I think that when you have this extensive timetable of 25 years there are just an infinite number of possibilities for things to go wrong, and it prevents us from focusing on getting things done. Obviously we want to get it done right, but the question is whether or not you can accelerate that timetable in a way that gets everybody focused on the ultimate goal. I just don't see the 25-year timetable. It seems unrealistic, given the need that is abundantly apparent with the current assets being as old as they are.

Admiral Allen?

Admiral ALLEN. I think Mr. Caldwell said something that was fairly germane. I think, in lieu of looking at an acceleration of a 25-year program—and maybe I wasn't clear in my previous comments, and I'd like to add onto his—if you take what your urgent gaps are, and you address those, and you take what units are designed and producible, where you can accelerate them, because you have a proven design, and you can do something with it, certain elements of the acquisition might be accelerated or brought forward. But to take the entire system and say you're going to move it to the left is a little more difficult. That's the reason I'm focusing on near-term requirements, what we have that can be produced and be brought in quickly, because that's a meeting of the most effective, efficient way to do the acquisition against the requirements that I have now.

Senator SNOWE. What about the current status of your fleet? Can it be sustained for the long term, given this prolonged schedule, over 20 to 25 years?

Admiral ALLEN. Well, specifically looking at the 110-foot patrol boat fleet, the 210-foot medium endurance cutter fleet, and the 270-foot medium endurance cutter fleet, the mission effectiveness pro-

grams we have right now, we believe, are viable bridging strategies that will give us those cutter hours, pending the construction of the National Security Cutter in the fall on OPC. We think that is stabilized. The problem right now is that patrol boat filler for that—the gap in those hours.

Senator SNOWE. Thank you.

Senator Cantwell?

Senator CANTWELL. Thank you, Madam Chair.

Admiral Allen, I have a—we don't know each other too well. We've had a chance to talk in my office. But I get a sense you are a man of few words, but great action. And I, again, appreciate your work in response to Katrina and Rita. And, certainly, if there was a test run for the complexity and challenges of the Deepwater Program, you just had them in dealing with that situation.

I'd like to delve a little further into this issue and get your honest response to where you think we should go in looking at the program from a comprehensive level of contract and contract negotiations. Obviously, my colleague talked about some of the challenges from just purely being behind. And Mr. Caldwell has documented this in more detail in his report. I wonder if you believe, since GAO has long advised us about the contract risks and the challenges with lack of oversight by the Coast Guard, and particularly this lack of competition by subcontractors, whether you would consider renegotiating the contract to ensure that the contractor really does adhere to the challenges of having competition. And what, specifically—if you were willing to do that, what would you put into that kind of change to the contract that would assure that we're getting true competition?

Admiral ALLEN. That's an excellent question. If I might couch it in terms of the award term decision that was just made, that might be the best way to explain it.

The evaluation of the base award term that was just completed focused on operational effectiveness, total ownership cost, and customer satisfaction as criteria by which we were going to judge the performance of integrated Coast Guard systems. It was clear to us, as we moved through the first award period, that issues like competition—and we also had concerns in logistics and management and execution of the program, as have been raised here—as part of the award term decision process to move forward, we were allowed to award up to 60 months in the first award term. We only awarded 43, based on the evaluation factors that I just stated. But, as we move forward, to ensure that we're going to address the issues that you've raised, we have changed the criteria set by which we are going to evaluate integrated Coast Guard systems. It's going to consist of cost control, operational effectiveness, program management and execution, logistics, and the fifth one is competition, ma'am.

Senator CANTWELL. Does that mean you're going to renegotiate that contract, or does that mean you're——

Admiral ALLEN. Well, we're going to——

Senator CANTWELL.—just holding them——

Admiral ALLEN.—evaluate their performance against whether or not they are using competition.

Senator CANTWELL. And what's the time period by which you'll judge whether they meet the criteria that you're laying out for them?

Admiral ALLEN. It could be up to—it could be the 43-month award term that was just announced. In other words, this is the criterion by which to judge there will be any—how we will proceed after the 43-month period, ma'am.

Senator CANTWELL. And now that you've gone through that exercise, if you were starting fresh on this, what kind of changes would you make to the way that these contracts are awarded?

Admiral ALLEN. Well, I think the five areas that we've noted are the ways we would change them, because that's what we have changed. It includes a focus on logistics and a focus on competition. And we agree on that.

Senator CANTWELL. Mr. Caldwell, your recommendation is to develop a comprehensive plan for holding the system integrator accountable?

Mr. CALDWELL. Yes, Senator Cantwell, that was one of our recommendations, and we've looked at it in detail. It is partially implemented, and some of the things that Admiral Allen has just gone over discuss that.

To get at your larger question, you seem to be asking whether the systems acquisition was approached the right way? And that's an area where we did have a recommendation to capture comprehensive data on what the traditional approach would have cost, versus the approach they've taken now. And that's one recommendation the Coast Guard has decided not to implement. And this is one where, without certain data being collected, I'm not sure we'll ever know that.

Senator CANTWELL. We'll ever know what? I mean, just to be——

Mr. CALDWELL. Well, I think, from a larger perspective, of government acquisition of major systems, it's a very innovative approach that they've taken. We've found that some of the risks that we've talked about in our earlier reports, going back several years, have come to realize, in terms of schedule or skippage and things like that——

Senator CANTWELL. Could you elaborate on what you mean by "innovative"?

Mr. CALDWELL. Well, they've contracted out the contract management, basically, in terms of having very open—instead of coming up with very detailed requirements of individual assets and systems, the Coast Guard has said—and I think this is consistent with some of the guidance Coast Guard got from OMB and some other larger trends in government acquisition—to focus on capabilities. We don't need a ship that does this, or we don't need a helicopter that does this other thing. What we need is the capability to do this type of mission. And then, let the contractor come up with what the details of that will be. And the contractor, then, has a larger role than the traditional role, in terms of actually developing the requirements, which, in traditional acquisitions, is done within the government side.

Senator CANTWELL. I'm not sure I understand what you're saying about the feature set that you get from basically hiring a contractor to do the subcontracting work, versus a normal procurement proc-

ess. I really want to understand this point, because you're saying innovation has brought us a better product, but certainly it has brought us big delays, cost overruns, and a lack of competition. And, obviously, juxtaposed to other procurement programs that we have for the Federal Government, it is a very different program. So, I want to understand exactly—with these cost overruns and challenges and delays, exactly what innovation is getting us.

Mr. CALDWELL. I did not say that innovation brought us a better product. What I had said was that the approach the Coast Guard took was innovative. And the difference there is, I think, partly because of limitations in the acquisition capacity that the Coast Guard had when they came up with Deepwater, as well as a new approach to define capabilities, but not the specific requirements of individual assets, the Coast Guard took the approach that they did with the systems-of-systems integration approach.

Senator CANTWELL. Yes, Admiral Allen, did you want to address that?

Admiral ALLEN. If I could just add on to what Mr. Caldwell said, our thought, at the start of the acquisition, was to take an area of operation, in the ocean, the missions that had to be performed there, and not assume that we would do a one-for-one replacement on either an aircraft or a cutter, and that both the cutters and the aircraft that we procured would be connected by a network to make them interoperable. And we asked industry to propose a solution to us that this would be the type of portfolio of assets, and the network that would combine them would produce your mission results. That's what they provided to us in their offer, and that's what we awarded the contract based on in 2002. The assets, as they're being delivered, are capable, and they are an improvement over the existing assets. The timing, the cost, and the schedule are issues that we're dealing with right now. But the innovative approach to buy this as a system, we believe, remains sound. I walked through the National Security Cutter in Pascagoula last week, and it is an extraordinary vessel compared to the 378-foot cutters that are patrolling in the Bering Sea right now. So, it's a matter of delivering the system.

Senator CANTWELL. And you don't think that you would have gotten that under a different procurement process?

Admiral ALLEN. Well, there would have been a couple of challenges. And this is after the fact, but I think these are the challenges we would have faced. We would have faced the challenge of taking new cutters bought at different periods of time, and new aircraft, and integrating them, in terms of communications. One of the first things we had to do after we bought the H–60 aircraft that we have right now, we found out that there was a problem with high-frequency communications due to locations of antennas and emitter problems, and we had to go back and retrofit. We were trying to do away with those types of configuration problems by actually buying a network.

The other issue with using the systems integrator was that the Coast Guard has no equivalent of the Naval Sea Systems Command, SPAWARS, or NAVAIR. In other words, we don't have a body that just does that full time, because we don't buy these types

of articles that often, so there is no capacity or competency in that area inside the Coast Guard to do that integration.

Senator CANTWELL. What if you did have that capacity?

Admiral ALLEN. Well, moving forward, that is something we need to think about developing inside the Coast Guard.

And the third area is just the personnel strength to be able to execute some of this stuff with the staffing limitations that we have.

I was going to get to it later on, but we are—I am going to take a baseline look at our acquisition structure inside the Coast Guard within the next 90 days, and make recommendations to the Department to align with the new Chief Procurement Officer organization and look for some better—organizational structure that will produce better performance for the Coast Guard.

Senator CANTWELL. I'd be very interested in seeing your recommendations on that. I, like Chairwoman Snowe, remain very committed to the Deepwater Program. They're resources that we surely need and have delayed for a long time. But we also are paying a high price for this innovation that you are discussing here, and I think my sense of the situation is, we need to go beyond what you have implemented for the next 43 months, and be aggressive at looking at the structure and the alternatives that would help some of that core competency be retained in the Coast Guard, because I think not only will we get the product that you're actually looking for, we'll actually get it cheaper, and probably on schedule, because those outlines of core issues in capabilities will be done by the customer, as opposed to a contractor—not that there isn't great contract experience out there; I'm simply saying I think cutting the cost of the Deepwater Program is going to be a big challenge for us to move forward on getting the end product that we really want and having the faith of our colleagues to actually make the appropriation commitment there. And we would hate for that appropriation commitment to drag because of concerns about cost overruns or delays.

I know we've been joined by another colleague, Madam Chair, but if I could just ask the Admiral about the Oil Spill Liability Trust Fund and where he thinks we need to go with that trust fund, whether we're going to run out of resources, given what we just saw in the Gulf and what we had to do for cleanup after Katrina and Rita. What are your thoughts about addressing the possibility of that fund's depletion in the future?

Admiral ALLEN. Well, first of all, let me thank the Committee and the Members of Congress, in advance of Katrina, for recognizing that we had a problem with the depletion of the Oil Spill Liability Trust Fund, when the tax on crude oil had lapsed and the ability to replenish that had stopped, and we took care of that problem, just to find ourselves in the midst of the significant response associated with Katrina.

And what we found in Katrina, which was quite unprecedented in Coast Guard history, was an interaction with the Oil Spill Liability Trust Fund as it relates to oil spill and cleanup, and the role of the Disaster Relief Fund and mission assignment to the Coast Guard under ESF–10, which is the oil and HAZMAT response, and how those two interact. And what we have found out

is, these are two funding mechanisms that have never interacted at this level before in the history of those two statutory programs, if you will. We are working, right now, on ways to make sure that as we work through the mission assignment process with FEMA, we haven't done indelible harm to the Oil Spill Liability Trust Fund and depleted it where it would not allow us to be able to respond to a threat of a spill in the future. I think you're going to see us come up with some fairly constructive recommendations on how we need to move forward, not only with the Oil Spill Liability Trust Fund, but how the Coast Guard interacts with FEMA during a Stafford Act response, in terms of mission assignment.

Senator CANTWELL. You're going to look at alternative approaches to addressing claims and how to make sure that we don't have the depletion of the fund, though?

Admiral ALLEN. That's correct. There are a lot of competing interests here, too. I mean, if there's—one of the basic tenets of our oil spill response structure is that there is a responsible party. You're not precluded from proceeding to cleanup—this happened in the wake of the Exxon Valdez, with the Oil Pollution Act of 1990—but there is the notion of a responsible party, which you go back and recoup the cost of cleanup from, if there is a responsible party to do that. The interaction of that role of the responsible party is, you move into a Stafford Act response after an emergency. And our mission assignment, I think, needs to be clarified. And we'd be happy to provide more information to the Committee.

Senator CANTWELL. Thank you, Admiral.

Thank you, Madam Chair.

Senator SNOWE. Thank you, Senator Cantwell. You make an excellent point, as well. I think it is critical that the Coast Guard develop an in-house expertise with respect to the oversight of Deepwater.

I think if you're talking about "ruthless execution," and "ruthless oversight," we should position that accountability within the Coast Guard, to ensure that they have the expertise to manage and to oversee this program. I just see it being unrealistic—sustaining this timeframe of 20 to 25 years. We're just beginning the program, and we already have cost overruns, extension of the schedule, and design problems. I question whether or not the Coast Guard is going to be in the best position to meet all these responsibilities. Not even anticipating what occurred last fall, think about the demands that were placed on the men and women of the Coast Guard, and their assets. How do you continue to meet those responsibilities, in addition to homeland security, and maritime response? It makes a compelling case for figuring out how to do this differently while sustaining the appropriations for this program. Deepwater is very sensitive to appropriations, year to year, and can ill afford any decrease because that could affect our ability to maintain the timetable of this program on an annual basis.

Senator Lott?

STATEMENT OF HON. TRENT LOTT,
U.S. SENATOR FROM MISSISSIPPI

Senator LOTT. Thank you. Thank you, Madam Chairman, for having this hearing and for the leadership you provide in these critical areas. And, I must say, I think you're looking especially resplendent in your Seersucker outfit today.

[Laughter.]

Senator SNOWE. See, I called up Trent this morning to see what he was wearing.

[Laughter.]

Senator LOTT. It's a growing trend in Maine, I understand.

Senator SNOWE. Oh, yes.

[Laughter.]

Senator LOTT. But we're together when it comes to ships, so——

First, Admiral Allen, thank you, again, for your service—thank you for your service to our country, and particularly to the Coast Guard, and your effort to help us to try to bring some order out of the chaos that we all had to deal with after Hurricane Katrina. We were hit with a devastating blow, more than any of us realized in the immediate aftermath. And, as we look back on it, I think we still sometimes underestimate, you know, the catastrophe that we had there, both the hurricane in Mississippi, the flood in Louisiana, and the difficulty in dealing with it afterward. I have been particularly critical of some Federal response, particularly at FEMA and, to my great disappointment, even the U.S. Army Corps of Engineers. But one part of the Government that really did a fantastic job, in my opinion, was the Coast Guard. I've said it publicly before, and I'm going to say it every chance I get, the Coast Guard's response before the hurricane, and their rescue efforts in the immediate aftermath, the leadership you provided, the fact that you were responsive and you did help bring some modicum of order out of all that, is greatly appreciated. So, I was delighted to see that you were going got be the Commandant. And you've got some work to do here, but thank goodness it's a good, strong agency, good people, and we appreciate the service you provide to our country and to the men and women in this country—particularly those of us that live along the coastline.

Now, having said that, I was there when we were talking about, you know, creating the Department of Homeland Security, this mammoth new department, where we brought in, whatever, 120-something agencies and bureaus, you know, parts of other departments, and brought it in under this new umbrella. I remember Senator Ted Stevens was particularly antsy about putting Coast Guard in Homeland Security and enveloping it in another department. I've always wondered why Coast Guard has been bumped around the way you have. You were—you know, I guess, at some point, maybe you were affiliated with the Pentagon, but then you were at Transportation, and now you're at Homeland Security. Where else have you been? Don't answer the question, but——

[Laughter.]

Senator LOTT.—Senator Stevens was right in saying—questioning that move, but he also insisted that we kind of wall you off in your role, in your ability to act as the Coast Guard, from, you know, total, you know, control by the Department of Homeland Se-

curity. Has that been achieved? Has it worked? Is it working? Is there a problem with the sort of unique role and position you have in the Department of Homeland Security?

Admiral ALLEN. Senator, I think it has worked. As you know, based on the efforts of this Committee and others in the Congress when the Coast Guard was shifted over, Sections 888 and 889 of the Homeland Security Act identified the mission set and that would be untouched as we moved over. That allowed us a certain amount of stability and maturity, I think, as sustained Coast Guard operations, but also allowed us to be a really contributing member of the Department as we've gone in.

And I think we are a better organization for being in the Department of Homeland Security, for the following reasons. Number one—and I'm pleased to announce—ever since we went into the Department of Homeland Security, we've gotten our appropriations by 1 October.

Senator LOTT. You did what?

Admiral ALLEN. We got our appropriations by 1 October.

Senator LOTT. That's a novel thing.

[Laughter.]

Admiral ALLEN. Second—I'll take the case of FEMA, because you're well aware of the response down in the——

Senator LOTT. Sure.

Admiral ALLEN.—Gulf. Our interaction with FEMA has increased dramatically since we went into the Department, not just associated with the Katrina response. We are a better organization for having FEMA in the Department working with us, and we think FEMA is a much better organization for being in the Department with the Coast Guard and working together. We have predesignated Federal officials for this hurricane season from the Coast Guard, working with FEMA Federal coordinating officials in advance, looking at evacuation plans, trying to address problems, so we won't have to revisit what happened last year.

Senator LOTT. You sort of came to the defense of FEMA. And I think that's unfortunate. But I'm glad to hear you're working together. They have not functioned well. They have not—the chain of command is convoluted and chaotic. You know, when you try to get money from here to there, I mean, it goes from—what? It has to be approved by OMB. Treasury has to release the money, I guess. It goes to FEMA. It goes to MEMA. It goes to the Army Corps of Engineers. It goes to some contractor. It's endless.

One of the reasons why I think you were effective in rescue and in the aftermath of the hurricane, including, you know, clearing out obstacles out of navigable channels that we needed cleared quickly, was because you weren't dealing with a tremendous chain of command. You didn't have to check with the Secretary of Homeland Security to do your job. I think that's part of FEMA's problem. Now, I do like the idea of coordination, cooperation, planning in advance, but they have a huge problem with chain of command.

Now, why were you able to do such a better job in your role at Coast Guard than anybody else at Homeland Security?

Admiral ALLEN. Well, under Homeland Security Presidential Directive 5 in the Homeland Security Act, the Secretary is the National Incident Manager for non-Title X operations. And I felt com-

pletely empowered, as a principal Federal official, to do what needed to be done down there. And I was acting at one level above the FEMA Federal coordinating official. And, at one point, I was designated as the FEMA Federal coordinating official, which was somewhat unprecedented.

Senator LOTT. And things got better almost immediately.

Admiral ALLEN. Well, I felt I was empowered to act, sir.

Senator LOTT. Well, that's the key. But—well, I appreciate your time and your comments on that, and what you do. I know my time is out. But if you would bear with me just a minute more.

On the Deepwater Program, this is critical for the future of the Coast Guard. I mean, I'm very familiar with the Coast Guard, particularly in the Gulf and the—you know, the tin cans you're still, you know, having to use down there, and doing the best you can with that, but you need a different kind—you need modern crafts, you need a—you know, a fleet that's different from what you've had in the past. I know there have been questions—and I don't want to ask you to repeat it—but, you know, overall, how do you feel? I mean, there have been some kinks, there have been some problems. You—you're having to deal with that. It was a new thing for Coast Guard, and it was going to have to naturally be evolutionary, in a way. But, how do you see it right now? Just a generic answer, if you would.

Admiral ALLEN. Well, as I stated earlier, I think the systems approach, where we're looking at how the cutter, aircraft, and sensors all interact is a very sound decision. Different pieces of that have evolved differently. I think we have to lock down requirements. We have to get producible designs. And we have to get to ruthless execution and produce these things. We have some—certain platforms that are problematic right now. One is the patrol boat. But I can tell you, a week ago today I was in Pascagoula. I took the Master Chief of the Coast Guard, and we walked from the stem to the stern, and down to the lower decks of the new National Security Cutter. That's going to be an outstanding operating platform for the Coast Guard. So, we need to get by the design issues, get these things into production, and then I'll be in a position to advise you all on acceleration and what the art of the possible is in getting these tools to our people as fast as we can.

Senator LOTT. Yes. Well, I think it's critical for the future of the Coast Guard. We want it done right. We don't want to waste money. So, I know you're going to give it your utmost attention, and I hope you will. And we'll do our part. And, Pascagoula, you said the magic word.

[Laughter.]

Senator LOTT. Thank you, Madam Chairman.

And thank you, Admiral Allen.

Admiral ALLEN. Thank you.

Senator SNOWE. Thank you. Thank you, Senator Lott.

Admiral Allen, obviously you're the head of America's lead agency for maritime security. One topic you and I discussed on the phone was that of port security, which obviously is a vital issue. One aspect of that emerged recently and publicly. I sent a letter to your predecessor about it, and I received a response last night. I appreciate that, and I'd like to have you discuss it this morning.

I think it is crucial for us to understand exactly how the Coast Guard approaches the boarding of commercial ships entering the United States. In your letter, you said that you use a risk-based approach. Now, there are public reports indicating that the Coast Guard was giving advance notification about potential boardings to commercial ships before they enter the United States. I'd like to have you clarify for this Committee what exactly is the policy of the Coast Guard, regarding the boarding of ships. What is a risk-based approach? Can we feel confident in that approach to identify any security threats? Do you give advance notification?

Finally, I want to point out the fact that only 2 percent of the containers are inspected that enter the United States. As you know, Dr. Stephen Flynn, from Council of Foreign Relations, who has testified on numerous occasions, has indicated that we should have 100 percent inspection of the containers entering the United States. And yet, we only have 2 percent, at this point. So, can you give us your perspective on this question? This is one of the foremost concerns in the Congress about our ability to address the vulnerability within our port security system. I don't think there's any question that this is truly a major vulnerability.

And so, I'd like to have you address the question of advance notification of boardings, and then the issue of container inspection.

Admiral ALLEN. Yes, Madam Chairman, I'd be happy to.

First of all, if I could take you back to the several days following 9/11. The Coast Guard instituted an emergency rule that required a 96-hour advance notice of arrival for commercial shipping approaching the United States. That was done to allow us to vet crew lists, cargo, and the background of the vessel, and see whether or not it posed a risk to the United States. If it did, the vessel was denied entry until we could do an offshore boarding, most of the time with an armed boarding party. If we thought there were controls that needed to put be on the ship to bring it safely into port, we instituted them, at that point.

Since 9/11, with the passage of the Maritime Transportation Security Act that has laid out other requirements for vessel security plans and facility security plans, we have a tiered approach to dealing with vessels as they come in. And let me start with the most high-risk to the lowest risk. And we do use a risk-based method in conducting our boardings.

The first level is, if there was specific intelligence that would cue us to understand there's a problem onboard that needed to be dealt with. If we believe there is a dangerous situation on a vessel, we don't want to deal with it in a port. If you deal with a weapon of mass destruction on a vessel at the sea buoy, you're dealing with consequence management, at that point. We have protocols in place within the interagency to do coordination with either DOD, the FBI, and other folks, that allow us to do boardings far out at sea. And those are no-notice boardings. The cutter comes over the horizon with a boarding team. Sometime they can be vertically inserted with a helicopter. And we would board those ships to address the threat as far offshore as we can.

The second area would be as part of a normal screening process. And this would be the same as if you were arriving on a commercial airline and you had to clear Customs, and somebody ran your

name, and there was a hit. When you arrived in port, you would be sent to secondary, and there would be a screening done. The second level of inspection would be if we have reason to believe that a ship needs to be inspected before it enters port. We would then direct it to an anchorage, or we would meet it offshore with a boarding party and make sure that the paperwork was checked, at which point we could ascertain that the information provided with the advance notice of arrival was correct.

The third category would be a normal port call of a ship that has been inspected before. It's been ascertained that it did not pose a threat. They would come into the dock, do their normal Customs clearance, Immigration clearance, and be allowed to go ahead and proceed with their cargo operations. We may do spotchecks at that point to make sure they're in compliance with the International Ship and Port Security Code.

But generally it's those three areas that we operate in, and our Captains of the Ports use risk-based decisionmaking models, and we have a matrix that assigns points on the flag of the ship, past performance, that would lead us to believe whether or not there's a problem on the vessel.

Senator SNOWE. But isn't it still a problem that we only inspect 2 percent of the containers? That really does pose a significant vulnerability, frankly. When you think about the fact that we have 6 million containers coming into the country every year and 7,500 commercial vessels, they present infinite possibilities for disaster because we don't inspect enough containers.

Admiral ALLEN. Yes, ma'am, it's a good point. What I tend to look at when I think of port security and the maritime security regime for this Nation, I think of the totality of the threats and the vulnerabilities we may have to deal with. And, you're right, containers do present a vulnerability. Since the events of 9/11, we have conducted both threat and vulnerability assessments for the top 55 ports in the United States to let us know what is vulnerable and what kind of threat would be effective against those facilities or those vessels. In some cases, containers constitute a vulnerability. In other cases, as in Miami, it might be cruise ships. And then you have the threat that might be successful against it.

I believe—and this is my opinion—that over the next couple of years, we will solve the container problem with technology. There are nonintrusive technologies that are being developed that will allow us to, in a useful amount of time, be able to check what is in those containers, especially high density materials, based on things like advanced spectroscopic portals and things like that. It needs to be done. I think the bar has been set on where the Department needs to go. Customs and Border Protection and the Domestic Nuclear Detection Office are working on the technical fix for that, and I think we need to be moving ahead rapidly, because there's an issue of public perception on the safety of containers.

I would tell you, from the Coast Guard side, we also need to be concerned about the threat from vessel-borne improvised explosive devices, just from a vulnerability standpoint. In my view, that is a serious issue that probably needs to be addressed more than it has been in the past.

Senator SNOWE. And you only have 20 inspectors, as I understand it, with worldwide compliance. Is that true?

Admiral ALLEN. Yes, ma'am. There are two pieces of frameworks that were established after 9/11. One is the Maritime Transportation Security Act, that lays out the procedures and rulemaking inside the United States for security plans for facilities and vessels. The International Ship and Port Security Code, which was negotiated in IMO at the same time with the MTSA passage, calls for international inspections of ports. That's where we have the 20 people—it is the foreign ports—and certifying that they are in compliance.

Senator SNOWE. Do you think that's sufficient?

Admiral ALLEN. We could use more.

Senator SNOWE. How many would you——

Admiral ALLEN. We anticipate, if we could increase the number of personnel assigned to that by 20 or 30, we could drop a cycle, which is currently between 4 and 5 years, down to 2, which we think is more acceptable.

Senator SNOWE. OK. And you've requested $2 billion for ports, waterways, and coastal security. That's 24 percent of the entire budget. Is that sufficient?

Admiral ALLEN. Madam Chairman, we're kind of talking apples and oranges here. We have almost shifted to the mission-mix issue. Could I answer that question, if that's all right?

Senator SNOWE. Yes. OK.

As part of our budget submission in the Coast Guard, we take the mission employment hours, and we load those with costs due to an—what we call a mission cost model. It's an algorithm. And we're able to say, based on the number of hours that we operated last year, in taking the entire budget of the Coast Guard, we can establish a pie chart on how much each program costs.

If you move forward, and you try to use that for predictive purposes and budgeting, you run a real risk that it won't match the reality of that particular year. And I think the—especially in non-homeland security mission areas, in search-and-rescue and others, that may not be an accurate prediction of what we're actually going to do.

The fact of the matter is, SAR comes first. You can say you're going to do so much SAR, but the fact of the matter is, you're going to do what SAR you have to do. It's a demand function, and we will do that.

I would submit to you that the pie charts we provide you are a construct to better understand how we allocate cost to employment hours, but don't necessarily predict how we're actually going to execute the mission out there. We will do what needs to be done, based on risk assessment in the areas of responsibility we've given to our commanders, and SAR will always come first.

Senator SNOWE. No, I understand exactly what you're saying. And you're absolutely right.

And on the question of inspectors, I think we ought to work further on that issue alone, because that obviously is an area that we obviously have to improve.

Admiral ALLEN. Happy to do that, ma'am.

Senator SNOWE. OK.

Senator Cantwell?

Senator CANTWELL. Thank you, Madam Chair.

I'm going to continue with questions about port security, because I think it is one of the important issues. And I don't know if people understand that the Coast Guard has been given responsibility to actually look at the security system of foreign ports. I'm a very big supporter of any program that is point-of-origin, whether it's people or cargo. If we think we're going to wait until they get to the Port of Seattle or Port of Tacoma, it's a little late, when it comes to these weapons of mass destruction. What we want to do is make sure—as you said, use technology, but make sure that the security starts at the point of origin.

That is the Coast Guard's responsibility, I believe. And I don't know what you believe about the budget request and operational ability for you to carry out that mission, if you think that you have the resources there. And what do we need to do to get the International Maritime Organization to adopt protocols on security standards that would have us operating on a similar basis on an international scale, instead of just having the United States try to implement regimes here in the United States, at a point of time when it's probably a little late, once that cargo or personnel actually reach the shores of our country?

Admiral ALLEN. I'm in complete agreement with you, Senator. First of all, there's a combination programmatic responsibility here between the Coast Guard and Customs and Border Protection Container Security Initiative and their C–TPAT program. Our piece of this relates to the international ship and port security protocols that were negotiated in IMO regarding the certification of the foreign ports. We have that piece. The issue related to advanced screening of containers is the Container Security Initiative, and we work very closely with Customs on that. So, they're handling, actually, the throughput of the containers and how they are screened in the ports; we're actually handling how the port is complying with the physical security standards for facilities and vessels that were negotiated in IMO. It is a shared responsibility, and we work closely with Customs and Border Protection.

Following the passage of the Maritime Transportation Security Act we established, with the resources available, a certain inspections cycle that would allow us to complete the inspection of those ports on a 5-year cycle. As we move forward, if policy dictates it, that cycle will be shortened. It's going to require more people. And we would support that.

Senator CANTWELL. So, has funding been a primary issue on limiting the Coast Guard?

Admiral ALLEN. I don't think it's been an issue. We just assumed a certain level of service. And if that certain level of service is not what we want, we need to change it, we need to add some more people to it. I don't think the decision was made with prejudice on what the level of funding will be. We just established the 5 years as a standard. And if that's not the standard we want, then we just need to source to the new standard.

Senator CANTWELL. But you're saying we haven't inspected all the ports yet, correct?

Admiral ALLEN. We haven't finished the 5-year cycle, that's correct.

Senator CANTWELL. It's not as if we have the initial plan, correct? It's not as if we have these international protocols agreed to, and then you're going to investigate to see if they're being carried out.

Admiral ALLEN. The protocols have been ratified by the signatories of the Safety of Life at Sea Treaty via IMO.

Senator CANTWELL. TWIC?

Admiral ALLEN. Excuse me?

Senator CANTWELL. TWIC? You know, personnel security measures and a standard by which all port employees will be——

Admiral ALLEN. Well, the Transportation Worker Identification Card is a domestic requirement related to the Maritime Transportation Security Act. There has not been an equivalent protocol——

Senator CANTWELL. Do you think we need one?

Admiral ALLEN. Well, there is one working right now to—at least in the maritime area. It's a seafarers' identification card. We're working with the International Labor Organization.

Senator CANTWELL. Do you think that we need——

Admiral ALLEN. I think the notion of enrollment, with biometric data, an ability to verify, through a card, who holds the card and whether or not the person holding that card matches the biometrics on that card, is suitable for anything worldwide transportation. There ought to be international standard. And I don't think anybody that I know would disagree with that. That ought to be the goal for all transportation systems in the world.

Senator CANTWELL. But we don't have that yet in place.

Admiral ALLEN. Well, we can control, domestically, what we do through legislation and how we regulate the United States as a coastal state. And then we can negotiate, through IMO, international protocols, which, again, requires international consensus. It's a question of unilateral versus multilateral solutions.

Senator CANTWELL. I understand, but I'm saying, if you're going to investigate ports, and we're on a 5-year time—at least this Senator believes that a 5-year horizon without implementing those international protocols leaves us still with a great deal of vulnerability. And we've tried to put more resources into the budget—in fact, the Senate passed that, and then it was stripped out in conference—the resources that would have helped us pay for more of these international operations.

Again, with so many cargo containers coming through 5 or 6 different ports in the State of Washington, this is a very big issue for our State, and for many parts of the East and West Coast in making sure that we're getting international cooperation. So, I guess—just as when the Dubai issue came up, I think the Coast Guard responded within the framework of the questions being asked, but, at some point in time, I would like an assessment from the Coast Guard, from the bottom up—not, "Here's what we did with the resources and the decisions that you all have made," but, "Starting from the bottom up, here's what the Coast Guard believes would be the international security regime that would help us."

Yes, I get that State and various other people then have to carry that out, but I think that we're in this Catch 22 every year, Madam

Chairman, where, you know, the Coast Guard is dealing with the resources that it's been given, and saying, "This is what we can get done." And yet, we still believe that there are aspects of that mission that should be expedited or prioritized. And yet, then it comes to giving the Coast Guard the resources to do that, and we think that we do, at least from the Senate side, only to find out, then, that the resources are stripped out in conference. So, it's a continuing cycle, and I think the public wants to know that we take this port security issue seriously, particularly from the international regime perspective. Again, with situations in the Northwest, with the Ressam case coming through Port Angeles with explosives, and the amount of cargo container traffic, and the targeting of various transportation vessels off the coast of any of our States; these represent threats that we'd like to see a better regime on.

Yes, Admiral, go ahead.

Admiral ALLEN. If I could make one comment. Senator, I think you're right on target here. I think trying to look at what I would call the maritime security regime for a coastal nation-state in current global environment, you need to look at that as an entire system. And we tend to incrementally make changes since 9/11, and some of them were necessary right away, like the 96-hour advance notice of arrival, the extraordinary work done by this Committee on the Maritime Transportation Security Act. But, as I've been thinking about my transition into this job, I've also been thinking about, what is the end state? Where is it we want to be as a coastal nation-state managing the last global commons? What is the acceptable mix of both controls, freedom of navigation, freedom of access to the waters? And where does this end-state need to be, not only in terms of containers, but, ultimately, how we do manage shipping? What does this portend for recreational boating and the entire population that operates on the water out there?

One of my goals is to come up with a Coast Guard strategy that can support my 4-year tenure that kind of lays out not only a legislative, but a regulatory and a budgetary, agenda about how you put this thing together in a meaningful system. And I would love to continue this discussion.

Senator CANTWELL. Well, I'd love to see those recommendations, because I think the United States has a lot of leverage here. But we need to give you the resources and hear those recommendations so that we use that leverage and get this implemented on an international basis. I think for us to continue this debate and think that, you know, just issuing TWIC cards, you know, for longshoremen here in the United States, is, you know, going to be the solution, or inspecting cargo right when it gets to our ports, I think, is missing the point. We have to make sure, as you said, using technology from the point of origin, that that cargo and product is secure before it even leaves those foreign ports. And if we can get that international cooperation, then we're certainly going to give U.S. citizens more security in this very, very busy area of traffic and movement of product.

So, I will look forward to your thinking about this, and your legislative proposals.

Admiral ALLEN. I would just make a quick note. Just 2 and a half weeks ago, we successfully culminated an agreement at IMO on long-range vessel tracking, which is a significant step forward. If you're going to be approaching a coastal State, and you've declared advance notice of arrival, it will be a requirement to be able to track that vessel out to 2,000 miles. If you're transiting near a coastal State, it'll be 1,000 miles. I think this—in my view, this is a significant breakthrough. But that is where we need to go.

Senator CANTWELL. I agree. Thank you.

Senator SNOWE. Admiral Allen, to follow up on this whole port security question—I was mentioning Dr. Flynn. He testified recently before a House Committee, and he indicated that both Customs and Coast Guard are grossly underfunded, given the major new missions for both of your agencies that have been added since 9/11. Would you agree?

Admiral ALLEN. Well, I think it becomes an issue of, how often do you want us to check what's going on in the ports? There are standards that have been established for both facility and vessel security plans, which is our piece of the port. The container screening is largely a Customs issue, with radiation portal monitors, and so forth. Again, it gets back to the response I gave to Senator Cantwell. The original implementation of the Maritime Transportation Security Act presupposed a certain level of service, if you will, to support that Act. If, from a policy standpoint, we want more frequent inspections of facilities or vessels, or random spotchecks, that will require more people to do that. And the question is, what is the threshold, in terms of risk, that we're willing to tolerate in the management of those facilities and vessels that are coming into the country?

Senator SNOWE. Yes. But, as Dr. Flynn indicated it's also a question not only of who's moving containers, but what is being moved in those containers. And I think that's what becomes a significant risk. So the question is, how are we going to tackle these problems? It's been 5 years since 9/11, and we're still grappling with this issue. And I guess it is a matter of technology. It is a matter of more resources. But is there something that you could recommend to this Committee in terms of where you think we could go to make some progress on this question?

Admiral ALLEN. I think there is. And I'm probably moving away from my Coast Guard hat, and I'm probably speaking as a former Chairman of the Joint Requirements Council for the Department, having done the reviews of the Domestic Nuclear Detection Office and their work out at the Nevada test facility on the advanced spectroscopic portal that will allow us to do nonintrusive inspections, look for dense materials in containers, and allow us to proactively find out if there are any weapons of mass destruction in these containers. So, if you're asking my opinion from that standpoint, I support what Vayl Oxford and the folks over there are doing. And I think the quicker we can put that technology out there in the ports, we will do better, more efficient, and quicker cargo screening.

Senator SNOWE. OK. Well, I appreciate that. And I would appreciate any input that you could provide the Committee on that, because it's obviously a constant source of concern. I think that we

have to make the commitment. We have held numerous hearings on this subject, and we're making very little progress, in finding something that we can do now to make these investments and certainly show and demonstrate our ability to get the job done. Inspecting 2 percent of the containers is not sufficient. The other issue, is making sure foreign countries are helping with compliance. There are two sides to every shipment. We must also account for those countries who are willing to cooperate with us in that regard, before these containers ever leave their shores to come to the United States. How many countries would you think are cooperating, in that respect?

Admiral ALLEN. If you don't mind, I would answer for the record.

It depends on what country, where they're at. There are countries we are concerned about. There are two issues. One of them is compliance with the International Ship and Port Security Code. Are they managing the port in compliance with international standards? The other one is, what kind of technology are they using to screen containers? How robust is that? What is the level of detection, the level of—and you kind of need to put the two together, ma'am.

Senator SNOWE. Yes. And I think that's another dimension to the whole Dubai controversy. I think that, frankly we, in Congress, and we as Americans, don't feel comfortable where we are today on the question of port security. We really have not appropriately addressed this issue that really does reflect a priority. So, I think, from that standpoint, we really have to do far more than we've done today. Obviously, that's on our end, as well. I think we have to make great strides on this question.

One other issue, since you don't already have enough to do, you've now been given the additional responsibility of managing the airspace around the Nation's capital. I gather you're taking on this responsibility from the Customs and Border Protection agency. I also understand that Customs only transferred $5 million; whereas, you're requesting an additional $57 million to assume this new responsibility. Can you tell us how you plan to go about it?

Admiral ALLEN. Yes, ma'am. We intend, somewhere around the September–October timeframe—we're working against that right now—to add five additional aircraft at Air Station Atlantic City, just to the north of us, as an operating base. We will deploy aircraft from there, down to the local area, at National Airport. There will be two aircraft that will be on strip alert to ensure that we can get one airborne. The difference in our response package and what we're doing, versus what Customs and Border Protection did, was, Customs and Border Protection was brought in to support the inauguration, following 9/11, and basically temporarily deployed people to provide air intercept support to take a look at general aviation aircraft that might come into the Capital airspace. They've been supporting that in a temporary basis now for many years. We are going to permanently put capability in to support that. And the FY07 request is for the five aircrafts, the personnel to support them, the operating expenses, and the facility cost. And the amount that was reprogrammed within the Department to support that was not $5 million, it was $4 million.

Senator SNOWE. Well what was the problem with Customs and Border Protection? Why weren't they able to perform this mission?

Admiral ALLEN. They were operating in a domestic law enforcement capacity in response to incursions into the flight-restricted zone around the Capital. The Coast Guard operational model will be different than that. Because of our ability to operate with the Department of Defense under Title X, when these Coast Guard aircraft lift off, they'll be under the tactical control of NORAD, and it will be part of the air defense mission, as opposed to a law enforcement mission that Customs and Border Protection was carrying out.

Senator SNOWE. Mr. Caldwell, how do you view this new mission, in terms of the impact on the Coast Guard's overall budget, as well as additional responsibilities outside the traditional areas?

Mr. CALDWELL. In producing this testimony, we actually did some preliminary data-gathering from the Coast Guard, so we know a little bit about the impetus as to why the program was set up, but we haven't done a detailed review of it.

You know, the Coast Guard already has a fleet of helicopters. They're using helicopters that are consistent with the rest of their fleet, so there will certainly be some impact, but it's—you know, the Coast Guard does have that unique role of being both a military service and a law enforcement organization. We understand, also, the Coast Guard has had this mission before, at least on a temporary basis, for certain national security special events, like, I think, the Super Bowl down in Jacksonville and for a couple of other activities.

Senator SNOWE. Will you be doing any further evaluation on this issue?

Mr. CALDWELL. We have no plans to at this point.

Senator SNOWE. All right.

Any other questions?

Senator CANTWELL. Thank you, Madam Chair.

If I could, just on a couple of other budget priority issues that are of concern that are not reflected in the budget request. One is the icebreaker fleet and previous analysis of the need to replace and upgrade that, and if you could comment on that not being part of the priority request. And then, the Vessel Traffic System for collision prevention issues, also not being a priority as it relates to funding in this budget request.

Admiral ALLEN. I'd be happy to do that.

There is a report due this fall from the National Academy of Sciences that's going to try and re-baseline what the Nation's requirements are for polar icebreaking. There have been significant changes in both the Antarctic and the Arctic regions in recent years that I believe make this the right time to talk about that. The research that goes on in the South Pole Station is supported by McMurdo Base, which is where we break ice to allow that to be resupplied annually. It's extremely important, for a variety of reasons, to the country, from environmental to national security and so forth. And I think on the other side, in the North Pole, we have a shrinking polar icecap that's going to allow access to oilfields and economic exploitation, both in Russia, Greenland, United States,

and off the coast of Norway, that's going to create more interests up there that need to be accounted for.

Some of these things weren't that visible a few years ago, when we established a baseline for the icebreaking fleet in 1990 by Presidential directive. It is my hope to establish a policy debate in the next 6 to 12 months that can lead us to a new established baseline on what kind of icebreaking capability this country needs to support what are now new evolved requirements in both the Antarctic and the Arctic.

We have decisions to make on our two polar icebreakers regarding maintenance and replacement. We have one research vessel, as you know, the HEALY, which is being employed in the Arctic area. And we need to decide, as a Nation, is that the right amount of icebreaking capability? And if it is not, what do we need to do with the current fleet, and how are we to move forward? And that's the reason I think that report this fall is going to be specifically important.

One of the first things I did after assuming this job was reach out——

Senator CANTWELL. So, there's not——

Admiral ALLEN. I'm sorry.

Senator CANTWELL. If I could just interrupt. So, you're not saying there's less need. You're saying you're analyzing what the change in demand for icebreaking capabilities is.

Admiral ALLEN. In the past, we've looked at the research requirements at the South Pole Station, the need to break out McMurdo. The requirements in Thule, Greenland, which we used to break out, were being handled by the Canadians. I think there has been a significant change in the potential requirements, both from an economic, science, and national security standpoint, that it probably is time to have that discussion again, that we had in 1999, the baselining requirements.

Senator CANTWELL. And on the vessel——

Admiral ALLEN. If I could clarify, are you talking about automated identification systems, ma'am?

Senator CANTWELL. The Vessel Traffic System, to make sure that you have a system to reduce the risk of vessel collisions—part of just having a better communication system to avoid vessel collision.

Admiral ALLEN. Well, there are two systems right now that are interacting. One, we have current vessel traffic systems that have been established around the country at certain ports, not every port—originally established in the late 1980s and early 1990s—to prevent collisions, for the purpose of not having oil spills and degradation to the environment. What has happened since the passage of the Maritime Transportation Security Act are carriage requirements for automated identification systems that allow vessels that are within line of sight of each other to be aware of their presence, to reduce the risk of collision. That also enhances security, at the same time.

It is a requirement where we have vessel traffic service systems in ports for vessels to carry those identification systems, so we can reduce the risk of a collision, but also improve security.

Senator CANTWELL. I think what we're interested in is the resources in the budget to make sure, in an area like Puget Sound,

where you have so much container traffic, so much tanker traffic, so much ferry transportation and recreational vehicle traffic, that those areas get the upgrades to that system. And I don't think that's reflected in the budget.

Admiral ALLEN. If you're talking about the specific infrastructure to support the VTS operations in Puget Sound, I'd be happy to answer that for the record and give you a breakdown of where we're at right now and what the plans are for upgrades there.

Senator CANTWELL. Thank you.

Senator SNOWE. Thank you, Senator Cantwell.

One final question, on Rescue 21 system. I know there have been cost overruns and problems in the development of that system, which is a replacement for the current system on national security in response to distress signals. What is the plan for that now? And I'd like to have you comment, as well, Mr. Caldwell.

Admiral Allen?

Admiral ALLEN. Mr. Caldwell and I talked about this yesterday, and I think probably the Coast Guard and GAO are in substantial agreement on the challenges that lie ahead in this project, and the way to move forward.

This is an extremely important project, not only to the Coast Guard, but the United States. This is the replacement of our VHF–FM distress and calling system. This is the 911/mayday calling system for the Nation. It was first capitalized in the early 1970s. We don't have the ability to direction-find when somebody calls in, and keep that information, and go back to be able to analyze it. And we had some significant cases in the 1990s that underscored the fact that this system was failing us, it was not supporting our mission or the national requirements.

The Rescue 21 contract being executed by General Dynamics, in Scottsdale, Arizona, has provided a system that has significantly more capability, but we've encountered a couple of problems. One was the actual writing of the software code, and then the integration of the system to field it for initial operational test and evaluation. That caused schedule delays. And the cost of the contract rose dramatically. We have passed what we would call "operational test evaluation" now. We're ready to field the system. But we have residual issues with the structure of the contract, the oversight associated with this, and cost controls that are embedded in it.

We are in general agreement with GAO on what needs to be done, and it includes more executive involvement. We are standing up an executive oversight board. And I, myself, have personally called the CEO of General Dynamics, and we intend to personally work this as a leadership issue.

But I would defer the details to Mr. Caldwell.

Senator SNOWE. Thank you.

Mr. Caldwell?

Mr. CALDWELL. Senator Snowe, the Coast Guard has agreed to all of our recommendations, in terms of more executive-level oversight and more careful management at specific milestones. And I would mention that the problems with this contract, some of them were clearly the fault of the contractors, as opposed to the Coast Guard. The Coast Guard part was mainly lack of oversight—or,

when oversight was applied, it was just a little late in the cycle and could have been applied earlier when problems were known.

The problem we'll have at the operational level is that some of these locations that use these along the coast will have to wait longer, obviously, for the enhanced capabilities. And, in some cases, they've still got legacy equipment they've got to figure out how to maintain. Coast Guard had a moratorium on upgrades to the legacy systems, and—I guess I'm not quite sure what the status of the moratorium is. I know at least some locations we visited have taken some steps to spend some resources to keep these older systems running.

Senator SNOWE. Well, it sounds like there are major deficiencies in this whole program. Frankly, it's astounding, in terms of the cost overruns. I believe the program is from $250–$700-plus-million, and 5 years behind schedule? That's a horrendous track record. What can we do? How do we make these contractors accountable? I, frankly, think it's unacceptable to have those kind of cost overruns and be 5 years behind schedule. Talking about the Deepwater, and now looking at this experience as well, we may have to create some sort of standardized in-house expertise within the Coast Guard for management and oversight. Maybe there's no other way to get that impetus and interest on the part of the contractors to remain accountable. I can't understand it. But that really is an unacceptable track record, given where we are today, and the people and property these shortenings put at risk.

Admiral ALLEN. I don't disagree, Madam Chairman. I think there are a combination of issues. And you picked up the crosscutting team, and that's the structure of the acquisition organization in the Coast Guard, and how we might optimize that, and also how we might manage these acquisitions in a standard process across the entire life cycle of the platform.

In regards to this particular acquisition, one of the original challenges was, the contractor encountered significantly greater difficulty in writing the basic software code to deal with the digitized signals that were coming in and how they would be passed around and displayed, than they originally thought. And that drove cost up right at the beginning, and then there was a trickle-down effect that kind of just went through the contract.

Another problem we encountered is the locating of the towers for these systems. We're actually putting in new infrastructure around the country, and each site is different and has its own unique characteristics related to environmental issues and so forth. And so, those are some of the things that I don't think were adequately understood at the outset.

Senator SNOWE. Thank you. I'd like to work with you on this question, to determine what we need to do differently, because I think that this is something we would want to avoid in the future. I would also like to see what we can do to get this program back on track in any way feasible at this point.

Admiral ALLEN. I would say, where the equipment has been installed, it's performing really well. In Atlantic City and at Eastern Shore here, we've had a number of cases where it has exceeded, as far as distance offshore, our ability to locate a distress, and respond to it. And we are happy with it once it gets installed.

Senator SNOWE. Thank you very much. And I appreciate your testimony here today, and I appreciate your cooperation and your recommendations. And, Admiral Allen, I look forward to working with you in the future. You provide exemplary leadership to our country, and we thank you for taking the leadership of the Coast Guard. We truly appreciate it.

So, thank you very much. This hearing is adjourned.

[Whereupon, at 12:05 p.m., the hearing was adjourned.]

APPENDIX

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUYE TO STEPHEN L. CALDWELL

Question 1. I am extremely concerned by reports from the Coast Guard and the Government Accountability Office (GAO) that the Rescue 21 program is behind schedule, has significant cost overruns, and may not deliver the functionality originally promised. What are the GAO's recommendations for this project?

Answer. As we reported in May 2006, we found that a number of key factors contributed to Rescue 21 cost overruns and schedule delays. These factors include inadequacies in requirements management, project monitoring, risk management, contractor cost and schedule estimation and delivery, and executive-level oversight. For example, the contractor created a schedule that underestimated the time required to complete key tasks, and development took longer than planned, which led to delays in testing. Also, the Coast Guard stated that it had an executive-level oversight process that included semiannual and key decision point reviews. However, there is no evidence that these Rescue 21 reviews occurred prior to 2005. Consequently, according to the Coast Guard, the total acquisition cost for Rescue 21 has increased from $250 million in 1999 to $710.5 million in 2005, and the timeline for achieving full operating capability has been delayed from 2006 to 2011.

However, our analysis of contractor performance trends indicated that the Coast Guard's current acquisition cost estimate of $710.5 million is not viable. Our analysis showed that additional overruns will likely bring the total cost to $872 million unless critical changes are made. This includes a significant number of contract items that have not been completed as planned and must be renegotiated, which has caused uncertainty in the project's schedule. Meanwhile, Coast Guard units operating without Rescue 21 face a high risk of failure with legacy equipment which could result in costly repairs. Also, until Rescue 21 is deployed, field units will likely continue to experience communication coverage gaps, which limit their ability to hear boaters in distress. To improve current cost and schedule estimates, the Coast Guard intends to conduct an integrated baseline review after contract items are renegotiated and expects to complete this review for 11 of the 46 Rescue 21 regions in the first quarter of Fiscal Year 2007.

To more effectively manage the remaining development and deployment of Rescue 21, we recommended that the Commandant of the Coast Guard ensure that Coast Guard executive-level upper management implement the following recommendations:

- Oversee the project's progress toward cost and schedule milestones and management of risks.
- Establish a milestone to complete Rescue 21's integrated baseline review, to include all renegotiated contract items.
- Use the results of this baseline review to complete a revised cost and schedule estimate.

Question 2. While maritime security is a top priority, we continue to rely on the Coast Guard for other missions, such as search-and-rescue, maritime safety, maintaining aids-to-navigation, and protecting our natural marine resources. In the aftermath of Hurricane Katrina, the entire Nation is now well aware of the life and death importance of these critical missions. Yet the Coast Guard's Fiscal Year (FY) 2007 budget would decrease funding for all six of its "non-security" missions. The Coast Guard has said that despite these cuts, they are meeting all of their performance goals for these missions. Is that true?

Answer. Despite reductions in funding for non-homeland security missions, the Coast Guard met performance goals for 5 of its 6 non-homeland security programs for Fiscal Year 2005. According to Coast Guard documents, the agency missed targets for this program—living marine resources—in part, because of factors outside the agency's control, such as hurricane damage, high fuel costs, and lucrative sea-

food prices—which created greater incentives for fishermen to violate fishing regulations. The number of non-homeland security performance goals met in Fiscal Year 2005 is similar to the number of goals met over the last 3 years. For example, in Fiscal Year 2004, the Coast Guard met performance goals for 4 of the 6 programs, missing targets for the ice operations and living marine resources programs; in Fiscal Year 2003, the agency met performance goals for all 6 non-homeland security programs; and in Fiscal Year 2002, it met performance goals for 4 of the six programs, missing targets for the ice operations and search-and-rescue programs.

In August 2006, we are reporting on the soundness of the performance measures used to track whether the agency meets its six non-homeland security performance goals, and the reliability of the data used in these measures. Specifically, we found that these performance measures are generally sound and the data used to calculate them are generally reliable, though some weaknesses exist. All six measures cover key program activities and are objective, measurable, and quantifiable, but three—those used to reflect performance for the ice operations, living marine resources, and search-and-rescue programs—are not completely clear, that is they do not consistently include clear and specific descriptions of the data, events, or geographic areas they include. While data used to calculate the measures are generally reliable, the Coast Guard does not have policies or procedures for reviewing or verifying external data used in the measures. As such, it is difficult to determine whether the marine environmental protection measure, is reliable as external data is used in its calculation and the Coast Guard's review processes for this data are insufficient.

Although the measures for the six non-homeland security are generally sound and the data used in their calculation are generally reliable, we discovered that two main challenges exist in using these measures to link resources to results. The first challenge relates to the scope of the measure—while each measure captures a major segment of program activity, no one measure reflects all program activities and thereby accounts for all program resources. The other challenge involves external factors, some of which are outside the Coast Guard's control that can affect performance. For example, weather conditions can affect the amount of ice that must be broken, the number of navigational aids that need repair, and/or the number of mariners that require rescuing. As a result of these challenges, linking resources to results is difficult. The Coast Guard is aware of such challenges and has a range of ongoing initiatives to address them. However, it is still too early to determine how successful these initiatives will be at better linking resources to results.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO STEPHEN L. CALDWELL

Question 1. I understand that Seattle and Port Angeles are among the next locations that Rescue 21 is to be implemented. While I'm happy to see upgrades to the existing legacy communications equipment in these two important cities in my State, I'm troubled by reports from GAO that Rescue 21 may not deliver on promised capabilities. Is it true that the system as delivered will not provide all of the capabilities originally planned? What will be compromised?

Answer. It is true that under the current plans, Rescue 21 will not provide all of the capabilities that were envisioned earlier for the system. The Coast Guard originally developed Rescue 21 to include a component known as the Vessel Sub-System (VSS), which would allow the Coast Guard to track its vessels, specifically the 87-foot patrol boats, 47-foot motor life boats and 41-foot utility boats, via a visual display on computer monitors. However, VSS capabilities were deferred because the contractor could not meet the original contract requirements for simultaneous communications. While VSS has worked well on larger boats, the Coast Guard has experienced numerous problems with VSS on its 41-foot utility boats and 47-foot motor boats. According to Coast Guard officials, weather elements have caused problems with the computer screens onboard the boats, and there is not enough space onboard for personnel to man the equipment. As a result, in January 2006, the Coast Guard placed a stop work order on VSS. At the time of our briefing, in March 2006, the Coast Guard and the Department of Homeland Security (DHS) were determining whether Rescue 21 should complete the development of VSS, or consider other sources for that functionality. In April 2006, the Coast Guard decided to descope VSS from Rescue 21, and is currently looking to secure VSS-like capabilities within the agency. In the interim, the Coast Guard relies on its vessels to periodically check-in with its communication centers regarding their location.

Question 2. There have been reports that the area of geographical coverage will also be reduced—is that true? What geographical areas will not have access to this system?

Answer. The existing National Distress Response System suffers from numerous gaps in communications coverage. For example, in some areas the Coast Guard cannot hear calls from mariners in distress or communicate with other Coast Guard vessels. Rescue 21 was intended to improve these coverage gaps. In a February 2006 hearing before the House Appropriations Committee, the Coast Guard presented Rescue 21's communication coverage capability as 90–98 percent out to 20 nautical miles from the shore, which would limit the communication coverage gaps to 10 percent or less in the United States. At the time of our briefing in March 2006, Rescue 21 had been implemented at two Coast Guard Sectors, Atlantic City, NJ and Eastern Shore, MD. Since then the Coast Guard has begun system testing at two additional Sectors in the Gulf Coast Region—Mobile, AL and St. Petersburg, FL. The Coast Guard also reports that it has begun construction of Rescue 21 in Seattle and Port Angeles, WA.

Since Rescue 21 has not yet been implemented in most Coast Guard Sectors, thus, it remains unknown at this time the full extent to which they will experience coverage gaps.

Question 3. GAO has testified that only 5 of 11 specific recommendations to improve Coast Guard management of Deepwater—provided in March, 2004—have been implemented. Why has Coast Guard failed to fully implement these recommendations?

Answer. GAO believes the Coast Guard is in the best position to answer why it has not fully implemented these recommendations. However, here is a summary of GAO's areas of concern and the status of Coast Guard implementation. GAO's past concerns about the Deepwater program have been in three main areas—ensuring better program management and contractor oversight, ensuring greater accountability on the part of the prime contractor (system integrator), and creating sufficient competition to help act as a control for costs—and GAO made a total of 11 recommendations to address these concerns.[1] In April 2006, GAO reported to you on the status of the Coast Guard's management of its Deepwater program.[2] This report was the basis for GAO's comments during the testimony on the Coast Guard's actions to implement the recommendations. At that time, GAO noted that the Coast Guard had fully implemented 5 of the 11 recommendations and had partially implemented an additional 5 recommendations. The Coast Guard disagreed with and declined to implement the remaining recommendation that pertained to updating its cost baseline to determine whether the Deepwater acquisition approach is costing more than a conventional acquisition approach.

On October 4, 2006, GAO provided technical comments on a draft report by the Coast Guard addressing the status of the GAO recommendations, as required by Sec. 408(c) of the Coast Guard and Maritime Transportation Act of 2006 (H.R. 889). In commenting on this draft report, GAO noted that because it has ongoing work involving the status of the recommendations requested by the House Appropriations Subcommittee on Homeland Security,[3] it is not specifically commenting on the sufficiency of the Coast Guard's efforts to address the recommendations. As a result, the following is a synopsis of the status of the 5 partially implemented recommendations as of the date of GAO's last report, April 2006.

Recommendation 1: Improve integrated product teams (IPT) responsible for managing the program by providing better training, approved charters, and improving systems for sharing information between teams.

Actions Taken: The Coast Guard has taken some actions, such as approving IPT charters, providing IPT training, establishing oversight and conflict resolution entities for the IPTs, and improving collaboration with the system integrator.

Status as of April 2006 Report: While the Coast Guard has taken some actions, GAO does not consider the actions taken to be sufficient to consider the recommendation to be fully implemented because it is too soon to tell whether the actions taken are sufficient to effectively eliminate the problems.

Recommendation 2: Provide field personnel with guidance and training on transitioning to new Deepwater assets.

Actions Taken: The Coast Guard has taken some actions, such as placing more emphasis on outreach efforts to field personnel and including field personnel on IPTs.

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[1] GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight,* GAO–04–380 (Washington, D.C.: Mar. 9, 2004).

[2] GAO, *Coast Guard: Changes to Deepwater Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring is Warranted,* GAO–06–546 (Washington, D.C.: Apr. 28, 2006).

[3] GAO anticipates that it will publish a report on its finding for this review in late April 2007.

Status as of April 2006 Report: While the Coast Guard has taken some actions, GAO does not consider the actions taken to be sufficient to consider the recommendation to be fully implemented. In particular, our discussions with key personnel make it clear that field staff have little information about maintenance and logistics plans for the new Deepwater assets. For example, while the first National Security Cutter is to be delivered in August 2007, field operators and maintenance staff have yet to receive any definitive plans on how responsibilities for maintenance and logistics responsibilities will be divided between the Coast Guard and the system integrator, Integrated Coast Guard System (ICGS). GAO will not be able to determine if this recommendation is fully implemented until more Deepwater assets are delivered.

Recommendation 3: Establish a timeframe for putting steps into place to measure the contractor's progress toward improving operational effectiveness.

Actions Taken: The Coast Guard has taken some actions, such as developing modeling capabilities to simulate the new assets' capabilities to meet Coast Guard missions and using mission performance data to measure the contribution of Deepwater assets and systems in key mission areas.

Status as of April 2006 Report: While the Coast Guard has developed and is refining models to measure operational effectiveness, there are too few Deepwater assets currently in operation to effectively measure the system integrator's actual performance in improving operational performance. As more Deepwater assets and systems come online, the amount of data will increase and the analytical tools will be more refined so that the Coast Guard should be in a better position to: (1) discern the Deepwater program's contribution to operational effectiveness and (2) fully implement this recommendation.

Recommendation 4: Establish criteria to determine when to adjust the project baseline and document the reasons for change.

Actions Taken: The Coast Guard has taken some actions, such as using criteria from its Major Systems Acquisition Manual as the basis for adjusting the total ownership cost (TOC) baseline so that significant changes in mission requirements, schedule changes, or project funding can be reflected in the adjusted TOC baseline. In addition, DHS has increased its oversight of baseline changes.

Status as of April 2006 Report: The Coast Guard's steps, combined with DHS's oversight requirements, should be sufficient to resolve this issue. DHS's policy directive is only in draft form. GAO will consider this recommendation to be fully implemented when the management directive is finalized.

Recommendation 5: Develop a comprehensive plan for holding the system integrator responsible for ensuring adequate competition among suppliers.

Actions Taken: To address GAO's concerns about ensuring out-year competition among second-tier suppliers, the Coast Guard contracted with Acquisitions Solutions, Inc. (ASI) to assess the amount of second-tier competition conducted by ICGS during 2004. ASI issued a report in May 2005 that made nine recommendations aimed at improving competition throughout the Deepwater program. According to Deepwater officials, ICGS developed a plan to adopt all nine recommendations by March 1, 2006. Coast Guard officials also stated that competition will be assessed as part of the award fee assessment criteria and that the Coast Guard will specifically examine the system integrator's ability to control costs by assessing the degree to which competition is fostered at the major subcontractor level during the award term decision process.

Status as of April 2006 Report: While the steps the Coast Guard has taken appear to be sufficient to resolve GAO's concerns, GAO cannot consider this recommendation as being fully implemented until the Coast Guard addresses the ASI recommendations and GAO assesses the criteria used in the latest award term decision.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUYE TO ADMIRAL THAD W. ALLEN

Question 1. Over the past 2 years, the Coast Guard, as the lead Federal agency on port security issues, has requested funds to establish additional Joint Harbor Operations Command Centers, yet it has been unsuccessful to date. Your predecessor, Admiral Collins, supported the development of additional Joint Operations Centers and he considered them a key element of the Coast Guard's future development. Do you agree with his assessment?

Answer. Coordination and collaboration among partner agencies and private interests is vital to maritime commerce and security. Currently, all of the Nation's ports, waterways and coastal zones fall within one of the 35 established Coast Guard Sec-

tors, which are the coordinating force behind Coast Guard, joint and interagency maritime operations. Each of these Sectors has a Sector Command Center (SCC) that enables command and control, communications and coordination among partner agencies to facilitate mission execution.

The SCC is the primary conduit for daily collaboration and coordination between the Coast Guard and its port partner agencies. All 35 Sector Command Centers currently provide some form of inter-agency operational coordination; however, each Command Center is unique in the level of coordination based on a variety of factors within the port and coastal region. In some cases, port partners are formally imbedded in the SCC (*e.g.,* San Diego, Hampton Roads), and in others, there are daily coordination meetings between partner agencies.

Many Coast Guard Command Centers host a variety of agencies, however, only the following Command Centers are designated as "joint centers:"

- Charleston, South Carolina (DOJ/CG)
- Hampton Roads, Virginia (CG/Navy)
- San Diego, California (CG/Navy)

Technically speaking, Joint Harbor Operations Centers (JHOCs) are Sector Command Centers where the Coast Guard is partnering with the U.S. Navy to provide specialized Anti-Terrorism/Force Protection (AT/FP) services in areas with high naval fleet concentrations. Plans are also being developed for joint Command Centers (*e.g.,* JHOC) at the following ports:

- Jacksonville, Florida (CG/Navy)
- Seattle, WA (CG/Navy)

The Coast Guard is continuing to work with our sister agencies in the Department of Homeland Security, other Federal partners, state, local and private sector interests to facilitate commerce and protect the Nation's interests in the port and coastal regions.

Question 2. What role do you see the Joint Operations Centers playing in our future port security efforts?

Answer. Sector Command Centers, including the Joint Operations Centers, serve as the "7/24" command and control node for port security operations. Sector Commanders use their Command Centers to coordinate among all Federal, state and local port partners who have a stake in port security operations. Inter-agency coordination and collaboration from these Command Centers assists operational commanders in prioritizing activities and maximizing resource allocation among the various partner agencies.

Question 3. The Deepwater Program has been plagued with significant problems. For example, the replacement of the Coast Guard's 110′ cutters with the Fast Response Cutter has now fallen off track. The cost of replacing the engines on the HH–65 helicopters has more than doubled in cost to $300 million. The Government Accountability Office (GAO) also has criticized the contract. Should the Coast Guard award a new contract to the lead contractor?

Answer. Yes the Coast Guard has determined that a new contract period award to the lead contractor is warranted. The Coast Guard used a disciplined, deliberate, and decisive process in determining whether to award additional time to the lead contractor and could have awarded anywhere from zero to 60 months based on performance in operational effectiveness, total ownership cost, and customer satisfaction. The Coast Guard used a balanced decisionmaking approach to evaluate performance. The following criteria were evaluated when analyzing the Deepwater contract renewal:

1. Operational Effectiveness (50 percent), measuring the expected impact on operations of the assets under contract during the base evaluation period; and
2. Total Ownership Cost (TOC) (30 percent), measuring the expected impact on reducing TOC for the assets under contract during the base evaluation period;
3. Customer Satisfaction (20 percent), measuring the perceptions of Coast Guard on the performance in the various portions of the acquisition during the base evaluation period.

Based on this review, the Coast Guard deployed a very strict "Award Term Determination" process and awarded 43 months out of a possible 60 to the lead contractor. Both the Coast Guard and the lead contractor have learned much during the first 4 years of the Deepwater Contract. Based on continuous improvement, the Coast Guard will focus on changes in the next 43 month award period that will enhance government oversight.

The contract is structured to reflect the updated requirements approved in the Deepwater Post 9/11 Mission Needs Statement and the Post 9/11 Implementation Plan. Additionally, the government will work to negotiate favorable terms and conditions with the Integrated Coast Guard System (ICGS) that allow for:

1. Establishment of meaningful contract measurement criteria (with greater objectivity) that will strongly incentivize cost, schedule, and performance parameters; as well as strengthen ICGS actions as a joint partnership.
2. A greater focus on cost control by using:
   a. Matching contract type selections with risk
   b. Performance incentives within each Delivery Task Order
   c. Award fees to support the Award Term Criteria.
3. A realistic pricing philosophy understanding the flexibility required due to appropriation fluctuations.
4. A greater focus on requirements stability so that management can be more effectively established and better monitored.
5. Greater ICGS accountability by ensuring that government members of the Integrated Product Teams understand their roles and responsibilities. This will ensure that the Contractor maintains responsibility for decisions it makes.

These changes will improve the Coast Guard's oversight of the lead contractor.

Question 4. The Deepwater Program has been plagued with significant problems. For example, the replacement of the Coast Guard's 110′ cutters with the Fast Response Cutter has now fallen off track. The cost of replacing the engines on the HH–65 helicopters has more than doubled in cost to $355 million. In light of such increased costs, is the Coast Guard considering the purchase or construction of alternatives?

Answer. Where prudent or cost-effective to do so, the Coast Guard would consider the purchase or construction of alternatives for specific assets. An example of this involves the Fast Response Cutter recent Request for Information (RFI) for an off the shelf patrol boat design. In order to assess the world marketplace for patrol boat designs that closely approximate operational requirements the Coast Guard issued an RFI to address the design and schedule issues. The RFI is less time consuming for a contractor to address, is not contractually binding, and is submitted at no cost to the government. The RFI response period closed on May 7, 2006 with the Coast Guard receiving 23 design submittals from 19 vendors. The Deepwater Program has chartered an RFI working group of experts that include representatives from the Deepwater Program Management Directorate, the Office of Response Deepwater Sponsor's Representative, Coast Guard Engineering and Logistics, Integrated Coast Guard Systems, and a Naval Architecture Engineering firm that specializes in patrol boat design. The working group will conduct an in depth review and validation of respective design characteristics and expects to complete its review by August 2006. A report of their findings is expected in September 2006.

The HH–65 re-engining project is doing very well as evidenced by over 300 people being saved directly by the re-engined HH–65Cs in Hurricane Katrina. The Coast Guard anticipates that this project will continue as planned. This project remains within the $355M cost estimates provided in 2005 and is on schedule to deliver 84 operational aircraft by June 2007.

Question 5. Were you aware of all these problems when the decision was made to extend the contract?

Answer. Yes, the Coast Guard was aware of these issues during the Award Term determination period. In fact, the Award Term Determining Official (ATDO) determined the customer satisfaction assessment to be on the high end of "Marginal" based on input factors from multiple categories. A balanced input of factors, as discussed in a previous response, was evaluated depicting strength in some areas and weakness in others. Survey results across a broad base of stakeholders as well as program management and the award fee evaluations, were considered. These were carefully reviewed by both the Award Term Evaluation Board as well as the ATDO. Overall survey results support the marginal rating based on the following:

- Field surveys indicate a lack of satisfaction with the 123′ Patrol Boat project, but trends were improving.
- Survey results for the HH–65C re-engining project and C4ISR legacy upgrades denote satisfaction and systematic improvement.
- Contractor responsiveness was assessed in relation to customer satisfaction. It was noted that:

—ICGS was highly responsive to change, accelerating the HH–65C re-engining, Fast Response Cutter, the Offshore Patrol Cutter projects.

—Execution of the Helicopter Interdiction Tactical Squadron (HITRON) contract and the C–130J missionization project was noted as positive.

In the area of Program Management, customer survey responses indicated that:

- Systematic improvement in customer satisfaction was reflected in Award Fee determinations. Over the first 4 years of execution, evaluations rose from 87 to 91.5 percent, with attainment of 100 percent of objective factors accomplished in the latest period of evaluation.
- The Government Accountability Office has validated and closed the issue of award fee evaluations, denoting an appropriate objective/subjective framework for analysis.
- Surveys indicate a strong improvement with the Integrated Product Data Environment system, making it far more user friendly.

Question 6. Are other parts of the Deepwater Program experiencing increased costs or unforeseen problems, such as the CASA Maritime Patrol Aircraft, the Unmanned Aerial Vehicle, and the National Security Cutter?

Answer. Some assets being constructed or converted in the Deepwater Program are projected to have higher cost than reported in the Post-9/11 Deepwater Implementation Plan of 2005. However, the program is committed to delivering the Deepwater functionality within budget. There are some common reasons for these projected cost changes which are:

- Significant increases in the price of steel and increases in average labor rates.
- Differences between the President's budget and the annual appropriation. This requires additional costs to readjust the Plan to match the appropriation. For those assets that are delayed, there will be a higher cost in the future due to inflation and expiration of certain price agreements from subcontractors.
- Some cost and labor hour estimates were low and cost control measures are being put in place such as design-to-cost to hold the asset as close to the planned amount as reasonable.

Question 7. What is the Coast Guard doing to improve oversight and increase competition of subcontracts to prevent these kinds of problems from occurring in the future?

Answer. The Coast Guard has refined its award term criteria for the next Deepwater Award term to encourage and reward competition and more objectively measure contractor performance. These new award term criteria were recently briefed to your staff and take effect on August 1, 2006.

To help measure the effectiveness of competition, the Coast Guard commissioned an independent assessment by Acquisition Solutions, Inc. (ASI). This study determined that competition was "adequate at the second-tier subcontractor level of the program." That is, ICGS and its first tier subcontractors Lockheed Martin and Northrop Grumman exercised appropriate competitive procedures using their open business model for their subcontracts. Further, the Coast Guard has taken steps to conform with additional recommendations by the GAO regarding competition including a requirement that Integrated Coast Guard Systems (ICGS) notify the Coast Guard for any "make or buy" decisions greater than $5 million.

According to the ASI Study on Deepwater competition, Lockheed Martin and Northrop Grumman had approximately $210 million during the period from 1 January 2004 through 31 December 2004 that was available to be used for subcontracts. The total amount that was competitively awarded, using their Defense Contract Management Agency approved open business model, was approximately 50 percent or $107.7 million as shown in the below table:

Company	$ and % of Total Subcontract Awards Using Formal Competition	$ and % of Total Subcontract Awards Using Trade Studies (A)	$ and % of Total Subcontract Awards Using Noncompetitive Procedures	Total Subcontract Awards
NGSS	$43,924,038		$56,857,639	$100,781,677
LM	$18,772,078	$45,021,680	$45,635,450	$109,429,208
Total	$62,696,116	$45,021,680	$102,493,089	$210,210,885
Percent	30%	21%	49%	100%
Total of Competition & Trade Studies	$107,717,796		$102,493,089	$210,210,885
Percent	51%		49%	100%

Note: (A) ASI categorized LM's Trade Studies as comparable to formal competition.

ASI reported in Fiscal Year 2004 that the Naval Air Systems Command, that element of the U.S. Navy with acquisition projects that most closely resemble the effort by LM on behalf of the Coast Guard, competed 41.6 percent of its awards. For the same period, Naval Sea Systems Command, the element in the U.S. Navy concerned with the acquisition of ships, awarded 53.6 percent of its contracts on a competitive basis. The overall Navy figure for Fiscal Year 2004 was 56.4 percent. Clearly, differences are substantial between these figures and those of LM and NGSS. For one thing, the Navy figures are prime contract awards, while the two sets of corporate figures are subcontract awards. At the same time, the kinds of awards the Navy makes, supporting as they do both ships and aircraft programs, as well as electronic and information technology programs, probably are as close a comparison as possible to the kinds of awards being made by the two first-tier subcontractors in support of the Deepwater program. To the extent the numbers are comparable, competition on Deepwater at the subcontract level compares favorably in the case of LM, but to a somewhat lesser extent in the case of NGSS.

Some notable subcontractors who were awarded contracts even though NGSS and LM are primary producers or co-producers of competing products:

- EADS CASA vice a LM Aircraft such as C–27.
- Bell Textron VUAV vice NG FIRESCOUT (Navy's VUAV).
- Telephonics radar on VUAV vice NG or LM radar unit.
- MTU cutter diesel propulsion vice other propulsion producers with work share agreements in place.
- C–130J aircraft missionization where the Deepwater standard electronic systems are being installed instead of LM Aero Division standard C–130J electronics systems.

Question 8. Why has the Coast Guard failed to fully implement all of the Government Accountability Office's (GAO) recommendations for improving management of Deepwater?

Answer. The Coast Guard has devoted considerable attention to concerns raised by the GAO audit in 2004 and the 11 recommendations that were made to help improve Deepwater Program management and oversight as noted in the table below. In short, five recommendations have been fully implemented and closed by GAO. An additional five recommendations have been implemented by the Coast Guard and GAO is periodically monitoring the Coast Guard approach. Until the GAO monitoring is complete, GAO's description of this situation is that the recommendation has been implemented. The Coast Guard and GAO are in agreement that the Coast Guard has taken positive action for these five recommendations. The final remaining recommendation will not be implemented, as the Coast Guard disagrees with a recommendation to update its cost baseline to determine whether the Deepwater Acquisition approach is costing more than a conventional acquisition approach. The GAO has indicated that it does not intend to pursue this recommendation further.

Implemented (GAO Monitoring) Status Contract Management Audit

#	GAO Recommendation	Status
1	IPT Effectiveness	USCG: Measures of Success indicate substantial performance improvement GAO: Too early to tell if steps taken will eliminate the problems.
2	Measurable award fee criteria	Implemented (GAO Accepted)
3	Human Capital Plan (HCP) Policy Implementation	Implemented (GAO Accepted)
4	Provide field personnel with guidance and training on transitioning to new assets	USCG: Established the Transition Communications Team GAO: Considers problematic; many decisions on maintenance training need to be made quickly due to schedule of asset delivery.
5	CG notification of subcontracts over $5M awarded to LM and NG	Implemented (GAO Accepted)
6	Better input from USCG performance monitors	Implemented (GAO Accepted)
7	ICGS Accountability for improved IPT effectiveness in future award fee determinations	Implemented (GAO Accepted)
8	Competition among second-tier suppliers	USCG: Award Term assessment found competition adequate at the second tier subcontractor level. Independent review by Acquisition Solutions, Inc. (ASI) found eight of nine ASI recommendations fully implemented. GAO: Fully implemented when all ASI recommendations are complete.
9	Measurement of Contractor's performance toward improving Operational Effectiveness	USCG/GAO: Too few Deepwater assets currently in operation to determine system integrator's actual performance.
10	TOC baseline comparison to traditional acquisition	Will not be implemented
11	Establish criteria to determine when to adjust the project baseline and document reasons	USCG: DHS policy directive is in draft form. GAO: Fully implemented when directive is finalized.

Question 9. I am extremely concerned by reports from the Coast Guard and the Government Accountability Office (GAO) that the Rescue 21 program is behind schedule, has significant cost overruns, and may not deliver the functionality originally promised. Please explain what caused these problems and what you are doing to correct them.

Answer. Rescue 21's delays can be attributed to problems completing software development needed to integrate the multiple commercial items into a consolidated control interface and resolving performance issues stemming from System Integration Testing (SIT). Those software integration and SIT issues have since been resolved and the project is currently in Full Rate Production. Subsequently, in April 2006, DHS approved Rescue 21's Acquisition Program Baseline (APB) Revision 4, which reset the Full Production Completion milestone to 2011 and reflects a more realistic schedule based on the lessons learned in planning, building, and installing the Initial Operating Capability (IOC) and Low Rate Initial Production (LRIP) regions. Additionally, to contain cost overruns and stay within the $730M total acqui-

sition cost, APB Revision 4 includes performance trade-offs with respect to the Vessel Subsystem (VSS) and three Western Rivers regions.

The Coast Guard has worked extensively with the contractor to establish a credible and realistic Rescue 21 project schedule, considering timelines for compliance with the National Environmental Policy Act, the significant number of outstanding real property acquisitions and new tower construction required, and the contractor's production capabilities.

At the same time, to ensure that project completion stays on schedule several management and oversight actions have been initiated, to include:

- Establishing a Coast Guard Project Resident Office near the contractor's manufacturing facility to increase government oversight, awareness, and involvement.
- Initiating use of the Defense Contract Management Agency and Defense Contract Audit Agency to assist in validating the contractor's technical proposals and cost reasonableness.
- Scheduling a Program-level Integrated Baseline Review (IBR) in 2006 to verify the contractor's proposed cost, schedule, and performance efforts in the first 15 Full Rate Production regions. Subsequent IBRs will be conducted for the remaining regions.
- Soliciting input from Defense Acquisition University (DAU) professionals to develop a strategic way-forward for the program to maintain schedule and stay within cost thresholds. DAU staff is partnering with the Coast Guard and General Dynamics to help implement practical program management and contract changes to improve program performance.
- Initiating monthly Integrated Project Schedule reviews between the Coast Guard and General Dynamics.
- Conducting quarterly Coast Guard executive-level/General Dynamics Vice President-level program reviews to resolve outstanding issues and increase senior level oversight.
- Conducting monthly Risk Management and Earned Value Management (EVM) cost performance reviews to increase program management oversight for improved risk mitigation and taking actions based on the EVM data.
- Incrementally re-pricing expired Contract Line Items for Full Rate Production regions. Leveraging actual cost data and instilling program-level lessons learned during the IOC regions, resulting in more reasonable cost targets for future work.

The Coast Guard remains committed to a 2011 program completion date. It should be noted that the significant technical challenges of initial system design have been met and the program is in Full Rate Production (FRP). The remaining regional installation work should be more standardized. The contractor is starting to realize production efficiencies, by leveraging installation experience and institutionalizing lessons learned from each regional deployment.

Question 10. The Coast Guard told us it will be working this year on an updated baseline review for Rescue 21. The GAO recently recommended the Coast Guard establish a schedule to complete this review and use it to develop a revised cost and schedule estimate to more effectively manage the program. Can you tell us when the revised baseline review and cost and schedule estimates will be available?

Answer. The Coast Guard plans to conduct an Integrated Baseline Review (IBR) with General Dynamics in 2006 for the applicable contract items of the first 15 full rate production regions. To support the planned September 2006 IBR, we anticipate completing contract negotiations in July 2006.

Following the September baseline review, the USCG will use IBR results to validate the $730M Total Acquisition Cost established in Rescue 21's Acquisition Program Baseline (APB) Revision 4 that DHS approved in April 2006 and which reset R21's cost and schedule baselines.

Question 11. You know that District 14 is responsible for the largest geographical area, yet it receives relatively few Coast Guard personnel, cutters, or aircraft. It has the fewest billeted personnel and is about tied with District 8 (includes the Gulf and heartland) for the fewest cutters and aircraft. During Fiscal Year (FY) 2005, none of the nine suspected illegal incursions of foreign fishing vessels within the Western/Central Pacific area of the U.S. Exclusive Economic Zone (EEZ) were detected by the Coast Guard. The Coast Guard also has indicated that it does not have sufficient assets in District 14 to implement its own protocols in the event that the maritime security level is raised. I agree that improvements in technology and intelligence contribute greatly to the effectiveness of the Coast Guard, but for certain

missions, there is still no replacement for the deterrence created by a physical presence. Does the Coast Guard have enough assets and personnel to fully implement all of its missions in District 14?

Answer. The Coast Guard distributes available assets and personnel to Areas and Districts according to the overall risks and goals across all mission programs. The Coast Guard then adjusts those assets and personnel, as necessary, through real-time asset tracking and annual budget requests. All Coast Guard District Commanders must then carefully and judiciously balance available resources against mission demands. Generally speaking, they accomplish this by applying their resources to best meet our statutory requirements across all eleven Coast Guard missions, while concentrating on those missions and geographic areas that present the greatest risk. To assist Coast Guard Area Commanders in this process, each year Coast Guard Headquarters issues Mission Planning Guidance, which facilitates operational resource apportionment and allocation decisions to achieve program performance goal targets in support of national goals.

Question 12. Does the Coast Guard have plans to increase the number of assets and personnel in District 14 in the future?

Answer. While there are no immediate plans to increase the number of assets or personnel in District 14, the Coast Guard has added several important resources to D14 over the past year. Specifically, the Coast Guard Cutter AHI, a brand new 87-foot coastal patrol boat, was placed in service in Honolulu on April 15, 2006. Additionally, a total of three new boats have been added to Coast Guard Stations in the Hawaiian Islands including a Response Boat—Small (RB–S), a Motor Lifeboat (MLB) and a Utility Boat—Medium (UTM). Finally, this August all four HH–65 helicopters based in Hawaii will be re-engined. This upgrade will provide improved speed and lifting capacity, as well as enhanced flight safety.

Question 13. While maritime security is a top priority, we continue to rely on the Coast Guard for other missions, such as search-and-rescue, maritime safety, maintaining aids-to-navigation, and protecting our natural marine resources. In the aftermath of Hurricane Katrina, the entire Nation is now well aware of the life and death importance of these critical missions. Yet the Coast Guard's Fiscal Year (FY) 2007 budget would decrease funding for all six of its "non-security" missions. Does this mean the Coast Guard had too many resources for these missions last year?

Answer. No, it does not. The Coast Guard is a multi-mission agency, whose personnel are trained to be ready for any situation, whether it be to interdict drugs or migrants, or prosecute a Search and Rescue case, Coast Guard resources are not dedicated to a single mission. As such, the Coast Guard does not allocate funding by mission. The Mission Cost Model we use is simply a tool used to show how funding has been utilized—estimates of how funding is spent via missions is based on a multi-year average of resource hours spent on each mission.

For example, from 1998 to 2004, Search and Rescue (SAR) resource hours dropped over 14,000 hours. In 2005, SAR hours increased 11,000 hours over the past year, mainly due to hurricane rescue operations. If that trend continues, then future cost estimates will be adjusted accordingly.

Performance remains our primary concern, and in Fiscal Year 2005, the Coast Guard met or exceeded its performance goals in five of the six missions mentioned. The one mission that did not meet its goal, Living Marine Resources, achieved a 96.4 percent compliance rate against the goal of 97 percent. This was attributed to variable economic conditions outside Coast Guard control, such as high fuel costs and lucrative seafood prices that create greater incentive for fishermen to violate the law.

Question 14. Is the Coast Guard now carrying out its non-security missions at a pre-September 11 level of effort or higher?

Answer. Since 9/11, the Coast Guard has improved its mission performance across almost every program. We strive to optimize resource allocation based on performance outcomes and the greatest need—as dictated by the changing risk picture in the maritime domain. Our performance measures focus on outcomes (*e.g.,* mariners saved) and not outputs (number of flight hours flown on search-and-rescue).

Our inherent multi-mission capabilities, coupled with a risk-based approach to resource allocation, have allowed for improved efficiencies and effectiveness in both our homeland and non-homeland security roles.

Indeed, in Fiscal Year 2005, we achieved our performance targets for seven of eight non-homeland security missions having missed the last performance goal by less than 1 percent. The missed performance goal for the Living Marine Resources program was mostly due to factors outside the Coast Guard's control: changes to fisheries regulations following Hurricane Katrina.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO ADMIRAL THAD W. ALLEN

Question 1. The Deepwater program is experiencing major problems including cost overruns, faulty designs, and problems after delivery.

The Fast Response Cutter project—the replacement for the 110-foot cutter—has been particularly worrisome, with bad design work and poor contract oversight leading to a complete work stoppage and lengthy delays. The problems with the Fast Response Cutter signal more fundamental issues within Deepwater's contracting approach. Despite these problems, the Coast Guard has moved forward with steps that are expected to extend the Deepwater contract to the current prime contractor. GAO has advised on the risks of this contract, particularly with respect to the lack of adequate oversight by Coast Guard and the lack of competition for subcontracts.

Admiral, despite these problems, the Coast Guard has made a decision that all but guarantees that the prime contractor will continue in its role under this unique and risky contract approach. Has the Coast Guard even considered reverting to a more conventional procurement approach to avoid the problems that we are seeing with Deepwater?

Answer. The Coast Guard had a study conducted by an independent federally funded research and development center, Logistics Management Institute (LMI), on pursuing Deepwater as a traditional asset replacement acquisition where each asset was acquired by a distinct project manager. LMI found there would be at least an estimated 15 percent cost avoidance by using the Deepwater system of systems approach with a lead contractor.

Question 2. Is the Coast Guard considering renegotiating the contract to ensure that the contractor does not merely give lip service to competition of subcontracts? What specifically will the Coast Guard seek to include in the contract?

Answer. The Coast Guard has issued award term criteria in the new award term period that will hold the contractor more accountable. A specific feature of this award term criteria rewards potential future award term based upon the amount of competition to subcontractors. Additional criteria will include the following:

1. Establishment of contract measurement criteria (with greater objectivity) that will strongly incentivize cost, schedule, and performance parameters, as well as strengthen ICGS actions as a joint partnership.
2. A greater focus on cost control by using:
   a. Matching contract type selections with risk
   b. Performance incentives within each Delivery Task Order
   c. Award fees to support the Award Term Criteria
3. A realistic pricing philosophy, accommodating the flexibility required due to appropriation fluctuations.
4. A greater focus on requirements stability so that management can be more effectively established and better monitored.
5. Greater ICGS accountability by ensuring that government members of the integrated product teams better understand their roles and responsibilities. This will ensure that the contractor maintains responsibility for decisions it makes.

Question 3. GAO has testified today that only 5 of 11 specific recommendations to improve Coast Guard management of Deepwater—provided in March, 2004—have been implemented. Why has Coast Guard failed to fully implement these recommendations?

Answer. The Coast Guard has devoted considerable attention to concerns raised by the GAO and the 11 recommendations that were made to help improve Deepwater Program management and oversight as noted in the table below. In short, five recommendations have been fully implemented and closed by GAO. An additional five recommendations have been implemented by the Coast Guard and GAO is periodically monitoring the Coast Guard approach. Until the GAO monitoring is complete, GAO's description of this situation is that the recommendation has been implemented. The Coast Guard and GAO are in agreement that the Coast Guard has taken positive action for these five recommendations. The final remaining recommendation will not be implemented, as the Coast Guard disagrees with a recommendation to update its cost baseline to determine whether the Deepwater Acquisition approach is costing more than a conventional acquisition approach. The GAO has indicated that it does not intend to pursue this recommendation further.*

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*See table on page 69.

Question 4. It seems that one obvious problem here is that the Coast Guard's Deepwater office has moved ahead with approving designs and contracts before it has all of the information it needs to make these decisions.

For example, according to GAO, the Deepwater office moved ahead with the Fast Response Cutter even when the Coast Guard's own experts—the Engineering Logistics Center—raised significant concerns back in January 2005. Although the Deepwater office finally asked for an independent review and hired an outside company (John J. McMullen & Assocs.), the Deepwater office approved the preliminary design and authorized ICGS to award the contract for a detailed design in September 2005 while this review was still pending. Only after an interim report from John J. McMullen in February of this year found major problems with the design, the Coast Guard finally suspended the design work.

Would you agree that at least for substantial subcontracts, there should be a requirement put into place that no contracts or approvals be given to ICGS until there has been an independent review? Or, alternatively, that such an independent review be conducted if the Coast Guard's own technical experts raise concerns with the direction that the Deepwater office is heading with respect to specific subcontracts?

Answer. The Deepwater office has been responsive to the concerns raised by the Coast Guard's technical authority, the Assistant Commandant for Engineering & Logistics (CG–4); the Engineering Logistics Center (ELC) is part of CG–4's organization. There is a logical and methodical approach to cutter design that is widely accepted in the acquisition discipline. The initial concerns raised by the ELC occurred just prior to the Fast Response Cutter (FRC) Systems Requirements Review (April 27, 2005). At that point, the program expressed those concerns to ICGS and took actions to address them. Those actions included the establishment of an asset weight reduction working group composed of both ICGS subject matter experts and members from the ELC. Anticipating a successful effort, ICGS concurrently employed the services of the Maritime Research Institute of the Netherlands (MARIN) to initiate numerical optimization of an FRC that weighed less than the current FRC. Additionally, the Coast Guard requested a more detailed calculation to fully understand the total ownership cost associated with a four-engine propulsion plant configuration.

It is relatively common in the ship acquisition industry to have unresolved issues at a Preliminary Design Review that must be resolved prior to the Critical Design Review, the point in time where a firm Functional Baseline is established. Although ICGS met the exit criteria for the Preliminary Design Review (September 16, 2005), it was stated in the Coast Guard Preliminary Design Review letter (October 6, 2005) that there were a number of programmatic and technical areas of concern that remained open and must be resolved prior to the Critical Design Review.

As such, it was prudent in September 2005 to award a contract design effort that contained firm well-defined entrance criteria for the Critical Design Review scheduled for January 13, 2006. During this period, the Coast Guard and ICGS focused oversight of the progress being made toward addressing the identified technical and programmatic issues. As evidenced by the program's suspension of design work in February 2006, resolution of these issues was not achieved.

Consequently, the Coast Guard does not believe the history of the FRC project warrants the need to mandate the use of independent design reviews for either the award of substantial subcontracts, or to address technical issues raised within the Coast Guard. Although independent reviews are an excellent tool within the acquisition world, mandating their use via a "one solution fits all" approach would not be a prudent use of taxpayers' money. Independent design reviews should be used on a case-by-case basis, dependent upon the magnitude of the issue and the potential return on investment.

Question 5. I understand that the Coast Guard is negotiating new award criteria on cost control, operational effectiveness, performance, competition and other areas to improve Deepwater. While encouraging, it seems that these will only come into play during performance reviews of the prime contractor for determining bonuses and future contract extensions—far too late to have an impact on each asset subcontract. I see these as helpful, but not as a substitute for more direct oversight by the Coast Guard and more independent review. Would you like to comment on that?

Answer. In determining how to incentivize future success, the CG evaluated lessons learned and consulted experts from industry and government to assess evaluation criteria. This resulted in identifying five criteria (three objective and two subjective criteria) that will be used to determine length of Award Term II (AT II):

- The objective criteria include cost control, Operational Effectiveness (OpEff) performance, and competition.
- The subjective criteria include program management/execution and logistics.

- The CG may unilaterally establish AT II criteria via contract modification if determined before 28 July 06. After this date, the CG must negotiate the criteria with ICGS.
- The CG will use these five criteria to evaluate ICGS performance from the date of contract modification through approximately December 2009 (41 months) or whenever the USCG will begin the process to evaluate the length of AT II.
- AT II begins 25 January 2011 and continues for 0–60 months as determined by the Award Term Determining official.

To address *contractor accountability*:

- The CG has refined the format to standardize input and increased the objectivity of the criteria to annually assess ICGS performance.
- For constant contractor oversight, the CG employs a constantly developing "balanced score card" and Earned Value Management System that measure contractor performance and customer satisfaction throughout contract execution.
- Use of Award Fee mechanisms and contract incentives.

Question 6. The Deepwater plan calls for the purchase of Unmanned Aerial Vehicles, or UAVs. The aircraft selected by the prime contractor is the HV–911 "Eagle Eye," to be produced by Bell Helicopter. Bell Helicopter received a contract from Coast Guard for the design phase in February 2003. The Coast Guard scaled back the number of UAVs it intends to purchase in its revised Deepwater plan from 69 to 45, but modified the design to include chemical, biological, radiological, nuclear and explosive detection capabilities. The first three UAVs are supposed to be delivered in 2007.

According to news reports, Bell lost its only prototype of this UAV in tests earlier this year due to a malfunction that caused the aircraft to crash. Is this accurate? And if so, are there delays or cost overruns that we can expect to see with respect to this Deepwater asset too?

Answer. The Bell prototype (developed by Bell from its own funds; no Coast Guard funding) crashed during flight test on April 5, 2006. Official correspondence to date from Bell has indicated the cause of the crash was a Flight Termination System (FTS) that errantly shut off fuel to the UAV turbine engine. The FTS is a safety device to terminate flight if an air vehicle experiences an uncontrolled deviation from its pre-programmed flight path and strays outside assigned airspace. The Coast Guard VUAV will not have this FTS.

There are increased costs and schedule delays associated with the Deepwater Eagle Eye but they are not associated with the crash of the Bell prototype. The cost increases are primarily related to requirements changes to include radar sensors onboard the UAV for surface and air contact detection and avoidance.

Question 7. The importance of the Coast Guard in Washington State is profound, particularly in the Puget Sound where the Ports of Seattle and Tacoma move more than 4 million TEU's annually, representing our Nation's third largest load center. Washington State is also home to the Washington State Ferry system—our Nation's largest, ferrying more than 26 million passengers annually.

With urban centers surrounding the Puget Sound in close proximity to ports and other critical infrastructure, the role of the Coast Guard in providing security to this region is of the utmost importance to our economy and the safety of our citizens.

Despite these challenges, in the past, funding levels have been inadequate for the Coast Guard to implement the vast array of new and vitally important initiatives laid out in the Maritime Transportation Security Act of 2002 (MTSA). However, the Administration has requested increased funding for the Port and Waterways Security Mission of the Coast Guard—an increase of nearly 15 percent from this year.

One specific area that still needs to be addressed is the lack of adequate funding for personnel needed to conduct foreign port inspections to validate that mandated international security standards are being met.

What is the current timeframe for completing these inspections?

Answer. With existing resources, the Coast Guard anticipates completing these inspections with our trade partners by the end of 2008.

Question 8. Has funding been the primary issue that has limited the Coast Guard's ability to complete inspection of foreign ports?

Answer. No. The ability to conduct foreign port visits is driven not only by funding, but the availability of qualified personnel as well. Coast Guard officers assigned to performing these visits must have certain required skill sets and qualifications and, on average, have 12 to 15 years of Coast Guard experience. Hiring contract employees for this program has not been an acceptable option.

Additionally, many foreign governments are generally not open to hosting Coast Guard inspection teams comprised of contract employees because of the sensitive security information contained in their port facility operations. It routinely takes a minimum of several months of negotiations before an inspection of a foreign country's port infrastructure can be scheduled.

Question 9. With less than 30 percent of foreign ports that handle cargo arriving in the U.S. having been inspected, how much funding do you need to complete this important task by 2008? Is this feasible?

Answer. The Coast Guard anticipates completing this task by 2008 under existing funding levels. To date, more than 50 countries have been visited, which equate to approximately 35 percent of the foreign countries the Coast Guard intends to visit. The countries visited so far account for over 80 percent of the vessel arrivals to the United States.

Question 10. What other limitations have delayed the inspection of these ports?

Answer. Gaining access to some countries has been a factor in delaying some of the visits. Many countries have sovereignty issues and concerns regarding the visits, and some countries have been reluctant to allow the Coast Guard in to observe the conditions in their ports. The Coast Guard must negotiate the timing and scope of the visits. For example, entry into European Union countries was preceded by over a year of negotiations with the European Commission to develop a working document detailing visit procedures.

Question 11. The Transportation Security Administration (TSA) and Coast Guard face an extremely difficult and complex challenge in implementing TWIC. It is essential, however that we get a system up and running as soon as possible.

The initial roll-out currently being conducted is a good start, but challenges remain in implementing the program in the trucking industry and individuals involved with independently contracted services. Furthermore, the security of our ports is greatly dependent on coordination of security protocols with our trading partners. Lack of international standards for background and security checks of workers at foreign ports that load cargo and containers that ultimately arrive on our docks is troubling.

Have the types of biometric information that will be collected such as fingerprints or iris-retinal scans been established? If not, what types of biometric information is currently being considered for collection?

Answer. The Transportation Worker Identification Credential (TWIC) will use fingerprints as the biometric identifier. Each TWIC will have an individual's name, photograph, TWIC expiration date and a unique credential number on the face of the card with the biometric information recorded on a chip embedded in the card. That chip will hold the finger minutia templates of two fingers, the finger pattern templates of two fingers, a personal identification number, and a Federal Agency Smart Credential number.

Question 12. Although the International Ship and Port Facility Security Code (ISPS Code) calls for port facilities to monitor and control access to secure areas, my understanding is that no such requirements exist.

Answer. There are requirements in the ISPS Code to control access to the port facility (Section 14.2.2) and monitor restricted areas to ensure that only authorized persons have access (Section 14.2.4); however, there are no standards for these requirements. Much like the Maritime Transportation Security Act, the ISPS Code is written to be performance based, not prescriptive.

Question 13. Is there any coordinated global effort, perhaps through the IMO, to establish standards for screening individuals with unescorted access to secure areas within ports?

Answer. No. Each country signatory to the International Maritime Organization's (IMO) International Convention for the Safety of Life at Sea (SOLAS) is bound by the International Ship & Port Facility Security (ISPS) Code. As such, they must abide by the provisions of the ISPS Code for access control. Those provisions do not stipulate background screening of persons claiming a need for unescorted access to secure areas of ports. Each sovereign authority determines if a background check needs to be performed and how thorough it needs to be. This is often driven by their perceived need for the check and the limits of their data on citizens and resident aliens, as well as their confidence in that data. The disparity in policies and capabilities between nations would make the establishment of an overarching, international standard difficult.

Question 14. Has the Coast Guard proposed that any such standards be promulgated?

Answer. No, the Coast Guard has not proposed an international standard for background screening for individuals seeking unescorted access to the secure areas of a port.

Question 15. How do you recommend we move forward on this front to get international participation in a global effort?

Answer. The Coast Guard will continue to work with our Nation's international partners to establish workable vulnerability mitigation measures, including background screening where possible. Our international inspection effort to ensure compliance with the ISPS Code has been successful and provides an avenue for discussion with IMO member countries for specific improvements in ports based on the available resources, capabilities and policies.

Question 16. A report issued by the Justice Department's Inspector General in March of this year highlights a number of serious vulnerabilities in the maritime domain, including ranking the Washington State Ferries along with Gulf Coast fuel tankers as the #1 target for terrorism in the U.S. Regardless of whether this is due in part to aggressive reporting of suspicious incidents in the Puget Sound region, this is still very concerning.

The report cites the FBI's National Threat Assessment of 2004 which reports that ". . . vehicle-born improvised explosive devices as the type of weapon that al Qaeda will most likely use for a maritime attack, and cites maritime infrastructure, merchant vessels, and warships as the most likely maritime targets." The report goes on to state ". . . the second most likely weapon is a bomb used against a cruise ship or ferry."

The Washington State Ferry system is our Nation's largest system serving more than 26 million passengers and 11 million vehicles annually. Washingtonians depend greatly on this mode of transportation and a terror incident within our ferry system would have catastrophic consequences for our state and economy.

In light of FBI's findings, what extra measures has the Coast Guard taken to address these threats?

Answer. The Coast Guard recognizes that high capacity vessels such as ferries present an attractive target to terrorists. From a larger perspective, the Coast Guard has developed a strategic plan for combating maritime terrorism which emphasizes identifying and intercepting threats well before they reach U.S. shores by conducting layered, multi-agency, maritime security operations and by strengthening the port security posture of militarily and economically strategic ports. This strategic plan prescribes three courses of action:

- Achieve Maritime Domain Awareness (MDA).
- Lead and conduct effective maritime security and response operations.
- Create and oversee a Maritime Security Regime.

All three courses of action speak directly to our overall efforts to reduce risk within the maritime environment, and all three are pertinent to the ferry vulnerability.

MDA: In order to maximize our domain awareness, the USCG has established Field Intelligence Support Teams (FISTs), capable of local information collection—in order to stay connected to activities in marinas, ferry terminals, and other waterside locales. Maritime Intelligence Fusion Centers (MIFCs) were established to share, analyze, and disseminate intelligence and terrorist threat information with DHS, DOJ, DOD and numerous other law enforcement partners. The gathering and fusion of this Intel is a key part of our MDA effort along with implementation of the Automated Identification Systems (AIS).

Security and Response Operations: Recognizing the inherent vulnerabilities of any ferry system to water-borne, vehicle-borne, and personnel-borne Improvised Explosive Device (IED) attacks, the Coast Guard has established a robust set of operational activities under Operation Neptune Shield. Even when no specific threat is known to exist, Coast Guard forces escort ferries, based on risk associated with vulnerability and consequence. The Coast Guard also conducts patrols, makes periodic visits to maritime critical infrastructure and/or enforces security zones near key transportation nodes such as ferry terminals. When risk increases, the Coast Guard increases its Maritime Security (MARSEC) level and the operational tempo of security operations. And, when a specific threat or vulnerability is highlighted, the Coast Guard is able to focus its operations on that threat/vulnerability. For example, in the wake of the London mass transit bombings in July 2005, the Coast Guard increased its MARSEC level and focused operations on maritime mass transit (i.e., ferries and ferry terminals). In addition to increasing our vessel escorts, patrols, and security zone enforcement in general, USCG explosive detection canine teams were deployed to help screen passengers and vehicles at ferry terminals.

Maritime Security Regime: A key component of our layered defense is the implementation of a Maritime Security regime. The cornerstone of the domestic aspect of this regime is the Maritime Transportation Security Act (MTSA) of 2002. In response to some of the Act's mandates, the Coast Guard promulgated performance-based security regulations for vessels, 33 CFR Part 104, and published amplifying guidance (Maritime Security Directives 104–1 and 104–5), establishing vehicle, passenger, and baggage screening requirements for ferries, cruise ships, excursion vessels. Also as directed by MTSA, we oversee and coordinate Area Maritime Security Committees which are made up of the key port stakeholders.

The Washington State ferries are required to comply with 33 CFR 104 regulations; their vessels operate under a Coast Guard approved security plan and are required to complete annual security exams by the Coast Guard. During these exams, Coast Guard personnel verify that the vessel operators have implemented all elements of the approved security plan, including implementation of the appropriate Maritime Security Directives. Additionally, Coast Guard personnel conduct crew interviews and drills on various security scenarios to evaluate their proficiency.

Question 17. Is additional funding for more resources for the Coast Guard to increase its patrols to secure the waters in which the ferries operate needed to fully address these threats?

Answer. The Administration's proposed 2007 budget, which the Coast Guard supports, ensures that we are able to maintain effectiveness across the wide range of Coast Guard missions. Should more funding become available, the Coast Guard would certainly spend it wisely in support of the American public.

Question 18. Does Congress need to provide any additional authority to the Coast Guard to enhance its ability to secure the Washington State Ferry system?

Answer. The Coast Guard currently has the necessary legal authorities to ensure the security of the Washington State Ferry system.

Question 19. The FBI reports that a bomb would most likely be delivered by a vehicle and that ferries and/or cruise ships, which are prevalent in the Puget Sound, are likely targets. What measures are the Coast Guard taking to address this threat?

Answer. Following the implementation of the Maritime Transportation Security Act (MTSA) in July 2004, several key measures were implemented to safeguard ferries from a Vehicle Born Improvised Explosive Device (VBIED) attack.

In accordance with the provisions of MTSA, passenger and vessel screening standards have been implemented on all ferries embarking passengers in United States ports. MARSEC Directive 104–5 provides specific passenger, baggage, and vehicle screening protocols at the various MARSEC Levels for ferry vessels meeting the applicability requirements of 33 Code of Federal Regulations (CFR) Part 104. As such, at various frequencies based on individual operator's Vessel Security Plans (VSP) and the Maritime Security (MARSEC) level, passengers, vehicles, baggage, and personal effects are screened prior to being permitted aboard.

Several studies completed in Fiscal Year 2005 assessed the consequences of VBIED incidents onboard various categories of vehicle ferries, as well as screening technology, current screening standard effectiveness, and the socioeconomic effect of numerous screening strategies. A new deterrence study is underway and will be completed in September 2006. This study will provide direction to develop methods to quantify the deterrent effects of security policies and practices with respect to the Nation's ferry system.

Current cruise ship and ferry security initiatives are directed toward developing industry standards for the use of explosive detecting canines and conducting effective passenger and cargo screening. The Coast Guard currently employs 18 canine substance detection teams at Maritime Safety and Security Teams (MSST) across the country. These teams frequently work with Federal, state, and local agencies as needed to ensure passenger safety and compliance with the Maritime Transportation Security Act of 2004.

Question 20. There have been reports in the press that the threat assessment for Washington State Ferries may be a result of "aggressive" reporting of suspicious incidents? Have you found this correlation to be consistent with assessments that have been conducted since the issuance of these findings?

Answer. The FBI's 2005 Washington State Ferry (WSF) Assessment update covers the period 11 May 2004 through 31 August 2005 and makes several key judgments that are consistent with Coast Guard investigations and reporting. In fact, many of the incidents examined by the FBI were initially or subsequently reported by Coast Guard investigators or field personnel. Although no credible or specific threat to the WSF system was identified by the FBI, reporting of suspicious incidents increased significantly from the FBI's previous WSF assessment covering the period from 12

September 2001 through 10 May 2004. The noted increase in reporting does not, as the FBI admits, necessarily reflect a greater threat and instead may reflect increased awareness on the part of the public, WSF personnel, and law enforcement personnel. Although reporting may have become more "aggressive," the number of suspicious incidents rated as either "Extremely High" or having "High" likelihood of being indicative of pre-operational surveillance has actually decreased significantly since the first FBI assessment. Of the 247 suspicious incidents reported on for the update, none were assessed as being Extremely High in likelihood of pre-operational planning and only one was rated as High in likelihood of pre-operational planning. Contrast to this assessment with seven being rated Extremely High and eleven being rated High during the previous assessment. The FBI analysis, while based on more reporting, does not reflect a corresponding increase in the likelihood of a terrorist attack against the WSF.

Question 21. I am particularly concerned about Washington State Ferries coming out of Sydney, B.C. because vehicles are not being scanned for explosives until they offload in Anacortes, Washington. An amendment to the Transportation Security Improvement bill that I introduced calls on Homeland Security and the State Department to work with their Canadian counterparts to develop a plan to screen vehicles before disembarking for the U.S. In light of the FBI's findings regarding the delivery of bombs most likely to be "vehicle-born," this is an issue that I believe must be addressed. Although this legislation has yet to be considered by Congress as a whole, has the Coast Guard identified this screening issue and is anything being done at this point to address this vulnerability?

Answer. In accordance with 33 CFR 104.265 and 33 CFR 104.292, ferry vessels, including the Washington State Ferries, are required to "deter the unauthorized introduction of dangerous substances and devices, including any device intended to damage or destroy persons, vessels, facilities, or ports." The methods for compliance, however, are tailored to individual operators per that operator's Vessel Security Plan and vary with the Maritime Security (MARSEC) level in place.

While the provisions of 33 CFR 104.265 require operators to screen persons, baggage, and vehicles for dangerous substances and devices, 33 CFR 104.292 affords passenger vessels and ferry operators some latitude regarding screening requirements. Specifically, "the owner or operator of a passenger vessel or ferry may ensure security measures are implemented that include searching selected areas prior to embarking passengers and prior to sailing and implementing *one or more of the following*:

- performing routine security patrols;
- providing additional closed-circuit television to monitor passenger areas; and
- securing all non-passenger areas."

These requirements become more stringent as MARSEC levels are elevated.

Therefore, the Washington State Ferries are in compliance with all Federal requirements. However, the one ferry running from Sydney, B.C. to Anacortes, WA may not necessarily be complying with the intent of the regulations by performing screening operations after vehicles are loaded. The Coast Guard welcomes additional legislation that facilitates enforcement and fosters consistent screening practices in Canada to keep our ferry system as safe as possible.

Question 22. As we all know, information sharing is critical to the challenge of securing our homeland. Securing Washington State Ferries requires a concerted effort among the Ferries, FBI, Coast Guard and Washington State Patrol. However, the IG notes that there is no FBI policy that requires its field offices to provide intelligence summaries to Federal, state, and local partners in their territory. Due to the overlapping responsibilities of the Coast Guard and FBI in the maritime domain, I assume that information sharing between the FBI and Coast Guard occurs regularly?

Answer. Yes, information sharing among the FBI and Coast Guard, as well as state and local law enforcement entities including the Port of Seattle, Washington State Patrol, Port of Seattle Police, Seattle Police, Department of Homeland Security and Washington State Ferry Security Officers occurs on a routine basis. Under the Puget Sound Area Maritime Security Committee, there is a Subcommittee called the Washington State Ferries Working Group which meets on a monthly basis and includes all the agencies mentioned.

Question 23. Does the Coast Guard provide updates to any other state and local law enforcement on intelligence relevant to threats and security of ports and waterways?

Answer. The USCG Sector Commander is the Chair of the Area Maritime Security Committee. The Sector Seattle Area Maritime Committee holds monthly con-

ferences with key port partners, including Federal, state and local law enforcement officials, on relevant intelligence topics—including security of U.S. ports and waterways. The Committee has an intelligence subcommittee, often led by the Coast Guard Command Intelligence Officer, whose duties include reviewing threat information and developing courses of action in response.

Several states operate intelligence fusion centers, comprised mainly of state and regional law enforcement personnel. Coast Guard personnel, primarily Field Intelligence Support Team (FIST) members, coordinate with these centers regularly and exchange intelligence and threat information. Additionally, the Coast Guard ICC conducts port threat assessments on every U.S. strategic port. During these assessments, ICC members obtain and share intelligence with intelligence personnel at the Federal, state and local levels.

Question 24. Since 9/11, the Coast Guard has been asked to expand its port and maritime security roles and take on new and additional homeland security responsibilities. In addition to these, we want the Coast Guard to continue to fully implement its non-security missions, such as protection of the marine environment, search-and-rescue, and polar icebreaking. Congress felt so strongly about this that we included language in the Homeland Security Act of 2002 that requires the Coast Guard to maintain adequate resources for its non-security missions.

Yet the FY 2007 budget request for these missions continues to decrease. $3.9 billion is requested for non-homeland security missions, a decrease of 6.1 percent below the FY 2006 enacted level. The FY 2007 budget request would reduce the total funding (operating budget and capital investments) for all 6 non-security mission areas. For example, the FY 2007 funding request for search-and-rescue activities is 7.8 percent below the FY 2006 enacted level, for marine safety is 8.5 percent below the FY 2006 enacted level, and for marine environmental protection is 14.3 percent below the FY 2006 enacted level.

As we heard in Mr. Caldwell's testimony, many non-security assets, such as buoy tenders and icebreakers, are reaching the end of their service lives and require ever more costly and time consuming maintenance to remain functional. As you well know, Admiral, these vessels ensure fast and efficient marine commerce on our coastal and inland waterways. In a 2002 analysis, the Coast Guard concluded that needed replacements or upgrades to the coastal and aid-to-navigation (ATON) icebreaker fleet would cost $550 million. This money has yet to be included in any budget request since completion of this analysis. Is maintaining these vehicles a priority of the Coast Guard, and if so, why is this not reflected in your budget request?

Answer. While no funding has been requested in Fiscal Year 2007, the Coast Guard will continue to carefully consider and prioritize funding for this important program, along with other vessel replacement projects.

Although no funding has been requested via the annual budget submission in recent years, the Coast Guard did request and receive supplemental funding in Fiscal Year 2006 which funded production of the new Trailerable Aids to Navigation Boat (TANB)—a 26-ft boat—aluminum construction and outfitted with twin Honda 150 engines to replace boats destroyed by Hurricanes Katrina and Rita. The contract, awarded in March 2006, will deliver 80 boats and provide improved aids-to-navigation mission capability, increased speed/range and state-of-the-art navigation system and crew safety systems.

Question 25. I am particularly worried about the decline in resources for marine environmental protection, which includes the Coast Guard's activities in reducing the risks of oil pollution. This mission would be cut by 14.3 percent in this year's budget, the sharpest decline of all non-security items in the FY 2007 budget request. Why did the Coast Guard choose to weaken this mission, and to such a significant degree? What does this mean in terms of specific areas that the Coast Guard will cut back on?

Answer. The Marine Environmental Protection (MEP) has not been cut, as the Coast Guard does not allocate funding by mission. The Mission Cost Model we use is simply a tool to show how funding has been utilized; estimates of how funding is spent on missions is based on a multi-year average of resource hours spent on each mission. Recent events, such as the SELENDANG AYU incident and the ATHOS 1 spill caused for an unusual spike in resource hours expended for this mission—the decline in resource hours, as reflected in the Fiscal Year 2007 request, normalize resource hour trends within the mission. However, if the trend of extraordinary events such as these continues, then future cost estimates will be adjusted accordingly.

Performance remains our primary concern, and in Fiscal Year 2005, the Coast Guard exceeded its performance goals in MEP—there were only 18.5 gallons of chemical spills per million short tons shipped—the goal was 20 or less.

Question 26. Last year's "unfunded budget priorities" that the Coast Guard shared with Congress included funding to complete the upgrade to the Vessel Traffic Services (VTS) system in Puget Sound, yet the FY 2007 budget request includes no money for this upgrade. A total of $12.9 million is needed. The Coast Guard has testified before the Subcommittee on the importance of this VTS system in reducing the risk of vessel collisions including those that may result in oil spills. Why did the Coast Guard change its mind between last year and now as to the priority that should be given to this funding need?

Answer. Due to other funding priorities, the Coast Guard did not request additional funding for the Ports and Waterways Safety System (PAWSS) for the VTS in Puget Sound in FY 2007. The System Integration Contract expired in FY05; Puget Sound and San Francisco received only the AIS portion, but were not fully recapitalized.

Question 27. The Coast Guard's other major acquisition project—Rescue 21—is also experiencing major problems. This system is needed not only for rescue of lives at sea, but was put to the test during Hurricane Katrina—when virtually all aspects of the older system that Rescue 21 is to replace failed.

What specifically will you do to ensure that Rescue 21 is back on track, and that there will be no further slippage in the final delivery date?

Answer. The Coast Guard has worked extensively with the contractor to establish a credible and realistic Rescue 21 project schedule, considering timelines for compliance with the National Environmental Policy Act, the significant number of outstanding real property acquisitions and new tower construction required, and the contractor's production capabilities. As such, several management and oversight actions have been initiated to ensure project completion stays on schedule. These include:

- Establishing a Coast Guard Project Resident Office near the contractor's manufacturing facility to increase government oversight, awareness, and involvement.
- Initiating use of the Defense Contract Management Agency and Defense Contract Audit Agency to assist in validating the contractor's technical proposals and cost reasonableness.
- Scheduling a Program level Integrated Baseline Review (IBR) in 2006 to verify the contractor's proposed cost, schedule, and performance efforts in the first 15 Full Rate Production regions. Subsequent IBRs will be conducted for the remaining regions.
- Soliciting input from Defense Acquisition University (DAU) professionals to develop a strategic way-forward for the program to maintain schedule and stay within cost thresholds. DAU staff is partnering with the Coast Guard and General Dynamics to help implement practical program management and contract changes to improve program performance.
- Establishing monthly Integrated Project Schedule reviews between the Coast Guard and General Dynamics.
- Conducting quarterly Coast Guard executive level/General Dynamics Vice President-level program reviews to resolve outstanding issues and increase senior level oversight.
- Conducting monthly Risk Management and Earned Value Management (EVM) cost performance reviews to increase program management oversight for improved risk mitigation and taking actions based on the EVM data.
- Incrementally re-pricing expired Contract Line Items for Full Rate Production regions. Leveraging actual cost data and instilling program level lessons learned during the Initial Operating Capability regions, resulting in more reasonable cost targets for future work.

The Coast Guard remains committed to a 2011 program completion date. It should be noted that the significant technical challenges of initial system design have been met, and the program is in Full Rate Production (FRP). All remaining regional installation work is expected to be more standardized. The contractor is starting to realize production efficiencies by leveraging installation experience and institutionalizing lessons learned from each regional deployment.

Question 28. The Administration is again proposing that responsibility for funding the operation and maintenance costs of the Coast Guard's three polar icebreakers be shifted to the National Science Foundation (NSF). However, the National Academy of Sciences issued an interim report on the need for polar icebreakers, and concluded that United States should maintain polar icebreaking capabilities, and that these operations should be funded through the Coast Guard.

Funding these assets through a separate Federal agency has proven problematic, and as a result, I included a provision in the Coast Guard bill (that is currently pending for final passage) that calls for the Coast Guard to submit a plan to Congress for operation and maintenance of these vessels in a manner that does not rely on the transfer of funds from another Federal agency.

Given the difficulties in securing a funding agreement with NSF for the operation and maintenance of the polar icebreakers, why is the Administration once again requesting funding for these vessels through NSF's budget rather than the Coast Guard's?

Answer. The Administration is requesting funding for the Nation's icebreakers through the budget for the National Science Foundations (NSF). The Coast Guard will conform its budget requests to policy decisions made after the National Research Council's final report, which is due in September 2006.

Question 29. What steps has the Coast Guard taken to assure that the funds are in fact transferred in a timely manner for this year's operations?

Answer. In accordance with the Memorandum of Agreement (MOA) between the Coast Guard and the National Science Foundation, the Coast Guard will prepare and submit a proposed Program Plan, the annual budget request that is based on NSF's schedule, with supporting documentation to the NSF annually on or before 1 July of each year. The Coast Guard is actively negotiating the terms of the FY07 Program Plan with NSF.

NSF approves the Program Plan upon mutual agreement of both parties and provides the Coast Guard with a Letter of Intent that states the agreed upon level of funding the Coast Guard can expect.

Subject to the availability of funds, NSF makes obligations annually and throughout the year as required per the approved Program Plan. Modifications to the approved Program Plan may be made with the mutual agreement of both parties and are required in the event of unanticipated maintenance, catastrophic damage, or damage incurred while operating in severe ice conditions.

To date, NSF has transferred $51.4M of the $53.9M allotted to the Coast Guard for FY06.

In addition to complying with the formal provisions of the MOA, Coast Guard resource staffs proactively engage with counterparts at NSF to create and maintain open lines of communications and ensure that our collective goals are achieved.

Question 30. Are the amounts requested through NSF's budget—$57 million, which is $1 million less than last year's request—sufficient for all expected costs?

Answer. Yes.

Question 31. What steps is the Coast Guard taking to plan for the longer term replacement or recapitalization of these unique assets?

Answer. The Coast Guard continues to investigate options to replace or upgrade the POLAR SEA and POLAR STAR. The Coast Guard has completed a Mission Analysis Report and has, at the request of Congress, contracted the National Research Council (NRC) to complete an assessment of future Coast Guard polar icebreaker needs and capabilities.

Question 32. The Coast Guard recently provided a report to Congress on the impact of oil spills from Hurricanes Katrina and Rita on the Oil Spill Liability Trust Fund (OSLTF), established under the Oil Pollution Act of 1990. According to this report, there were six major, five medium and over 5,000 minor oil and hazardous materials spills resulting from these two hurricanes. Over nine million gallons of oil were released. Informal estimates provided by the Coast Guard suggest that at least $800 million in claims for cleanup costs and damages could be brought against the OSLTF.

The OSLTF was originally established with a principal balance of $1 billion to ensure that adequate funds would be available for oil pollution response. At last year's budget hearing, Admiral Collins reported to the Commerce Committee that the OSLTF was heading toward depletion. To address this concern, a provision, based on a bill that I cosponsored with Senators Stevens and Inouye, was included in the Energy Policy Act last year that reinstated the fee on oil in order to replenish the OSLTF. Under that provision, the per-barrel fee would continue until the balance of the OSLTF reaches $2.4 billion.

However, the Coast Guard has estimated that if Katrina and Rita claims amount to $800 million and are paid for out of the OSLTF, the OSLTF could be reduced to zero in 2009, and would only reach $80 million in 2014—when the tax is set to stop. On March 16, I introduced the Oil Pollution, Prevention, and Response Act of 2006, which includes a provision that protects the OSLTF from claims related to Hurricanes Katrina and Rita.

Does the Coast Guard have a plan for addressing these claims as they are made against the OSLTF? Does the Coast Guard have a plan for addressing the possible depletion of the Fund?

Answer. The Coast Guard will address any and all claims as they are presented and as resources permit. If for any reason the fund is depleted to a point where it is evident that the balance will not be sufficient for its various uses, the Coast Guard will consider all potential methods for replenishment.

Question 33. Does the Coast Guard have suggestions for any alternative approaches for addressing these claims in a way that does not deplete the OSLTF?

Answer. The Coast Guard has not identified specific alternatives at this time.

Question 34. Or, does the Coast Guard just plan to wait until the OSLTF is depleted before providing Congress with a proposal for addressing this situation?

Answer. Well before the OSLTF is depleted, its viability would need to be addressed to ensure that all the uses it supports can continue. A single catastrophic oil spill could have a significant and immediate impact on the OSLTF's viability. Because a catastrophic oil spill could happen at any time and is impossible to predict, we will need to address the viability of the OSLTF at the moment its viability is threatened.

The Coast Guard will address any and all claims as they are presented. Claims that are submitted to the OSLTF can take years to process and adjudicate, which will allow for ample time to identify potential fund depletion and address alternative funding sources, if necessary. If the magnitude of outstanding claims develops to a level that is greater than the OSLTF can support, the Coast Guard will notify the Administration and Congress and consider alternatives for addressing the insufficiency at that time.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO ADMIRAL THAD W. ALLEN

Question 1. The President has proposed $3 million to upgrade the current facilities at Coast Guard Air Station Atlantic City in order to house the new helicopter unit charged with enforcement of the National Capital Region no-fly zone. I understand that there are already six helicopters there, and the hangar only holds eight. How will this $3 million be spent to upgrade the current hangar and facilities to accommodate the new unit?

Answer. There is currently sufficient hangar space at Air Station Atlantic City, as 3 of the 5 aircraft being used for the NCRAD mission will be forward deployed to Reagan National Airport at any given time. The $3 million for Air Station Atlantic City facilities will be used to expand the office, supply, parking and other facilities needed to support the 102 extra personnel and additional equipment associated with the NCRAD mission.

Question 2. The President's FY07 budget proposal included $62 million for the Coast Guard takeover of duties involved in the enforcement of the National Capital Region no-fly zone. If the Coast Guard is appropriated only $57 million for the takeover of this new function, as proposed by the Senate Appropriations Committee (Senate Report 109–273—Department of Homeland Security Appropriations bill, 2007), how will it affect the ability of the Coast Guard to fully takeover this function during FY07?

Answer. The $62 million included in the President's Fiscal Year 2007 budget for the Coast Guard to support the National Capital Region Air Defense (NCRAD) initiative represents $48.5 million of AC&I and $13.9 million of OE funding. These AC&I and OE funds will be used to purchase and support additional helicopters and aircrews.

Any reduction in this funding request would jeopardize the Coast Guard's ability to support the National Capital Region Air Defense (NCRAD) initiative, and could negatively impact other Coast Guard missions by reducing flight hours available for helicopters service-wide.

Question 3. The Coast Guard has estimated that at least $800 million in oil spill clean up claims could be filed for payment out of the Oil Spill Liability Trust Fund (OSLTF). How will the OSLTF be affected if these claims are allowed to be made?

Answer. The size and number of potential removal cost and damage claims, including natural resource damage (NRD) claims, that could impact the Fund are currently difficult to estimate. Because the Coast Guard does not have an accurate estimate of the private-sector costs incurred during the post-Katrina clean up of oil spills, it is not possible to predict future fund liabilities with any reasonable degree of certainty at this time.

Well before the OSLTF is depleted, its viability would need to be addressed to ensure that all the uses it supports can continue. A single catastrophic oil spill could have a significant and immediate impact on the OSLTF's viability. Because a catastrophic oil spill could happen at any time and is impossible to predict, we will need to address the viability of the OSLTF at the moment its viability is threatened.

The Coast Guard will address any and all claims as they are presented. If the magnitude of outstanding claims is greater than the OSLTF can support, the Coast Guard will notify the Administration and Congress and consider alternatives for addressing the insufficiency at that time.

Question 4. Does the Coast Guard have a method to measure how many drug shipments or illegal immigrants or illegal fishing incursions were not interdicted? If so, how accurate is it?

Answer. The Defense Intelligence Agency annually publishes the Interagency Assessment of Cocaine Movement (IACM), a report that estimates the cocaine flow based on production and consumption estimates. The Coast Guard uses this report as the official estimate of the noncommercial maritime flow of cocaine to the United States each year. The difference between this number and the amount of cocaine removed by the Coast Guard (as determined by the Consolidated Counter-Drug Database) would represent the drug shipments not interdicted. The accuracy of this measure is dependent on the accuracy of the IACM estimates, which have a broad range due to the difficulty of determining actual production.

Similarly, the Coast Guard's Intelligence Coordination Center publishes monthly illegal migrant flow numbers. Their report includes the number of migrants not interdicted by the Coast Guard, other government agencies or foreign governments. The accuracy of this measure varies based on the intelligence available and credibility of the various reporting sources, but in general is most accurate for Cuban and Haitian migrants.

The Coast Guard measures how many illegal foreign fishing vessel (FFV) incursions were detected and how many of those were interdicted each year. The difference between these two numbers provides an estimate of the number of incursions not interdicted. This estimate may not be very accurate, as the actual number of incursions is likely greater than the number detected; however, there is no current method of validating that supposition.

Question 5. What is the Coast Guard's implementation schedule for implementation of Section 607 of the Coast Guard and Maritime Transportation Act of 2006?

Answer. The Coast Guard has already begun the process to establish the Delaware River and Bay Oil Spill Advisory Committee as required by Section 607 of the Coast Guard and Maritime Transportation Act of 2006. This work will involve close coordination between Coast Guard Headquarters, Area, and District staffs as well as personnel at Coast Guard Sector Delaware Bay, and appropriate stakeholders.

One key step will be publishing a notice in the *Federal Register* announcing the formation of the Committee and soliciting members. We expect completion of this step in approximately 6 month's time. Other important steps include writing a charter for the Committee, and selecting the most appropriate members among the various applicants. We are hopeful that this process will be complete by early 2007, allowing the Committee to hold its first meeting around April 2007. While there may be unexpected delays, the Coast Guard intends to push for as rapid an implementation process as is possible, and looks forward to the report of the Committee.

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