

THE U.S. COAST GUARD BUDGET AND OVERSIGHT

HEARING

BEFORE THE

SUBCOMMITTEE ON OCEANS, ATMOSPHERE,
FISHERIES, AND COAST GUARD

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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JUNE 23, 2011
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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hearing held on June 23, 2011	1
Statement of Senator Begich	1
Statement of Senator Rockefeller	3
Prepared statement	4
Statement of Senator Ayotte	5
Statement of Senator Lautenberg	5
Statement of Senator Snowe	25

WITNESSES

Admiral Robert J. Papp, Jr., Commandant, U.S. Coast Guard	6
Prepared statement	9

APPENDIX

Response to written questions submitted to Admiral Robert J. Papp, Jr. by:	
Hon. John D. Rockefeller IV	43
Hon. Mark Begich	47
Hon. Bill Nelson	49
Hon. Olympia J. Snowe	51
Hon. Roger F. Wicker	53

THE U.S. COAST GUARD BUDGET AND OVERSIGHT

THURSDAY, JUNE 23, 2011

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

The Subcommittee met, pursuant to notice, at 10:03 a.m. in room SR-253, Russell Senate Office Building, Hon. Senator Begich, Chairman of the Subcommittee, presiding.

OPENING STATEMENT OF HON. MARK BEGICH, U.S. SENATOR FROM ALASKA

Senator BEGICH. Good morning, we will have a couple members joining us momentarily. They are running a little late. But, as ships have to run on time, so should committees. So, thank you very much.

I'll make a few comments, and depending on who makes it here on time, they will have an opportunity to say some comments, too.

Again, good morning, and I welcome Admiral Robert Papp, the Commander, Commandant of the U.S. Coast Guard, and thank him for testifying before the Committee today.

Since the very earliest days of our nation, the U.S. Coast Guard has safeguarded our maritime interests, and our ports, at sea, and our interior waterways, and on the Great Lakes, and around the globe. They protect the Nation's maritime economy and environment, defend our maritime borders, and save those in peril on our waters. They're Americans' maritime guardian, who is *Semper Paratus*—"always ready" for the hazards and threats.

Today the U.S. Coast Guard has nearly 42,000 men and women on active duty, and constitutes a unique multi-mission military maritime which carries out an array of civil and military responsibility, and touches almost every facet of the U.S. maritime environment.

Last year the Coast Guard responded to more than 22,000 search and rescue cases, and saved more than 4,000 lives; inspected over 250,000 vessels. The Coast Guard saved millions of dollars in property; seized hundreds of tons of cocaine; stopped thousands of undocumented migrants for illegally entering the country; identified 61 individuals associated with terrorism; and deployed forces overseas in support of our troops in Iraq and Afghanistan.

The Coast Guard conducted humanitarian missions in Haiti, led the response to the *Deepwater Horizon* oil spill, and investigated

thousands of other pollution incidences. Last year in Alaska alone, the Coast Guard in Alaska responded to 646 search and rescue cases, saved 138 lives, and aided 932 persons in distress.

In my state, we are proud to be the home of the nation's largest Coast Guard based in Kodiak. And with the cutters, air stations, and small boat stations throughout the state, we think of the Coast Guard as Alaska's navy.

We should honor the every day service and sacrifice of its men and women by ensuring they have the tools they need to do all we ask of them, to make sure they're mission-ready. Last year, Congress took an important step toward this when it, in a bipartisan fashion—thanks in large part to the leadership of Chairman Rockefeller, our immediate past Chair of this subcommittee, Senator Cantwell, and all our full and subcommittee Ranking Members, Senators Hutchison and Snowe—we finally enacted updated authorizing legislation for the service.

The Coast Guard Authorization Act of 2010 provide the Coast Guard with important statutory authorities they've needed for some time. The provisions will allow the service to modernize its command structure, improve its acquisition practices and financial management, and make a number of improvements to the lives of Coast Guard personnel and their families, all of which are integral to the 21st century Coast Guard.

As Chairman of the Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard, I'm looking forward to introducing and working on a new authorization bill that continues this progress toward a modern, more efficient, and highly agile Coast Guard.

But there's more to the mission's readiness than modernization command structures and updated statutory authorities, and that's one of the reasons why I've called for this budget and oversight hearing. The President's request for Coast Guard's Fiscal Year 2012 budget represents a modest increase in funding of 1 percent. In a time when budgets are shrinking, and we are finding ways to tackle the nation's deficit, this is a victory.

However, many issues remain unaddressed about how to sustain the Coast Guard's core capabilities at a time when we continually ask more of them. Case in point: I'm very concerned about the Coast Guard's mission readiness when we don't properly equip them. This is particularly true when we look at the Nation's icebreaker fleet. With one of its two heavy icebreakers slated for decommission this year, and the others not coming out of the shipyard and back into service until at least 2013, the Coast Guard finds itself in a serious operational gap. Having no heavy icebreaker capability for 2 years or more limits our ability to safeguard our sovereignty and our interest in the polar regions—and that's putting it mildly.

How can we expect the Coast Guard to conduct their varied maritime safety, security and stewardship roles in a remote area like the North Slope, when they lack the operational assets and the infrastructure to do so?

Some have also expressed concerns that the Coast Guard is slowly losing some of the autonomy and latitude it needs to operate as a flexible, agile, and responsive multi-mission agency. The Department of Homeland Security, in which the Coast Guard currently

operates, seems in recent years to have developed an expectation that the Coast Guard can and should operate just like any other department's subordinate agencies. I'm concerned that this reduced autonomy will impact the service's ability to operate effectively and deliver all that we have to come to expect.

Admiral Papp, I look forward to hearing your testimony. I want to, before we start with your opening statement, I'm going to go ahead and ask the members here if they have any opening comments they'd like to make.

Senator Rockefeller.

**STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA**

The CHAIRMAN. Thank you, Mr. Chairman, and I'm particularly happy to be with you, Admiral, and to be with you, Mr. Chairman. I just, whenever you're chairing a hearing, I just like to sort of being around to watch you operate.

Senator BEGICH. That makes me nervous.

[Laughter.]

The CHAIRMAN. You're very good. You're calm, very thoughtful, very good.

And I feel exactly the same way you did, or, do—what you said. I mean, it's this constant, this constant pull between needs, and how much attention is the Congress paying? And that goes back many, many years. And we, I think Chairman Begich and I would both feel that what we're trying to do is to upgrade—and we have done—is upgrade the attention that was just paid to the Coast Guard, make people more aware of what it's done. I mean, save 4,300 lives, seize more than 90 metric tons of cocaine, interdicted more than 2,000 undocumented migrants. You're called on to do all things at all times, and people expect you will be there. You're kind of a safety net—a psychological and physical and actual safety net.

And yet, we don't fund you properly. You're not a stark enough part of our vocabulary, of our subconscious. You are—of those of us in here, Kelly Ayotte, Senator Ayotte, and Senator Begich and myself—but, it's discouraging. And now we're going into this period of downturn on budgets, and that's even more discouraging, because you've got a couple of 45-year-old ships doing what they really can't do any longer—although global warming seems, I guess, is melting the ice a little bit, so, but I'm not sure that helps enough.

So, I want to say two things. One is, I'm tremendously proud of your predecessor, I'm tremendously proud of you. Everything in a situation like that, where people feel at risk, or they feel unattended to financially and psychologically and otherwise by the funding body, depends on leadership. And you clearly have it, just like your predecessor had it. And so, I'm very grateful for you.

I also want to profoundly apologize to the Chairman, who may or may not forgive me, because we're having in the Finance Committee, which started 10 minutes ago, we're going to decide what to do about entitlements on, in health care. And that is a viciously nasty and important subject. So, I will have to leave. But I didn't want to come over to the Hill without stopping in to pay my respects to you, to the work that your people do—you have 200 people tucked away in Huntington, West Virginia who are working all

the time—and, you know, the difference that you make to Senator Begich’s part of the world is just indescribable.

So, I pay you my respects. I, we’ll do our very, very best to get every single dime that we can for you, because the Coast Guard deserves it. Your men and women deserve it. You deserve it. And we’re not in the habit of doing what we ought to be in the habit of doing.

So, with that, Mr. Chairman, I conclude my remarks, and thank you for your chairmanship.

[The prepared statement of Senator Rockefeller follows:]

PREPARED STATEMENT OF JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA

Good morning. As one of our Nation’s primary first responders, the Coast Guard is vital to our national security, economic security, public safety, and environment. When I turn on the television or read the paper, I often see the courageous acts of our Coast Guard men and women. Just last year they:

- saved more than 4,300 lives,
- seized more than 90 metric tons of cocaine bound for our streets, and
- interdicted more than 2,000 undocumented migrants on the high seas attempting to illegally cross our borders,
- in addition to countless other acts protecting and defending our homeland.

They did all of this last year, while leading the Federal response to the *Deepwater Horizon* oil spill, one of the worst environmental disasters in our Nation’s history.

Following the devastating earthquake in Haiti, the Coast Guard was the first on the scene—immediately provided rescue and relief, and again reinforced its motto of *Semper Paratus*, or “Always Ready.” These are truly remarkable accomplishments that underscore responsiveness, flexibility, and professionalism—all cornerstones of the U.S. Coast Guard.

As a nation, we depend on the Coast Guard to keep us safe and secure, but their ability to do that rests on their access to resources and other support necessary to perform their missions.

They can’t do things like respond to the biggest oil spill in U.S. history and a massive earthquake in Haiti; conduct search and rescue operations, and countless other things—all on a shoestring budget.

I am concerned that the Coast Guard does not have the necessary funding to do everything we expect them to do. An aging fleet of ships and aircraft need to be replaced, numerous shore units, including boat houses, are crumbling and the Coast Guard does not have the money to fix it.

I share Chairman Begich’s concerns that the Coast Guard’s limited resources are affecting its operations in our polar regions, which are vital to our national security and its traditional search and rescue operations.

I am concerned that the National Oceanic and Atmospheric Administration (NOAA), which is under the Subcommittee’s jurisdiction, is also underfunded and unable to fulfill its obligations to monitor our polar regions, especially weather. This will not only affect Alaska, but every community in our country because we all depend on accurate weather data.

The potential reorganization of the Department of Commerce has me deeply concerned that an agency as critical as NOAA will get lost in the shuffle and be placed in another department where it must compete for limited resources. Further, it will affect its ability to fulfill its vital mission.

The Coast Guard Authorization Act of 2010, enacted this past October, provided the Coast Guard the essential tools to successfully carry out its missions by improving its organizational flexibility, updating its command structure, and reforming its acquisition practices. I am proud of this legislation. And I look forward to working across the aisle and sponsoring another Coast Guard Authorization bill that will give the Coast Guard the crucial resources it needs to carry out its missions successfully.

Today, we welcome Admiral Robert Papp, Commandant of the U.S. Coast Guard. Thank you for your exceptional leadership in these challenging times.

Senator BEGICH. Thank you very much, Senator Rockefeller.

And, Senator Ayotte, do you have any opening that you would like to give?

**STATEMENT OF HON. KELLY AYOTTE,
U.S. SENATOR FROM NEW HAMPSHIRE**

Senator AYOTTE. I would just say thank you, Chairman Begich, for holding this hearing.

And, thank you, Chairman Rockefeller, Senator Lautenberg.

Admiral, I certainly just want to express my appreciation for your leadership, and our thanks to all the men and women who serve underneath you. And certainly, you have an important role to play in New Hampshire on our coastal waters, and with respect to our overall safety and national defense. So, thank you very much for coming before the Committee today, and I look forward to your testimony. And, thank you again for your service.

Senator BEGICH. Senator Lautenberg.

**STATEMENT OF HON. FRANK R. LAUTENBERG,
U.S. SENATOR FROM NEW JERSEY**

Senator LAUTENBERG. Thanks, Mr. Chairman.

And thanks, Admiral Papp, for your service, and all of your colleagues in the Coast Guard.

The motto of the Coast Guard, we need to be reminded, is *Semper Paratus*. It translates to "Always Ready." And in this agency, one of five branches of the American armed services, lives up to its motto each day. Very often I will see it from the window of my apartment, which is on the Hudson River in the town of Cliffside Park, and it would be a long way to wave, but I always salute them when I see them passing by.

Simply put, the men and women of the Coast Guard are America's eyes and ears on the seas, and the American people remain safe because of them.

It goes beyond, way beyond that. I mean, the fact that we have the kind of marine system that permits private access to the waters, that protects them. They're there for rescue. They're there for every, each and every cause. And they play a critical role in protecting our shores, especially in my home state of New Jersey, which remains a tempting—said by the FBI, the most tempting—target for terrorist attack in our country. So, we're concerned about the ability of the Coast Guard to continue to do the things that it's capable of as, we make the resource less complete.

So, it's not just that we're protecting the people there, the lives of the families. We have chemical plants. We've got all of these things. But, it also protects our economy. The Port of New York and New Jersey, the largest on the East Coast, handled more than \$140 billion in cargo last year. So, make no mistake—the brave men and the women of the Coast Guard are always there when we need them, and they never let us down.

Last year when a massive earthquake struck Haiti, the Coast Guard was there evacuating the injured, delivering supplies, and offering hope to victims. And when oil was gushing into the Gulf, the Coast Guard was there, working around the clock to contain the spill, clean up the mess, and save those communities.

President Obama recognizes the value of the Coast Guard, and his proposed budget takes positive steps to maintain the Coast Guard's readiness, including funding to modernize its aging fleet and bolster its ability to respond to disasters.

And I'm also pleased that the budget includes funding to rebuild the dilapidated Pier 4 at the Coast Guard's training center in Cape May, New Jersey. Now, this facility supports the patrol boats that protect our coastline, trains our Coast Guard recruits, and I hope that we can provide the resources the training center needs and deserves.

The fact is, the Coast Guard is constantly put at the back of the line for resources, constantly forced to do more with less. There are always new assignments coming out—whether it's manifests, whether it's channel identities, whether it's there and searching for contraband, or trying to stem the tide of refugees trying to gain our shores—it doesn't matter. The Coast Guard's always there.

And now what's happening, the House Republicans are trying to compound the problem by giving the Coast Guard even fewer resources. And I'd like to ask those in the House who represent districts in coastal states whether they'd like to individually see State X, Y, or Z with fewer Coast Guard personnel there. Well, I don't think it would pass the taste test.

And we need to help the Coast Guard replace its aging fleet, the program that funds port security grants. We've got to fight as hard as we can to defeat those cuts. And I look forward to hearing from our distinguished Admiral, Admiral Papp, on these cuts that would affect the Coast Guard's ability to be Always Ready when we need it.

And I wouldn't hold back if I was you, Admiral Papp. Thank you very much for your service.

Senator BEGICH. Thank you, Senator Lautenberg.

Admiral Papp, thank you very much, again, for joining us today, and having this opportunity to talk about your budget, and oversight on some of the needs that you have. Your opening statement.

**STATEMENT OF ADMIRAL ROBERT J. PAPP, JR.,
COMMANDANT, U.S. COAST GUARD**

Admiral PAPP. Thank you, Chairman Begich. It's always good to see you again.

Senator Lautenberg, always a pleasure.

I'm very honored that Senator Rockefeller came in to make a statement.

And, Senator Ayotte, welcome to you, and I'll look forward to seeing Senator Snowe when she arrives.

I want to thank you for the opportunity to be here today, and for your unwavering support of our United States Coast Guard—especially for our hardworking Coast Guard men and women. It continues to be my highest honor and privilege to lead these men and women, and represent them.

It has been just over a year since I assumed my watch as the Commandant, so even though my appearance before the Subcommittee today is labeled as a budget hearing, I also want to use this opportunity to tell you what we've accomplished, what our challenges are, and to do my most important job, which is to tell

you what the Coast Guard needs to continue performing all our challenging maritime missions.

So, first, what we've accomplished: we've performed our most important service to the country by sustaining front line operations. Our citizens witnessed the Coast Guard in action like never before this year, responding to the *Deepwater Horizon* oil spill and explosion. While we were conducting that unprecedented response, thousands of other Coast Guardsmen were performing all our other persistent missions, just like they're doing today.

The National Security Cutter *Bertholf* just completed her first Alaska patrol, a service which is vital to ensuring the sustainment of the Alaska commercial fishing industry, protection of its fishermen, and of our fishery stocks.

As I speak, the medium icebreaker *HEALY* has loaded a NASA science team at Dutch Harbor, and is sailing on Thursday for a 6-month patrol to study the impact of the changing conditions in the Arctic.

In the Arabian Gulf, 700 Coast Guardsmen, including six patrol boats and a Port Security Unit, are protecting the oil platforms that provide nearly all of the revenue of the country of Iraq.

And throughout the flood-ravaged Midwest, Coast Guardsmen are assisting to protect our citizens and their properties.

Now, shifting gear from operations to authorizations, we've used the authority that you so generously provided us in the 2010 Coast Guard Authorization Act to move forward with organizational realignment, acquisition reform, and mariner safety enhancement. We're continuing to steady the service by improving the way we deliver mission support to our operational forces; we've realigned headquarters directorates; we've established new logistics and service centers and base commands. These efforts will provide our operational forces with one-stop shopping for all their mission support needs.

Our acquisition program has also made great strides. We have a well-trained workforce who now has taken on the responsibility of systems integrator for all our acquisition projects. And we continue to implement our Marine Safety Performance Plan. We're building capacity and competency by providing direct officer commissions to Maritime Academy graduates. In fact, on Monday we commissioned 13 new Kings Point graduates as Coast Guard officers.

But there are challenges out there. As a prudent sailor, I have always kept a weather eye on the horizon, and today I see storm clouds forming. I'm well aware of our Nation's current economic and budget challenges, but our Coast Guard is also facing significant challenges.

Our most pressing challenge is recapitalizing our major cutter fleet—the high endurance and medium endurance cutters. Ships that were designed to last a quarter century are now approaching a half century of service life—50 years of waves, wind, and salt spray; 50 years of performing concentrated, punishing at-sea operations has taken its toll. We're losing hundreds of patrol days each year due to constant breakdowns.

When these legacy cutters are on patrol, they're less effective because they lack state-of-the-art systems. And, as a long-time ship

captain, it greatly concerns me that we're asking our Coast Guard men and women to sail aboard ships that were basically World War II-era designs. They deserve better.

Now, we've addressed block obsolescence of Coast Guard cutters before. Nearly 50 years ago, during a speech to a joint session of Congress, just a few hundred yards from where we sit today, President John F. Kennedy challenged our Nation to send an American to the moon. At the same time, Coast Guard naval engineers were busy designing the venerable 210-foot medium endurance cutters. The first of that class, the cutter *Reliance*, was commissioned just 3 years later.

In March 1969, just 4 months before the heroes of Apollo 11 landed on the moon, the Coast Guard commissioned the cutter *Morgenthau*—the eighth of our Hamilton Class high endurance cutters. *Morgenthau's* crew deployed a short time later to Vietnam. Forty-two years later, *Morgenthau* is still in service. But she struggles to serve our critical national security interests.

The newest of our Hamilton Class cutters, *Midgett*, which is 40 years old, recently entered a routine dock-side maintenance period. Excessive hull deterioration was discovered, so we're cropping out and replacing wasted steel throughout her hull just so she can be safe enough to sail. That's why we need at least eight National Security Cutters.

But, because of your support, I have some good news to report. We're making steady progress in replacing our 12 Hamilton Class cutters with eight National Security Cutters. Two of the planned eight NSCs—*Bertholf* and *Waeshe*—have been delivered. Builder's trials have started on the third—the cutter *Stratton*. And this Monday, the shipyard started cutting steel on the cutter number 4, the new Coast Guard Cutter *Hamilton*. And I expect to award the contract for the fifth NSC this summer.

But our fleet of existing medium endurance cutters—those 210s that I talked about, designed 50 years ago—by the time they're replaced, they're going to be 60 years old. This is why the Offshore Patrol Cutter is such an important project for our service. We're working to finalize the specifications on the Offshore Patrol Cutter and put out a request for preliminary design and construction proposals.

This momentum must continue. Gaps in funding recapitalization are costly; they jeopardize our ability to protect the nation's high seas and sovereignty. That's why I'm requesting over \$1.4 billion to continue our recapitalization effort, including funding for major cutters, fast response cutters, response boats, maritime patrol aircraft, and sustainment of our aging ships and aircraft.

The ice diminishing Arctic also presents a major challenge. An entire new ocean is emerging, prompting an increase in human activity, including commercial vessel traffic, eco-tourism, and exploration activities. We're in the process of conducting a High Latitude Study to inform our future needs, but we need to ensure we are preparing to meet our responsibilities in this fifth ocean the same way we've done and met them in the other four.

As I said in the beginning, my most important job is to tell you what I need. And today, I'm telling you that the Fiscal Year 2012 budget is the baseline budget for we need. We need every dollar,

every ship, every plane, every shore station that it funds. I've made some tough tradeoffs in this budget. I've directed management efficiencies and administrative reductions totaling over \$100 million. But I cannot afford to cut any more without jeopardizing our most valuable service to the nation—front line operations.

So, thank you for this opportunity to come up here and tell you about our needs and our challenges, and I look forward to answering your questions.

[The prepared statement of Admiral Papp follows:]

PREPARED STATEMENT OF ADMIRAL ROBERT J. PAPP, JR.,
COMMANDANT, U.S. COAST GUARD

Introduction

Good morning, Mr. Chairman and distinguished members of the Subcommittee. Thank you for the continuing support you have shown to the men and women of the United States Coast Guard.

I am here today to discuss the Coast Guard's Fiscal Year (FY) 2012 Budget Request. I would also like to take this opportunity to discuss the Coast Guard's value and role, some of our recent operations, including our response to the BP *Deepwater Horizon* Oil Spill, and the current budget environment.

For more than 220 years, the U.S. Coast Guard has safeguarded the Nation's maritime interests and natural resources in our rivers and ports, along our coasts, and upon the high seas throughout the world. Over the past year, Coast Guard men and women—active duty, reserve, civilian and auxiliaries alike—continued to deliver premier service to the public. They saved over four thousand lives, protected our borders by stopping the flow of drugs and illegal migrants, and performed admirably in response to the *Deepwater Horizon* oil spill.

The Coast Guard is an adaptable, responsive, military force of maritime professionals whose expansive legal authorities, geographic diversity, and robust partnerships enable it to perform a broad range of challenging maritime missions.

The Coast Guard's value and role:

- We protect those on the sea: *leading responses to maritime disasters and threats, ensuring a safe and secure maritime transportation system, preventing incidents, and rescuing those in distress.*
- We protect America from threats delivered by sea: *enforcing laws and treaties, securing our ocean resources, and ensuring the integrity of our maritime domain from illegal activity.*
- We protect the sea itself: *regulating hazardous cargo transportation, holding responsible parties accountable for environmental damage and cleanup, and protecting living marine and natural resources.*

The Coast Guard, working through DHS, led the Administration's response to the BP *Deepwater Horizon* oil spill, the first-ever Spill of National Significance. On the night Mobile Offshore Drilling Unit (MODU) *Deepwater Horizon* exploded, it was the Coast Guard who was first on scene, searching for those in distress and providing a Federal presence. Days later, when the oil began to gush from the damaged wellhead, the Coast Guard surged over 7,000 people, including members of the Coast Guard Reserve and Auxiliary, to combat the spill. Coast Guard members served in cutters and boats, in fixed and rotary-wing aircraft, and in the shore-side incident command system. The Coast Guard also leveraged its many partnerships to support the response. The Coast Guard's adaptive operational model allowed for the:

- Rapid establishment of a response organization to combat the spill, resulting in the recovery of 34.7 million gallons of oil-water mix, and in-situ burning of 11 million gallons of oil. These efforts assisted in the protection of the shoreline and wildlife.
- Deployment of 46 cutters and 22 aircraft. Surface assets included Medium Endurance Cutters (210-ft and 270-ft), Sea-going and Coastal Buoy Tenders (225-ft and 175-ft), Ice Breaking Tugs (140-ft) and Patrol Boats (179-ft, 110-ft and 87-ft). Air assets included Long and Medium-range Surveillance Aircraft (HC-130 and HC-144A) and Short and Medium Range helicopters (HH-60 and HH-65).



Fire boat response crews battle the blazing remnants of the off shore oil rig Deepwater Horizon. A Coast Guard MH-65C dolphin rescue helicopter and crew document the fire while searching for survivors on April 21, 2010.

While 2010 was another exceptional “operational year” by any standard, these operations further stressed existing aged and obsolete cutters, boats, aircraft and support infrastructure. Moreover, these extended surge operations strained workforce readiness due to increased op-tempo and deferred training. It is therefore imperative—even in the current fiscal environment—that we continue to invest in recapitalizing our fleet and enhancing support to our families.

FY 2012 Request

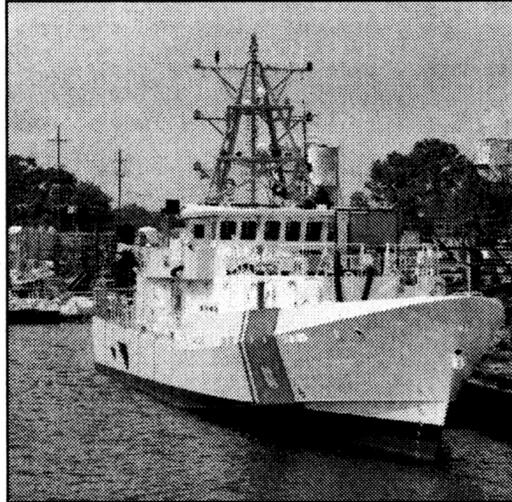
In Fiscal Year 2012, the Coast Guard will focus resources to advance strategic priorities. Through tough decisions and resource trade-offs, the Coast Guard’s FY 2012 budget leverages savings generated through management efficiencies and offsets, and allocates funding toward higher order needs that support front-line operations. These offsets and reductions will support implementation of the following FY 2012 budget priorities:

- Rebuild the Coast Guard
- Sustain Front-line Operations
- Enhance Maritime Incident Prevention and Response
- Support Military Families

Highlights from our request are included in Appendix I.

Rebuild the Coast Guard

The Coast Guard’s FY 2012 budget requests \$1.4 billion to continue recapitalization of cutters; boats; aircraft; Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems; and infrastructure to improve mission readiness by replacing aged, obsolete, and unreliable assets. The FY 2012 budget requests funding for 40 Response Boats and six Fast Response Cutters, as well as a sizable investment in the renovation and restoration of shore facilities. This budget also provides resources to ensure that the Coast Guard’s aviation fleet is mission-ready through the acquisition of two Maritime Patrol Aircraft, one HH-60 helicopter, and conversion and sustainment projects of multiple aircraft. Investment in Coast Guard recapitalization is essential to mission execution.



Response Cutter, the Bernard C. Webber, was launched at Bollinger Shipyards in Lockport, Louisiana (April 21, 2011).

Sustain Front-line Operations

To ensure the Coast Guard is able to meet the needs of the Nation, the FY 2012 budget balances resources between investments in capital assets, initiatives to sustain front-line operations, and measures to enhance mission execution. The FY 2012 budget requests \$67.7 million to operate new assets delivered through recapitalization programs and provides funding to support personnel and in-service assets. Moreover, funding is included to operate CGC HEALY and support the operational reactivation of CGC POLAR STAR. The Coast Guard plans to decommission CGC POLAR SEA in FY 2011 and transition her crew to CGC POLAR STAR, enabling orderly transition to CGC POLAR STAR and facilitating her return to operations in FY 2013.

Enhance Maritime Incident Prevention and Response

Coast Guard Marine Safety and Environmental Response personnel promote safe and efficient travel, facilitate the flow of commerce in the maritime domain, and protect our natural resources. The FY 2012 budget requests \$22.2 million to advance implementation of the Coast Guard's Marine Safety Performance Plan and Marine Environmental Response Mission Performance Plan.

During the response to the *Deepwater Horizon* oil spill, Coast Guard incident responders established and executed the Incident Command System to lead an effective, unified effort. The Coast Guard will enhance these core competencies in FY 2012 to keep pace with an ever-growing and evolving maritime industry and ensure continued proactive leadership to prevent disasters on the Nation's waters and remain ready to respond if they occur. Additionally, funding requested in the FY 2012 budget will assist in meeting Coast Guard Authorization Act of 2010 requirements regarding dockside examinations by adding examiners to improve fishing vessel safety.

Support Military Families

The Administration is committed to improving the quality of life for military members and their families. The health and welfare of families is the heart of operational readiness. The FY 2012 budget includes \$29.3 million to address critical housing shortfalls and improve access to affordable, quality childcare. These initia-

tives will ensure Coast Guard members are *Semper Paratus* for all hazards and all threats.

Conclusion

The demands on the Coast Guard remain high. As we have for over 220 years, we remain ready to meet the Nation's many maritime needs supported by the FY 2012 request. We will always fulfill our duties and obligations to the American people, true to our motto "Semper Paratus, Always Ready." I request your full support for the President's FY 2012 request. Again, thank you for the opportunity to testify before you today. I am pleased to answer your questions.

APPENDIX I—FISCAL YEAR 2012 BUDGET REQUEST

Rebuild the Coast Guard

Surface Assets

\$642M (0 FTE)

The budget provides \$642 million for surface asset recapitalization and sustainment initiatives, including:

- *National Security Cutter (NSC)*—The NSC is replacing the High Endurance Cutter class.
- *Offshore Patrol Cutter (OPC)*—Sustains initial acquisition work and design of the OPC. The OPC will replace the Medium Endurance Cutter class to conduct missions on the high seas and coastal approaches.
- *Fast Response Cutter (FRC)*—Provides production funding for six FRCs to replace the 110-ft Island Class Patrol Boat.
- *Response-Boat Medium (RB-M)*—Provides production funding for 40 boats.
- *Medium Endurance Cutter (MEC)*—Provides for operational enhancement of five MECs at the Coast Guard Yard through the Mission Effectiveness Program.

Air Assets

\$289.9M (0 FTE)

The budget provides \$289.9 million for the following air asset recapitalization or enhancement initiatives, including:

- *MH-60T*—Replaces one Jayhawk lost in an operational crash in 2010.
- *HC-144*—Funds production of two Maritime Patrol Aircraft and procurement of up to five Mission System Pallets and associated spare parts to complete outfitting of the fleet.
- *HH-60*—Funds service life extension and component upgrades for eight aircraft.
- *HH-65*—Funds sustainment of key components.
- *HC-130H*—Funds Avionics Upgrade and Center Wing Box (CWB) replacements.

Asset Recapitalization—Other

\$166.1M (0 FTE)

The budget provides \$166.1 million for the following equipment and services:

- *Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR)*—Deploys standardized C4ISR capability to newly fielded NSCs and MPAs, and develops C4ISR capability for the OPC. Interoperable and integrated C4ISR is essential to the efficient and effective operation of these assets.
- *CG-Logistics Information Management System (CG-LIMS)*—Continues development and prototype deployment to Coast Guard operational assets and support facilities.
- *Rescue 21*—Completes deployment at Sectors Lake Michigan, San Juan, PR, Honolulu, HI, Guam; and continues replacement of legacy VHF systems in the Western Rivers.
- *Interagency Operations Center (IOC)*—Deploys Watchkeeper Information Sharing capability to three IOC locations. Commences deployment of the sensor management capability; resulting in improved capability to see, understand, and share tactical information critical to security and interagency coordination in vulnerable ports and coastal areas.

Shore Units and Aids to Navigation (ATON)

\$193.7M (0 FTE)

The budget provides \$193.7 million to recapitalize shore infrastructure for safe, functional and modern shore facilities that effectively support Coast Guard assets and personnel:

- Cape May, NJ—Replaces a condemned pier critical to execution of patrol boat missions.
- Corpus Christi, TX—Implements Sector/Air Station Corpus Christi consolidation in order to properly hangar, maintain, and operate MPA and an enhance mission effectiveness.
- Chase Hall Barracks, New London, CT—Continues renovations at the Coast Guard Academy by modernizing cadet barracks.
- Commences construction of the #3–6 FRC homeports, C4ISR training facility, and continues modifications to Air Station Miami to accommodate new MPA.
- Station Memensha Boathouse, Chilmark, MA—Replaces the boathouse destroyed by a fire in July 2010 essential to supporting coastal law enforcement, security and safety operations.
- TRACEN Petaluma, CA Wastewater Treatment Plant—Recapitalizes and expands the capability of the Wastewater Treatment Plant to ensure compliance with environmental regulations.
- Station Fairport, Ohio—Recapitalizes multi-mission boat station, originally constructed in 1918, to facilitate current-day operations.
- ATON Infrastructure -Improves short-range aids and infrastructure to promote the safety of maritime transportation.

Personnel and Management

\$110.2M (794 FTE)

The budget provides \$110.2 million to provide pay and benefits for the Coast Guard's acquisition workforce. The budget includes additional resources to support the government-wide Acquisition Workforce Initiative to bolster the professional development and capacity of the acquisition workforce.

Sustain Front-line Operations*Pay & Allowances*

\$66.1M (0 FTE)

The budget provides \$66.1 million to maintain parity of military pay, allowances, and health care with the Department of Defense (DOD). As a branch of the Armed Forces of the United States, the Coast Guard is subject to the provisions of the National Defense Authorization Act (NDAA), which includes pay and personnel benefits for the military workforce.

Annualization of Fiscal Year 2011

\$53.9M (194 FTE)

The budget provides \$53.9 million to continue new initiatives begun in the prior year, including increased counternarcotics enforcement through enhanced Law Enforcement Detachment (LEDET) capacity and follow-on funding for new assets (e.g., NSC, FRC, MPA, etc.).

Surface and Air Asset Follow-on

\$50.8M (220 FTE)

The budget provides a total of \$50.8 million to fund operations and maintenance of cutters, boats, aircraft, and associated subsystems delivered through major cutter, aircraft, and associated C4ISR acquisition efforts. Funding is requested for the following assets:

- RB–M—Funding for maintenance, repair and operational costs.
- FRC—Operating and maintenance funding for FRCs #6–8 and funding for crews #9–10. These assets will be homeported in Miami and Key West, FL. Funding is also requested for shore-side maintenance personnel needed to support FRCs.
- NSC—Signals Intelligence Capability follow-on and Crew Rotational Concept implementation for three NSCs located in Alameda, CA.
- HC–144A MPA—Operating and maintenance funding for aircraft #14; support and maintenance of Mission System Pallets 1–12.

- C4ISR Follow-on—Funding to maintain more than 200 C4ISR systems deployed and delivered by the Coast Guard C4ISR Program.
- Helicopter Systems—Funding to operate and maintain communications and sensor systems for HH-60 and HH-65 helicopters.
- Asset Training System Engineering Personnel—Funding to support NSC and FRC training requirements at Training Center Yorktown.

Polar Icebreaking Program

\$39M (180 FTE)

The budget requests \$39 million in polar icebreaking budget authority. Funding will support the operation and maintenance of CGC HEALY and prepare for the operational reactivation of CGC POLAR STAR. The Coast Guard plans to decommission CGC POLAR SEA in FY 2011 and transition her crew to CGC POLAR STAR, enabling efficient transition to CGC POLAR STAR and facilitating her return to operations in FY 2013.

Critical Depot Level Maintenance

\$28.7M (0 FTE)

The budget provides \$28.7 million for critical depot level maintenance and asset sustainment for vessels, aircraft, and shore infrastructure. Funding will increase support levels for the 140-, 175-, and 225-foot classes of cutters, restore aircraft spare parts and provide sustainment for aging shore infrastructure.

Distress Alerting Satellite System (DASS)

\$6.3M (1 FTE)

The budget provides \$6.3 million to begin replacement of the Search and Rescue Satellite Aided Tracking (SARSAT) system with the Distress Alerting Satellite System (DASS). This multi-agency partnership also includes the National Aeronautics and Space Administration (NASA), the National Oceanic and Atmospheric Administration (NOAA), the U.S. Air Force (USAF). Recapitalization of the SARSAT system beginning in FY 2012 is critical to ensure no loss of coverage in distress notification and life saving response during the planned deactivation of the legacy SARSAT system.

Coast Guard Network Security

\$8.6M (0 FTE)

The budget provides funding for the Coast Guard to transition from its commercially provided Internet Access Points (IAPs) to DOD IAPs via the Defense Information Systems Agency (DISA) to ensure security of vital networks and meet cyber security requirements.

Enhance Maritime Incident Prevention and Response

Marine Safety Enhancement

\$10.7M (53 FTE)

The budget provides \$10.7 million and 105 personnel to implement the next segment of the Marine Safety Performance Plan by investing in Marine Safety Inspectors, Investigators, and Fishing Vessel Safety Examiners at Coast Guard Sectors. This initiative furthers the Coast Guard's efforts to achieve an appropriate mix of military and civilian personnel with the necessary skill-sets and experience to perform Marine Safety inspections and investigations.

Marine Environmental Response Enhancement

\$11.5M (44 FTE)

The budget provides \$11.5 million and 87 personnel to enhance Marine Environmental Response (MER) capacity. This initiative supports the Marine Environmental Protection Mission by providing funding for an MER Incident Management and Assist Team (IMAT) and increasing technical expertise and strengthening MER career paths at Coast Guard Sectors and Strike Teams. The request is the initial investment in the Coast Guard's initiative to improve mission performance in accordance with the MER Mission Performance Plan.

Support Military Families*Child Development Services*

\$9.3M (6 FTE)

The budget provides \$9.3 million to increase access to child care services for Coast Guard families with dependents under the age of 12, better aligning the Coast Guard with the Department of Defense (DOD) child care standards. Additionally, this request funds 12 new positions critical to ensuring continued accreditation of the Coast Guard's nine child development centers by the National Association for the Education of Young Children.

Military Housing

\$20.0M (0 FTE)

The budget provides \$20.0 million to build family housing units at Sector Columbia River and recapitalize the Air Station Cape Cod Unaccompanied Personnel Housing, the highest priority housing projects, critical to the well-being of military personnel and their families assigned to these geographic regions.

Decommissionings, Efficiencies, and Savings*High Endurance Cutter Decommissioning*

-\$6.7M (-92 FTE)

As part of its long-term recapitalization plan, the Coast Guard is decommissioning HECs as NSCs are delivered and made operational. The average age of the HEC fleet is 43 years and these assets are failing at an increased rate resulting in lost operational days and increased maintenance costs. The Coast Guard will decommission one High Endurance Cutter (HEC) in FY 2012.

PC-179 Patrol Coastal Decommissioning

-\$16.4M (-108 FTE)

The three remaining 179-foot Patrol Coastal (PC) vessels will be decommissioned per a January, 2007 Memorandum of Agreement (MOA) with the U.S. Navy. These vessels will be returned to the U.S. Navy in FY 2012.

Standard Workstation Help Desk consolidation

-\$6.9M (0 FTE)

Consolidates computer workstation support into two regional centers, eliminating 56 contractors.

Program Support Reduction

-\$13.6M (0 FTE)

Reduction in programmatic support across the Coast Guard including support reductions for: small boat replacement, reservist and contract support for audit remediation, innovation program funding, recruiting, and training opportunities.

Administrative Savings Initiatives

In FY 2012 the Coast Guard will seek efficiencies and make targeted reductions in order to sustain front-line operational capacity and invest in critical recapitalization initiatives.

Management Efficiencies

-\$61.1M (0 FTE)

Consistent with the Secretary of Homeland Security's Efficiency Review and building upon efforts in previous Fiscal Years, efficiencies will be generated by leveraging centralized purchasing and software licensing agreements, reductions in printing and publications, reductions in shipping and the transportation of things, reductions in advisory and assistance contracts, minimizing purchases of supplies and materials, office equipment consolidation, implementing automation and energy conservation/savings measures, and limiting government usage of commercial facilities.

Professional Services Reduction

-\$15.2M (0 FTE)

A reduction in professional services contracts for enterprise-wide mission support and operational support activities.

Non-Operational Travel Reduction

-\$10.0M (0 FTE)

A 25 percent reduction in Coast Guard-wide non-operational travel, including travel for training, professional development, conferences, and international engagement.

Senator BEGICH. Thank you very much, Admiral Papp.

What we'll do on this first round of questioning is do about 5 minutes each. And we'll, if I can start with a couple.

And, I guess the first is the broader question—First, just a side note on, because I didn't have this in any of my notes, and you made me think of something here. Can you tell me again, the mission in Iraq, what the Coast Guard has there? Just so I understand that mission.

Admiral PAPP. Yes, sir. The initial mission was to provide coastal patrol boats to guard the Iraqi oil platforms.

There are two platforms that sit very close to the border with Iran. They are, they have been—in fact, we lost one Coast Guard member in an attack on those oil platforms. The oil platforms provide about 90 percent of the revenue for the country of Iraq, so they can't afford to lose them.

Iraq, after the war, did not have the capacity to protect them, so we've been in the process of providing patrol boats, and the Navy and the Marine Corps were providing people on the platforms themselves. The Iraqis are transitioning to taking over the protection of the oil platforms, and Navy Central Command has asked us to continue to provide the patrol boats.

We've received overseas contingency funding for that through the Navy, to sustain that. And we intend at this point to continue meeting the Navy's needs over there, because they don't have the capacity, or the types of boats that are necessary for this.

Senator BEGICH. You, your second part of that answer was exactly where I was headed, was—and it sounds like the Navy's contingency money is utilized to help offset your costs. Is that right?

Admiral PAPP. Yes, sir. And it has been transferred to us two different ways. It has come either directly from the Navy—last year it was actually put in our budget. The OCO funding was put in our appropriation.

Senator BEGICH. Good. Let me ask you some general questions, if I can. First, I understand, and, on the POLAR SEA, which will be decommissioned this year, and the POLAR STAR won't come out until 2013, is there any advantage in putting the POLAR SEA in kind of a warm status while we're in this process of trying to get to 2013?

Admiral PAPP. Mr. Chairman, the entire budget is a balancing act, trying to sustain capabilities, trying to recapitalize. There's good news and bad news about this icebreaker situation. The bad news has been, the Coast Guard didn't have the money in our budget to sustain the icebreakers, and I think that's part of the reason we find ourselves where we are.

The good news is, we're getting the money back in our budget, but the President's proposed budget only gives us money to sustain POLAR STAR—the one that's in reactivation right now—and HEALY, our medium icebreaker, which is fully active. We had to make some very tough decisions within the limited amount of

money we have, and in my judgment, the best thing is to decommission POLAR SEA, and devote all our resources into POLAR STAR, so that we can get another, hopefully, 10 years at least out of POLAR STAR until we come up with a long-term solution to our Nation's icebreaker solution.

Senator BEGICH. If you had the resources, would there be a value with the POLAR SEA, to put it in a warm status, or at least have a capacity?

Admiral PAPP. I——

Senator BEGICH. Or, is it just too far gone that it's not——

Admiral PAPP. Oh, no, sir. POLAR SEA is in a sound condition right now, with the exception of her engines. There was a major engine overhaul that was done which failed. So right now, rather than invest in Polar Sea to restore all those engines, we're transferring that money and funding over to POLAR STAR because we think—I think that's the best investment at this time.

Senator BEGICH. OK.

Admiral PAPP. In an unconstrained resource environment, I'd love to have the money to keep POLAR SEA going as well. The hull is sound. The engines need to be overhauled, and I think, at a minimum, I believe at a minimum—this is my personal opinion—the country needs at least two heavy icebreakers. Studies show us, varying numbers, that the Nation should have. If I had all the money I wanted to have, I would certainly keep POLAR SEA going. But I'm faced to make some tough decisions in this budget.

Senator BEGICH. Could you at some point—not right now, but maybe get me an analysis of what that would take, to take the, next, as for engines?

Admiral PAPP. Yes, sir.

[The information requested follows:]

Approximately \$14–15 million non-recurring funding to complete the necessary Hull, Mechanical & Electrical (HM&E) work and an additional \$30 million annual recurring funding for crewing and asset Operations & Maintenance (O&M) are required to return POLAR SEA to operational status. Operational status is defined as the ability of the cutter to deploy for a polar mission. Based on the most recent long lead time parts delivery dates, it is estimated that this work would approximately 24 months to complete from the receipt of funding.

Required HM&E work to return POLAR SEA to operational status would entail:

- Main Diesel Engine Repairs: \$4.5 million
- Machinery Control And Monitoring System Upgrade: \$1.0 million
- Central Hydraulic System Removal and Cargo Crane Renewal: \$4.0 million
- Miranda Davit Install: \$1.5 million
- Open Loop CPP System Conversion: \$3.16 million

Bringing POLAR SEA to operational status would also have significant impacts to the current POLAR STAR reactivation project due to limited supply of critical parts and long production timelines for diesel engine parts that would have to be allocated across both assets. Additionally, the specialized workforce necessary to reconfigure the engines would also have to be balanced across both assets. The required work listed above would return POLAR SEA to operational status but would not significantly enhance reliability. POLAR SEA's projected end of service life would remain at the end of 2014, which means escalation of reliability concerns and maintenance costs would continue unless a Service Life Extension Project (SLEP) was performed.

Senator BEGICH. OK. Also, you have done, or, you, the Coast Guard has done a High Latitude Study, basic, for Alaska. Can you tell me the status and where that's at? I know there's great debate,

and I know you've done surveying and so forth, and some testing up in the north. Can you tell us what the status of that is, and when we might see that report?

Admiral PAPP. We're—

Senator BEGICH. Or, will we see that report? Let me ask you that.

Admiral PAPP. Yes, sir.

Senator BEGICH. Good.

Admiral PAPP. I'm very optimistic right now. If you'd asked me a couple months ago, perhaps not as optimistic. But, right now, we're working with the administration, developing a cover letter that will go on all three volumes. And I expect that that will be released sometime before the fall so that we can fully analyze it.

Senator BEGICH. Let me end there with my questions. I have some more, so maybe on the second round. But, I want to let you know, in the state legislature in Alaska, they've allocated I think just shy of \$2 million. We'll see if the Governor vetoes it or not. But, if it stays it, it is to start examining deepwater ports up in the northern region, which I think could be complementary to the efforts that you want to do, and maybe some local dollars to assist. So, I just want to flag that. I told them the same thing. Based on the study, we may want to explore some opportunities with their resource, too.

Admiral PAPP. Yes, sir. I'd love to talk more about Arctic infrastructure. Yes, sir.

Senator BEGICH. Excellent. That's my second round comment, so don't worry.

Senator AYOTTE.

Senator AYOTTE. Thank you, Mr. Chairman.

Admiral, I had a brief follow-up on the mission that you're conducting in Iraq right now, of providing security for the oil platforms that are critical to the Iraq economy.

I also serve on the Armed Services Committee, and from the testimony we've had before that committee from our military leaders over the last several months, there has been concern expressed about the withdrawal date at the end of December for our military.

Do you know, would you be included in that withdrawal date in terms of Coast Guard operations of guarding those platforms?

Admiral PAPP. We would not be included. That doesn't include all military. Central Command—and I've talked to General Mattis about this. They have an ongoing need for our niche capabilities.

The Iraqis—there are two levels of defense. There's the people on the platforms themselves; then there are the patrol boats that, they guard the perimeter. And while the Iraqis have bought patrol boats, their crews have not been trained to the level where they're able to take it over right now. So, the Central Command has sustained their request, or, kept their request going for us to keep our patrol boats over there to fill that niche. And I expect that that funding will keep, continue coming.

Senator AYOTTE. So, you would anticipate, Admiral, that the important security function that the Coast Guard is performing would actually go. Because, as you know, the agreement we have with the Iraqi government, which, I think there have been some discussions about perhaps extending, because we've heard on several fronts

that they're—not just in this area, but in other areas, they're just not quite ready in some instances to take over their own security. So, in your opinion, your mission would extend, regardless of those agreements?

Admiral PAPP. Yes, ma'am. That's true. The Central Command, even though we're pulling forces out of Iraq, the Central Command, of course, has ongoing missions there in the Arabian Gulf region—

Senator AYOTTE. OK. Thank you very much, Admiral. I appreciate that.

And then, the other follow-up I had is, I appreciate that the Coast Guard falls underneath the Department of Homeland Security, as opposed to the Department of Defense. The President announced not too long ago that he was going to ask Secretary Gates, and now Secretary Panetta, to look at—as you know, Secretary Gates undertook an efficiency initiative, just as you've described that you've done in the Coast Guard budget—that he would be looking at, perhaps, as much as \$400 billion of additional cuts.

Has there been discussion of whether the Coast Guard would be part of that analysis? Or would you be separate? I didn't know if you had already been asked to look at that. Because it's obviously a pretty significant level of cuts to our Defense over the 10-year period.

Admiral PAPP. Senator, that's a great question. And this is where people like you, that maintain these relationships between Armed Services and our authorization committee are very important. Because a lot of people don't understand that the National Defense Authorization Act, which governs military pay, benefits, et cetera, applies to the Coast Guard as well. And sometimes people forget that as we go along. So, there are impacts on the Coast Guard budget that are determined by decisions made by the Armed Services Committee.

The good thing is that—and this is one of the beautiful things about the Coast Guard—is, we provide a bridge between the Department of Homeland Security and the Department of Defense. I sit in on all the Joint Staff meetings. I was over there on Tuesday sitting in with all the service chiefs, Chairman Mullen, and the combatant commanders, and addressing these efficiencies that are being developed, and analyzing the impacts on the Coast Guard as well—and also being mindful of what the Department of Defense may not be able to provide back to Homeland Security in the future, as we go through these budget reductions over the next dozen years or so.

Senator AYOTTE. Well, I do appreciate that you are being included in those discussions, because you obviously perform a very important defense function for our nation as well. And thank you for providing that insight on the relationship between what we are doing in the NDAA and the Coast Guard.

One of the things I look forward to hearing from you going forward, serving on both committees, is, I also am the Ranking Member on the Readiness Subcommittee on the Armed Services Committee. I just want to make sure that we don't get in a position that we have been in, in prior times in our Nation's history, where, when we are drawing down, for example, from Iraq and Afghani-

stan, that we don't hollow out the forces in a way that jeopardizes our readiness for protecting our country.

So, these are issues that I look forward to continuing to talk with you about. I'm very glad that you're being included in those discussions.

Admiral PAPP. Yes, ma'am. Thank you.

Senator AYOTTE. Thank you.

Senator BEGICH. Senator Lautenberg.

Senator LAUTENBERG. Mr. Chairman, and Admiral, if I can stop the coughing, I'll finish my questioning. But if I don't, I'll ask you to respond to my questions via the communications——

Admiral PAPP. Yes, sir.

Senator LAUTENBERG.—list and respond that way.

It's peculiar for me to be talking about the aging ships that are only 40 years old.

[Laughter.]

Senator LAUTENBERG. And we had the privilege of inaugurating the services of the, I think one of the last cutters built in Rhode Island at the very famous yard there. My daughter and I gave a present to the Seaman of the Year that is on a constant basis. But, anyway, I've got the Semper, but I'm not sure I've got the Paratus today.

So, House Republicans dangerously slashed funding that would support port securities by 55 percent below this year's level. According to the FBI, New Jersey, as I mentioned, is most at-risk, the most at-risk area for a terrorist attack in the United States.

What kind of an impact would cuts to port security grants have on security efforts at high risk ports, like the Port of New York and New Jersey?

Admiral PAPP. Well, as you know, Senator, I don't control the money for the port security grants. That ultimately ends up with FEMA. But, we do have a chance to comment on those at our Captain of the Port level. As the ports prepare their proposals for funding through the grants, our Captain of the Ports add comments to that, and sort of rank order them as they go along.

I know there's some concern, particularly in the Port of New York—I just got a letter from Commissioner Kelly that I'm responding to right now. He has some concerns about the shortfalls there.

What I can say is that, I think, part of the strength is that we are all working together. We all are communicating together. Our Captain of the Port up there meets with the Area Maritime Security Committee, brings all those people together. And increasingly, as we go along in these constrained budget times, we're going to have to rely upon our partnerships to be force multipliers up there. And I think the Port of New York, in particular, has a very strong partnership. And I'm comfortable where we're at in terms of the resources for providing security there.

Senator LAUTENBERG. All right. I just don't want cuts to impair the vigilance that's required there.

So, we noted that reports discovered at Osama bin Laden's compound reveal that al-Qa'ida discussed plans to attack oil tankers bound for U.S. ports. Now, what does the Coast Guard do to re-

spond with additional measures to secure our ports in light of these new threats?

Admiral PAPP. Well, sir, we use a layered security effort. It starts overseas. We have—the three layers are basically, regulatory, and cooperation with other countries internationally, and placing inspectors from the Coast Guard that inspect the security efforts' compliance with an international ship and port security code in the ports if they are going to trade with our country. That's our first layer of defense—making sure that other countries are applying the right security efforts overseas.

Then you have an intermediate layer, which are our major cutters—the high endurance, medium endurance cutters that I was talking about—that can range out to the limits of our exclusive economic zone, intercept ships coming in, and provide escorts or boardings for security before the ships arrive at our ports.

And then finally, the last layer is our coastal patrol boats, our stations, our deployable specialized forces that we can move around from port to port, that provide the security within the ports themselves.

The first and third layer I'm comfortable, confident with, and we have, I think, resourced properly. The challenge we face are those ships that should be out there with a persistent presence that are now approaching 40 years old. And I understand your comment, sir. And oftentimes we throw this thing about them being 40 years old or 50 years old out there, and most Americans, they don't have a context for understanding there.

Senator LAUTENBERG. Absolutely.

Admiral PAPP. And what they need to know is that engineering-wise, these ships were designed to go about a quarter century, and we've far exceeded that. The example I like to use is, my home, which I bought 20 years ago, and I'm replacing heating systems, I'm replacing air conditioners, I'm replacing wiring, and other things that—and a roof, because of 20 years of use. Well, these ships have had 40 years of hard use in a very unforgiving environment, doing some very challenging things, and now we're losing effectiveness, efficiency. They're falling apart. And we need better tools for our people to provide that intermediate layer of security.

Senator LAUTENBERG. Are you prepared, if asked, to give specifics, situations, that would really cause an impairment in your ability to provide the services that are requested? There are always new things, whether it's oil spills, trash dumping—so many things that they, get—Mr. Chairman, that the Coast Guard is asked to do. And they do it courageously, they do it skillfully. And it's just a question of how much juice you can squeeze out of a melon, without it, not having anything left.

And I want your people to understand one thing: They carry enormous pride for our country, though not as visible as some of the other services. But the fact that you are really Semper Paratus, that you're there, always ready. And it amazes me that, whatever the crisis is, somehow or other the Coast Guard finds a way to get there. And I salute you, and I ask, tell your people that, keep up the good work, and let's us try and do what we can to provide you with the resources that are necessary.

Thank you very much for being here.

Admiral PAPP. Thank you, Senator.

Senator BEGICH. Thank you very much, Senator Lautenberg.

I'm going to ask just a couple quick questions, and then I'm going to turn it over to the Ranking Member for her opening statement and questions that she may have.

So, Admiral Papp, I have one—I'm sitting here as you were commenting to Senator Ayotte, you know, I sit on Homeland Security, I'm here in Commerce, and Department of Defense Armed Services. So, it's kind of an interesting—you're right. You are a kind of a bridge between all this. And it's interesting to see that.

Let me, you know, Homeland Security in their budget—and I'm not going to, I don't want to put you too much in a box here—but, if feel uncomfortable answering, just tell me. But, they've asked for another \$5 million in their 2012 budget to study icebreakers, the need of icebreakers.

You know, what I've learned about the Federal Government—we study a lot of stuff, and then we usually, 5 years later, we study it again, because we got, the study is old, and we didn't implement it. So, my gut tells me it's not worth the money; we should put that into what we know. We know we need a minimum, as you stated—and I think you're right on, I think minimum is the right word—at least two operational, large-scale icebreakers, at minimum.

Is it wise to put, to do another study on what our need is? I understand—and I don't want to, you know, I don't want to get you in any trouble here with Homeland Security, but I'm just, it just seems like, there's \$5 million sitting there to—I know it's not a lot in the big picture, but \$5 million to the Coast Guard is a lot of hard cash you could put to operational resources.

Admiral PAPP. Well, Senator, I think when you see the High Latitude Study, it's going to offer a range of options. And oftentimes when you array the range of options, particularly within a constrained budget time, it causes a lot of people to choke. I mean, I've never seen any study over the course of my career, which now spans about four decades, that does not call for more Coast Guard.

Senator BEGICH. Right.

Admiral PAPP. So, let's just accept the fact, or, I accept the fact that we don't have enough Coast Guard to do everything that we do. But, on the other hand, we have to be good stewards of our country's money, as well. And it's tough to live within the constraints that we have.

Having said that, I think the High Latitude Study will show a need for a range of icebreakers.

Senator BEGICH. Yes.

Admiral PAPP. Now you've got to decide—OK, what can the country afford, what do we want to build, and who's going to operate them? And so, I think the \$5 million is probably well spent if there is a focus for where that report would go. And—

Senator BEGICH. So would—if I can interrupt you for a second. Very good. That's why you're the Commandant. And, let me say, the Latitude Study, which is in process now, and just really about to be released, can I say this, from what you've just stated—that once we see that, it will draw multiple conclusions and pathways, some small, some medium, some large, where policymakers need to make a determination. Then the question is, utilizing that \$5 mil-

lion to get it going, whatever that pathway is, is really of a high value.

Now, I'm not going to use the word "study" here, because what I am hearing you carefully say is that the High Latitude Study will tell us a lot about icebreaker needs. At varying pathways. The question is, then, in these limited dollars we have, how do we utilize it? And our job here—and I'll just say, is that 5 million worth an additional study to get one step further? Or is it to say, this is the pathway, let's start putting some money toward it and go down the track?

Admiral PAPP. I think the——

Senator BEGICH. Is that a fair——

Admiral PAPP. I think you're exactly right, sir.

Senator BEGICH. OK.

Admiral PAPP. Clearly delineating where that money would go, and what the end result should be, which is a clear and definitive answer, what this Nation wants to do in terms of recapitalizing its icebreaker fleet, or a decision that we're not going to do it. But——

Senator BEGICH. Understood.

Admiral PAPP.—we're behind the power curve right now in terms——

Senator BEGICH. Absolutely.

Admiral PAPP.—of taking action.

Senator BEGICH. And I know you've done this for my staff. It's—or, one of your folks, some time ago. And I'm wondering if you could do this for the Committee. And my bet is, I'm a sure a committee staff will lean over and say, "We have that already." But, just in case, I'll just echo it again. As you've talked about all the different ship needs you have, is there a simple spreadsheet, you know, an Excel spreadsheet, or some sort of spreadsheet that says, here's what we have, here's what's going to replace, and here's what we need, which is going to show a gap, is my bet. And if that hasn't been produced, maybe that's a later discussion. But, at least those first two columns by class, and then how long it takes. Because I know on one of them there is a lay of the land of how it looks long-term. But, the real question is that next column. And I know that's one that, knowing—I've worked in the administration before, not the Presidential here, but in the mayor's office when I was mayor, we always do that last column. It doesn't necessarily show up in the legislative body process, because OMB takes it off and says, don't talk about that. So, can you do at least those two? And maybe the third we could have a discussion on at some point?

Admiral PAPP. Oh, absolutely. And I think——

Senator BEGICH. You understand what I'm asking for.

Admiral PAPP. Yes, sir. I certainly do.

Senator BEGICH. OK.

Admiral PAPP. And, column 1 and column 2 are very easy to come up with. Column 1—column 2 is going to be less than what column 1 is.

Senator BEGICH. Yes.

Admiral PAPP. And certainly, column 3 would be much more.

Senator BEGICH. Right.

Admiral PAPP. And, I think that's the challenge. We've done, in fact, we're in the midst right now, the Department has asked us

to do a cutter study to sort of refocus the balance of ships that we're building right now. And it's one of those things, and once again, even if you give it to a third party, the numbers that you come up with to have the Coast Guard do all of its jobs all the time——

Senator BEGICH. Right.

Admiral PAPP.—are something to choke on.

Senator BEGICH. Yes. I——

Admiral PAPP. And I think that's why we have a hard time gaining traction, getting these reports forward. They always come back showing we need more.

Senator BEGICH. Right.

Admiral PAPP. So, the challenge I'm faced with is, I've got a top line at the end of the day that I've got to fall within, and we're doing our best to meet that. And that's why we need sustained funding in our acquisitions.

Senator BEGICH. Well, if you could do that, I'd love the third column. And then, if OMB harasses you or whatever, you can say we asked for it.

Admiral PAPP. Yes, sir.

Senator BEGICH. Because I really, I think that's, for us it's important to see that. Now, it may not mean we ever get there. But if we don't know what that—to do what you're required to do, as Senator Lautenberg laid out, we need to know what resources you need, and then we have to make a broader policy discussion in our budgets of what's the right allocation. But if we don't know what that end is, we don't know if we're really fully, if we're at 70 percent of your mission, 60 percent, 80 percent. So, if you could provide that to the Committee, that would be great.

Admiral PAPP. Yes, sir.

[The information requested follows:]

The information requested is provided in the table below.

Legacy Assets Before Deepwater Program Started	Quantity at the End of FY 2001	Current Quantity as of June 2011	Major Replacement Assets ^(A)	Quantity Planned When Deepwater is Completed ^(B)
<i>Surface</i>				
High Endurance Cutter (378')	12	10	National Security Cutter (NSC)	8
Medium Endurance Cutter (282')	1	1	Offshore Patrol Cutter (OPC)	25
Medium Endurance Cutter (270')	13	13		
Medium Endurance Cutter (230')	1	0		
Medium Endurance Cutter (213')	1	0		
Medium Endurance Cutter (210')	16	14		
Patrol Boat (110')	49	41	Fast Response Cutter (FRC)	58
<i>Aviation</i>				
HC-130H	30	22	HC-130H Long-Range Surveillance Aircraft	22 ^(C)
		6	HC-130J Long-Range Surveillance Aircraft	
HH-60	40	40	HH-60 Medium Range Recovery Helicopter	42
HH-65	93	101	HH-65 Multi-mission Cutter Helicopter	102
HU-25	41	13	Maritime Patrol Aircraft (MPA)	36
			Unmanned Aerial System (UAS)	TBD

Notes:

^(A) Does not include Mission Effective Projects (MEP) for the Medium Endurance Cutters/Patrol Boats and Cutter Boats.

^(B) Based on Acquisition Project Baselines (APB).

^(C) Combined LRS program of record—final mix of C-130H/C-130J TBD.

Senator BEGICH. Thank you.
Senator Snowe.

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

Senator SNOWE. Thank you. Thank you, Mr. Chairman.

And, welcome, Admiral Papp. I am sorry that I wasn't here for the opening of the Subcommittee session. Unfortunately, I was called to testify on regulatory reform, and that was important.

I appreciate, Mr. Chairman, your leadership, and for convening this hearing to discuss the future of our nation's most versatile branch, the Coast Guard.

And I welcome you, Admiral Papp, and your leadership.

As you know, from your visit there last year, prior to your confirmation, I came from a state truly reliant on the ocean for com-

mercial and recreational uses. And so, the Coast Guard becomes paramount in that regard.

You probably have already had a very frank discussion about the administration's acquisition budget, which seeks 8 percent less than in 2010, and an operations budget reflecting a 3.9 percent increase over last year, and whether or not that's adequate to meet both the anticipated, as well as the unpredictable, needs and requirements of an increasingly complex maritime world. The Coast Guard is tasked with sweeping mandates, and, as we well know.

In 2010 we were reminded again of the tremendous range of the Coast Guard's capacity as it patrolled the nearly 3.4 million square miles of the exclusive economic zone. Last year alone, the Coast Guard saved over 4,000 lives, inspected over 21,600 shipping containers, interdicted over 2,000 illegal migrants, and prevented 300,000 pounds of illegal drugs and millions of gallons of oil from reaching our shores.

And despite the Coast Guard's numerous successes, the agency continues to confront the challenge of doing more with less. And so, it is reminiscent of the past in so many instances, where we've had to discuss the fact that the Coast Guard has been asked to do so many things with a budget that's truly constrained.

This budget reflects some significant points of concern, including a \$115 million reduction in the acquisition budget, a \$15 million reduction in defense readiness. In these increasingly difficult economic times, government programs must strive for maximum efficiency, but, hopefully, not at the expense of the safety and security of our Nation.

Two thirds of the 2012 budget request would support operating expenses, but the fact is, we have an aging fleet, so long-term capital spending cannot be overlooked. The high endurance cutters—one of which would be decommissioned under this budget proposal—the average age is 40 years.

In the future, the Coast Guard assets and personnel are likely to be more often in demand, rather than less. Whether it's piracy, environmental disasters, and growing security responsibility in the Arctic, there are ongoing threats that must be factored into the budget decisions. While the Coast Guard has continued to fulfill these missions, we cannot expect them to operate indefinitely with vessels approaching 30, 40, and in some cases, even 50 years of service. I am sure you have already touched upon this today, as well: for example, in the Arctic, increasing shipping traffic, search and rescue responsibilities, and resource exploration is demanding more of the Coast Guard. Yet, polar ice breaking capacity has been reduced to just one vessel, the HEALY, which was commissioned in 1999—a vessel primarily intended to support scientific research, rather than provide a heaviest ice breaking support in the polar regions.

Admiral Papp, your agency's budget request appears to strike a balance, meeting the Coast Guard's critical operational requirements while reducing costs through administrative efficiencies and offsets. But this committee also needs to understand specifics from you regarding the tradeoffs that also have been made in that regard. For example, further delay in the delivery of the High Latitude Study means more time will elapse before we're able to pro-

vide you with the tools that you will require to respond to emerging issues, such as resource claims and new passageways in the Arctic.

Painting that clear picture will also allow us to better set priorities in how scarce resources are going to be spent. Earlier this week, a Department of Homeland Security Inspector General report outlined a series of violations that occurred between 2004 and 2009 in the Response Boat-Medium acquisition program. While it was a positive indication that the Coast Guard detected the issue and initiated action in response, and recognizing that these problems occurred prior to your watch, Admiral, I raise this issue to underscore the point that, in this budget climate, it becomes even more imperative that we consider the impact of every dollar.

The common theme emerging is that for years we've asked the Coast Guard to save American lives and natural resources on a shoestring budget. The level of service we have received in return for our investment, from the unprecedented response to last year's oil spill, to the safety net of security that blankets our nation's port, has been nothing short of heroic. So, we cannot continue to heap mission upon mission onto the Coast Guard without increasing its resources, and expect those critical tasks to be carried out with the same degree of effectiveness upon which we rely and depend.

So, I appreciate, Commandant, your leadership, and those of the men and women in the Coast Guard, because they truly are a remarkable force. And I appreciate all that you are doing.

Senator SNOWE. Let me just follow up with a first question on this report that was issued by the Inspector General. Can you respond to it? We have had this issue in the past, prior to your tenure, and I think it's very important to make sure that we get this acquisition program on the mark. With the Coast Guard Reauthorization Act, we did try to address many of the issues that had occurred in the previous acquisition process.

I understand the acquisition workforce vacancies had been reduced from 20 to 13, from April to November 2010. In April 2011, a GAO report found that within your agency, program managers were concerned about not only the ability to fund these positions, but also the ability to fill vacancies depending on where they fall in the management structure.

Has this been addressed? And does it affect the acquisition process for the Response Boat-Medium fleet?

Admiral PAPP. Yes, ma'am. The analogy I like to make about our acquisition workforce is, if you go back to the mid-90s, where we were going through constant budget reductions every year, part of the thing we did was, we gutted our acquisition workforce. There wasn't the work for them to do, first of all, and we couldn't afford to maintain them. We were only getting a couple of hundred million dollars a year for acquisitions back then.

After September 11, or, September 11, 2001, occurred, all of a sudden we started building up, going up to three quarters of a billion dollars, then over \$1 billion. And so, it was like trying to overhaul an engine in a race car while you're in the middle of a race. We're bringing on new people, we're trying to fill vacancies. And at the same time, every other agency in the Washington, D.C. area

was trying to hire acquisition professionals, because everybody else was building up, as well.

It was a hard job for us. We know we made mistakes along the way. Part of the reason we've done better is because of the oversight of this subcommittee in putting the pressure on us to make sure that we comply. And, as I sit before you here today, I will tell you, I am very proud of our acquisition workforce. I've seen the growth and development.

Five years ago, I was Chief of Staff of the Coast Guard. We brought in then Rear Admiral John Currier, who headed up our acquisitions. He got with the Defense Acquisition University. We brought in experts. We hired people away from NAVSEA and brought them in to—civilians—to bolster up our program. And we're seeing the benefits of that right now.

Part of the, the down side of those benefits of getting a professional workforce is, you start discovering things that you did wrong. And we self-reported on this ADA violation because it's the right thing to do. We took corrective action on it, and I'm hopeful that it will not happen again. But, as I talk to some of our old professionals that have been with us for a long time, they say, wow, I did that years ago, and I never got caught on it, or, I never knew I was doing it.

It's all a process of educating, getting a better educated and trained acquisition workforce, and we've been working very, very hard at that—to the point now where I'm very proud that we uncover the problems before other people do. Of course, there are reporting requirements that we have to comply with. We've done that. The IG has investigated it. We have squared away that situation. People have been let go. And we're moving on now.

Senator SNOWE. And so, how many vacancies do you have currently in the program?—

Admiral PAPP. Ma'am, I'm sorry, but I don't know the exact number of vacancies. But we're continuing to hire and, in fact, in this budget we continue to open up a number of other positions as well. Our vacancy rate is very low now. But, I'd like to get the exact number to you for the record.

[The information requested follows:]

As of June 23, 2011, the Coast Guard Acquisition Workforce vacancy rate was 13.0 percent. This equates to 131 vacant positions out of a total of 940 positions within the workforce.

Senator SNOWE. I appreciate that. And so, all the remedial action has been taken on the 20 deficiencies that were cited in the report?

Admiral PAPP. Yes, ma'am.

Senator SNOWE. Thank you. Last year, as you know, in Congress we passed the Coast Guard Reauthorization Act which addressed some ongoing concerns about the acquisition management process. The reforms, I know, are ongoing in your agency, and have been over a period of time, to address what happened to the National Security Cutter.

One of the issues is this full-funding requirement rule by the OMB. How does the inability to expend funds for long lead materials for the National Security Cutter. How is that going to affect the process? Have you discussed that here today?

Admiral PAPP. We haven't discussed it. It presents us with a challenge, because in past years we have received, for instance, funding for long lead materials.

What we do know is that, as much money as you can put up front, it reduces your long-term costs in terms of getting these things built. The longer you press things off to the right, the more expensive these things are going to be able to build. And trying to order one unit at a time, having all the funding in 1 year, presents us with a challenge, because then the shipbuilder, to cover itself, will increase its prices in order to take care of that uncertainty of perhaps not having a follow-on ship as well.

So, part of the challenge that we faced—I wanted to put NSC number 6 in the 2012 budget, but when we finally negotiated our fixed-price contract for numbers 4 and number 5, we had to ask for additional money in this year, which would not have allowed us to fit all of the money for number 6 in this budget year.

I'm very grateful to the Congress for providing all the money in the 2011 budget so that we could award NSC number 5 this summer. But now, unfortunately, it looks like we'll be delayed in follow-on orders for 6, number 6, until the 2013 budget.

Senator SNOWE. Until the 2013. So, you'll be off by one or 2 years on that scale?

Admiral PAPP. Well, one from where I wanted to be right now. So, and of course, you probably incur some additional costs as well, as you move that further to the right.

Senator SNOWE. Yes, I know. That is one of the things we tried to resolve with the *Deepwater* acquisition program reforms, was to make sure you received the money in a given year so that you can move forward.

Where does the recapitalization of the medium endurance cutter stand? Those are vessels are approaching 50 years of age. And you also have included \$25 million for the pre-acquisition of the Off-shore Patrol Cutter in this year's budget?

Admiral PAPP. Yes.

We're getting into the design—we've put out the request for proposals for the preliminary design right now. We'll be looking at multiple preliminary designs. So, this money covers the review of those, and then ultimately we down-select to one design 2 years from now, and then hopefully have money in the budget 3 years from now to start construction.

Senator SNOWE. So, the commissioning is still scheduled for 2014?

Admiral PAPP. No, ma'am. We won't see that in 2014. It would be probably 2015 before we actually award and start cutting steel. But that may even slip into 2016, depending upon the progress we make with the National Security Cutter. Obviously, we have to get the National Security Cutter out of the way so we can make room for the OPC.

Senator SNOWE. How does that affect your mission requirements?

Admiral PAPP. Well, it affects my mission requirements, or because the, we're losing effectiveness of the ships that are in existence. Two things—

Senator SNOWE. You're having to do the, all the maintenance?

Admiral PAPP. Exactly. We're getting about 75 percent of the desired days out of our high endurance cutters now because of breakdowns. And when we do have breakdowns, because the equipment is old, sometimes companies have to re-manufacture parts that they don't, they no longer hold in stock. It costs us more and more each year.

So, we talked about the 1 percent increase in our budget, and I'm certainly grateful that the President gave us a 1 percent increase. But, all our expenses are going up at a much higher rate than that to keep these old ships going. So, the longer we hold onto them, the more they cost us. The longer we wait to construct the new ships, the more they cost. So, I'm in this vicious cycle that I find myself caught in.

Senator SNOWE. Yes. It is regrettable, because this is one of the things we tried to avoid in the past, knowing exactly that all these aging vessels require spending tremendous resources for maintenance and upkeep, not to mention risk to those who serve on these ships. They're very old, so there can be a lot of issues finding the parts which can drive up the costs, both for maintaining a fleet that clearly isn't going to be of longstanding use, and then, of course, delaying the new vessels that should come online. It's amazing and remarkable that you do with what you have, to be honest with you. I've said this time and again, given the age of the vessels.

Senator BEGICH. Admiral Papp, and what we'll do here, we've done this before, the Ranking Member and I, we just kind of go back and forth with questions as, until we exhaust each other, or exhaust you.

[Laughter.]

Senator BEGICH. But, what happens is, you—

Senator SNOWE. That's hopeful for him.

[Laughter.]

Senator BEGICH. That's hopeful for you. But, we end up adding to each other's commentary, because I think, you know, we're trying to figure out what's the right approach to some of these things.

First off, on the, if I can go to real quick, on the GAO report on the 20 deficiencies, is there something you could, again, provide to the Committee, kind of, that list of 20, and here's what you've been able to do on those? Just kind of a, you know, bullet—not right now, obviously. But, at a later date. Would you mind doing that?

Admiral PAPP. No, that—

Senator BEGICH. Just kind of how you succeeded, and kind of where you're at? Just kind of a—

Admiral PAPP. We want to be completely transparent. Because if we're not, that just leaves a cloud over my acquisition folks.

Senator BEGICH. Of course.

Admiral PAPP. And, quite frankly, I'm proud of them discovering this, and then taking the action—

Senator BEGICH. Excellent.

Admiral PAPP.—themselves. And I want to make sure that everybody understands that we are self-correcting.

Senator BEGICH. Excellent. So, if you wouldn't mind doing that, that would be great for us.

[The information requested follows:]

The Coast Guard has been very conscientious in working to comply with all facets of financial/contracting laws and regulations. In the summer/fall of 2009, the Coast Guard was reviewing the approach and structure for the funding of an upcoming major fixed-price contract. Recognizing the need to reserve funds for antecedent liabilities for this contract, reviews of existing contracts were conducted to ensure adequate funds had been similarly reserved for other fixed-price contracts. Once the potential for non-compliance was realized, the Coast Guard immediately sought legal advice and conducted further contract reviews to assess the situation for all major fixed-price contracts, there was the potential for a deficiency for the Response Boat-Medium (RB-M) contract. As a consequence, the Department of Homeland Security (DHS) Office of the Inspector General (OIG) was notified of the Coast Guard's self-identified potential deficiency related to the RB-M contract and asked to conduct an independent review. The DHS OIG started the review in August 2010.

The DHS OIG concluded their review and reported in OIG Report 11-82, dated May 10, 2011, that the Coast Guard incurred 20 Anti-Deficiency Act (ADA) violations totaling approximately \$6.7 million. These discrepancies were the result of using funds from later Fiscal Years to fund changes to contract line items that were initially funded from an earlier fiscal year.

Once there was a realization that ADA violations were possible in the summer/fall of 2009, the Coast Guard took the following actions.

Upon review of the RB-M contract funding, immediate action was taken to correct transactions as much as possible. As a result and as noted by the OIG (pgs 3-4 of their report), the Coast Guard reduced the deficiency from approximately \$7.8 million to \$6.7 million. The Coast Guard also immediately initiated policy and process changes within the Acquisition Directorate to prevent future ADA violations.

- On October 23, 2009, the Acquisition Directorate (CG-9) instituted a business process change, via memo, for funding fixed-price contracts. This process was further defined in CG-9 Standard Operating Procedure (SOP) #9-21 (version 3.4) issued on 2 March 2010, and was modified as published on 1 June 2011.
- Appropriations Law training for the CG-9 Funds Managers is required to be completed as soon as possible after hiring and in no less than every 3 years thereafter. This requirement is also outlined in CG-9 SOP #9-21, and was also made a requirement for the project Business Managers upon discovery of this issue.
- Four days of appropriations law training for Business Managers was
- Internal controls were reviewed and modified to ensure separation of duties, verification of appropriate funds usage, and compliance with this process.

These actions along with other information were provided to the DHS OIG for their report 11-82 which listed two recommendations for the Coast Guard. The DHS OIG concluded the report by stating:

“The Coast Guard’s corrective actions satisfy the intent of the recommendation(s), and we consider it resolved and closed.”

Senator BEGICH. And then, you noted it—and I guess this will lead to the question—and that is, the acquisition timetable, and when you have to move something off, when you have to not get, maybe, instead of two ships, or three ships, you’re doing two, and the contractor then has to readjust pricing, and if they do a fixed price on the first two, the third one’s going to be more expensive because you pushed it off.

Would a multi-year—I think I know the answer to this, but I’m going to want it for the record—a multi-year authorization on capitalization be helpful the get these longer-term kind of agreements, so you get the maximum value? I mean—

Admiral PAPP. I—

Senator BEGICH. Now, hold that thought—with understanding that we have an obligation to put the cash in. But, if the two meld, I’m just assuming that if you could tell a shipbuilder, OK, we need eight of these ships—I’m using the gross number here—over a period of time, that they’re going to give you a much better fixed price

than, we'll take two this year, and maybe a third one next year, maybe the year after.

Admiral PAPP. Absolutely, sir. You know, I, there are days that I feel sorry for our shipbuilders—I mean, not real sorry, because they're getting a lot of my money. But——

[Laughter.]

Senator BEGICH. Yours, and the Navy, and NOAA, and——

Admiral PAPP. But, they are, like any other businessman.

Senator BEGICH. Yes.

Admiral PAPP. If they can order six engines instead of two, they're going to get an economic order discount, which ultimately ends up costing me less money, which ultimately ends up costing the taxpayer less money. So, yes sir. Having multi-year authorizations is a good start. As you correctly identify, it's the multi-year appropriations that are really the bottom line, that we need to get. But, any predictable, steady source of funding is going to help us in keeping the costs down, because they'll be able to, they'll have the confidence to order.

And these are good people. I meet with——

Senator BEGICH. Right.

Admiral PAPP. I met with Mr. Petters from HII. And they want to build ships. They want to keep the costs down. And they've been very reasonable in their negotiations with us. But, they have no guarantees that we're going to go beyond five, or six, or seven. And what we need to do is definitively say, we're going to build eight National Security Cutters, and, and so that they can have that, and then come up with a predictable, steady source of funding.

Senator BEGICH. Very good. I'll switch topics here, because I want to hit a few minutes in, just on the Arctic, and the needs up there. We've talked a little bit about the High Altitude Study, which, it sounds like, as we move to the end of summer, first of fall, we should see something in regards to that. And that will give us kind of a pathway in, kind of, the issues that are up there.

Second, your overall view of our readiness—I mean, here's my concern. And, I know, we have a great debate around here, always about oil and gas development and OCS. My bigger concern, to be very frank with you, is ships that are moving back and forth that are not oil and gas related. They just happen to have oil or diesel operating them, and they're cargo ships from some country. We have no clue what their safety standards are; they run aground. And that to me seems to be the bigger concern. Because we know the way we operate with the oil and gas industry, at least in the Arctic—I can't speak to the Gulf—but, in the Arctic, and the work we do in the North Slope, we're very conscientious of what they need, and what their requirements are.

Can you give me some, just some thoughts on the Arctic? And then, I think, there's no question in my mind, we need a deepwater port up there—not only for the industry, but for the Coast Guard, and oil spill technology. And these ships that are just cruising, you know, at some point—when I way cruising by, I'm exaggerating. They're not, like—but, they're going to be up there, and they already are. And I don't know what they're made out of, and what, they're going to run aground in shallow water up there. Any comments on that?

Admiral PAPP. Well, sir, you know, I could spend my entire existence as Commandant preoccupied with the day-to-day issues that are going on. But, what I've, one of the things I've chosen to look at in terms of needs of our country for the future is the Arctic. And I appreciate you going up there with me last summer when I made my visit. I visited Barrow, Kotzebue and Nome. And actually, it was a revisit, because I had served up there as an ensign 35 years ago. And so it was good to get back up there and see the changes.

But what has not changed is the infrastructure up there. And I think that we have to have a robust discussion on the infrastructure needed to support what is no doubt going to be an increase in human activity up there, off the north coast of Alaska.

Icebreakers, I think, are important, but they cloud the discussion of the other needs that we have up there. And, I think we've focused too much on icebreakers over the last few years, even though they are important—

Senator BEGICH. Right.

Senator BEGICH.—and needed. But, right now, if we were to have to mount a response like we did in the Gulf of Mexico—I sent 3,000 people down for *Deepwater Horizon*. You know how many hotels are available in Barrow.

Senator BEGICH. That's right.

Admiral PAPP. We have no place to put people up there. We have no hangers for aircraft. We have no piers, no Coast Guard boats. So, my immediate pressing concern is, as human activity occurs, as you have that ship that goes through that—first of all, we'll assure safety standards, because no matter where ships operate in the world, we are involved in their safety standards. But, if an accident happens, how do we respond?

And right now we've got zero capability to respond in the Arctic right now. And we've got to do better than that. That, when people ask me, what keeps me awake at night—an oil spill, a collision. A ship sinking in the Arctic keeps me awake at night, because we have nothing to respond. Or, if we respond, it's going to take us weeks to get there.

Senator BEGICH. Right.

Admiral PAPP. So, a seasonal air station, seasonal boats. We have a full range of Coast Guard capabilities that we need to be placing up there.

And also, it provides an opportunity for the interagency to be able to—if we have an infrastructure that's in place, the interagency that would be involved and needed for a response to some sort of disaster would have the ability to station up there, as well.

Senator BEGICH. Let me end on this comment, and I'll turn back to the Ranking Member. And that is, you hit where, you know, you're right. We talked, it kind of gets the attention, the icebreaker, which is a big ticket item, so, we're—but, you get where I'm really interested in, and that's what I call core infrastructure. It may be, like you said, seasonal runways, seasonal facilities. Or, even long-term deepwater port access to the area, that you can move in and out very rapidly, and/or be stationed there permanently. And I think that's the biggest challenge.

And I know, from this committee's perspective, this is one area that we're going to concentrate on because the frontier, the oppor-

tunity up there, is unbelievable from the oil and gas, to mineral, the fishing, transportation components, it has so much—and you're right. No matter what happens, where we think it is, where we stand on the political spectrum, there is going to be increased—and I'll use your phrase, because I think it's a great phrase—human activity up there. Period. And it doesn't matter what spectrum you sit on. And if we're not preparing—and infrastructure is part of it. The onshore infrastructure is a critical piece of it.

So, I appreciate you emphasizing that. Because I know we get wrapped around sometimes the icebreaker a lot, which is, you know, and, like you said, we don't want to diminish the importance of that, because it is. But, this other infrastructure is critical for year-around, or increased activity that may occur up there.

Admiral PAPP. Yes, sir. And, what I owe you is a concept of Coast Guard operations up there. And thank you. I understand you're on the schedule for the Arctic Symposium that was held earlier this week. I spoke on the first day.

What I owe the administration and the Congress is a Concept of Operations on how we carry out the full spectrum of responsibilities up there.

I faced almost the opposite situation when I was the Ninth District Commander on the Great Lakes, because people thought, once the lakes freeze over, you don't have anything to do up there. The fact of the matter is, you've got a lot to do and—

Senator BEGICH. You have a lot.

Admiral PAPP.—you need the special capabilities to be able to do that. Well, we've always thought the Arctic is a place we don't have to worry about, because it's covered with ice. But, now we've got all that open water—the Coast Guard authorities, Coast Guard responsibilities exist there. The challenge is, we don't have the resources to apply against them. And I need to come up with a consolidated plan on how I will address that, and put the resource proposals forward so that we have transparency for everybody to see, so we can start working toward it.

Senator BEGICH. Well, we'll work with you on that.

Let me turn back to the Ranking Member and see if she has some additional questions.

Senator SNOWE. I just have a couple questions. Admiral Papp, in terms of the National Security Cutter and the Offshore Patrol Cutter, how do the numbers square with your mission requirements?

Admiral PAPP. Well, this goes—the mission-needs statement goes back to 1994, when we started working on this. And then, during the late 1990s, when we finally decided on the numbers of ships, and, as we all know, the numbers of missions have increased since then.

And I think a studied review of where we are right now would probably—and, as I mentioned earlier in the hearing here, every review I've seen always says, you need more ships. You need more than what you're asking for. And that's probably true. But we're having a hard time just getting to our acquisition baseline that we've asked for right now. So, it makes the discussion almost fruitless, because we're having a hard time just getting to the 8 and 25. So, that's where we've put our focus.

Frankly, if I get the 8 and 25, we will find ways of covering all the bases that we need to do. And, if at some point in time somebody thinks we need more to do that, I'm always grateful to get that sort of support. But, right now I'm focused on the 8 and 25.

Senator SNOWE. Unfortunately, yes, it was a significant setback. As you know, the Deepwater acquisition process set the program—

Admiral PAPP. Yes, ma'am.

Senator SNOWE.—back a number of years.

Do you have an age breakdown of the ships in your fleet?

Admiral PAPP. Well, for our major cutters, on average, the high endurance cutters, the Hamilton class, are about 40 years old, a little beyond that. The 210-foot medium endurance cutters on average are above 40. And then, the, I say, it's positive, but the 270-foot medium endurance cutters which were built a little bit later, they're, across the board, I think it's an average of 23 years right now. So, they're at the limits of their originally designed service life, and we're going to need to get, probably, another 10 or 15 years out of them.

Senator SNOWE. Thank you.

Admiral PAPP. But we can get you a more precise breakdown for the record.

[The information requested follows:]

Class	# of Assets Today	Original Designed Service Life	Average Age
WMSL-418	2	30	2
WHEC-378	10	30	42
WAGB-420	1	30	12
WAGB-399	2	30	35
WMEC-270	13	30	24
WMEC-210	14	30	44
WMEC-282	1	30	40
EAGLE	1	N/A	75
WPB-110'	41	20	22
WPB-87'	73	25	9
WLBB	1	30	5
WLB	16	30	10
WLM	14	30	13
WTGB	9	30	30
WYTL	11	30	48
WLI	4	30	57
WLR	18	30	43
WLIC	13	30	45
<i>TOTALS</i>	<i>244</i>		

Senator BEGICH. Just before you got here, we asked for a kind of a flow chart—

Senator SNOWE. Yes.

Senator BEGICH.—of just what they have, what they're replacing, and then the most difficult channel, or, the last column is, what they really need, and so we can see these gaps. Because I think that's where your core question is coming from. Because some of these things are so darn old that, you know, you're going to be floating one day, and it's not going to be powered by anything other than, hopefully, a sail, you know.

Admiral PAPP. Well, one of the other challenges that we face is, many times people will say, Well, why don't you just buy some more Law Enforcement Detachments and put them on Navy ships? And when I talked about that to Admiral Roughead, he kind of laughed at me, because—

[Laughter.]

Admiral PAPP.—he would make the case, he's not got enough Navy ships to do the things that he needs to do.

Senator SNOWE. Right.

Admiral PAPP. And, in fact—

Senator BEGICH. Yes.

Admiral PAPP.—we're seeing less and less—particularly down in the drug interdiction mission, Wichata South—we're seeing fewer Navy ships. Our foreign partners—the British, who have been so reliable, and the Dutch—we're seeing less of them down there. We used to put Law Enforcement Detachments on them. So, allied support and our own Navy support is diminishing, and at the same time we're having a harder time keeping our cutters out there.

Senator SNOWE. I know. This issue is related to procurement, even in the Navy. We're far below the 300-ship Navy that was the original goal.

Senator BEGICH. Right.

Senator SNOWE. I remember the days when they were talking about a 600-ship Navy, back in the early 1980s. So, you can see how far we've come. But, unfortunately, the level of procurement is never sustained. I used to be Chair of Sea Power in the late 1990s. And unfortunately, the level of procurement never sustained even a 300-ship Navy. And so, here we are today with a fleet down in the 270s.

Admiral PAPP. Yes, ma'am.

Senator SNOWE. So, again you are asked to do more with less, and being stretched thin, and the demands around the world are increasing.

I wonder if there's any way of comparing the costs, in terms of looking at the maintenance costs—let alone the separate issue of getting the parts. That's another question. Because that does add astronomically to the costs, when you have to Rube Goldberg, you know, many of the parts in these boats.

Admiral PAPP. Well, it's the cost, and the reliability as well. We're just—we're for a high endurance cutter, if we, we're getting only about 75 percent of the days that we're programmed for with them right now. And it's affecting the other ships, as well.

And, as I said before you came in, of our layered security that we do, the overseas people that we put to inspect in the ports, and

then our conventional forces that are in our ports, we have this very important layer out there that provides a persistent presence offshore, that guards against migrants, can do search and rescue, can do drug interdiction. And, that's the layer that I'm most concerned about, because now it's the least reliable. Unfortunately, it's the most expensive to replace.

But it's also the most versatile. On September 11, what did we do? We took one of our medium endurance cutters and actually put it in the Port of New York to serve as a command and control platform. Yet, we can send that same ship 2,000 miles offshore to interdict a threat vessel coming in, or perform search and rescue.

We had the Morgenthau, which is 42 years old, that was sent well offshore to rescue four Venezuelan fishermen that were severely injured when their equipment crashed on them off the coast of, well off the coast of Colombia. And they sprinted out there and picked up the four crewmen, provided medical support, got them into Mexico, and, basically, on fumes, because they, we don't have the capability to ballast the ship and refuel it out there.

So, they're still getting the job done, but at an increasing cost.

Senator SNOWE. One final question. As you know, the 2010 Coast Guard authorization included significant changes to commercial fishing, inspection and safety requirements—you know, inspections are now mandatory for commercial fishing vessels and increased safety training will be required. These are all major issues important to the industry.

But there is, there was a committee that was established in order to make sure that the fishing community was involved in the implementation. Where does that process stand?

Admiral PAPP. We're in the process of drafting up the regulatory package for that right now, and starting to work that through.

The other thing is, it's another one of those jobs that's going to carry resource needs with it. We've been recapitalizing our marine safety and marine inspection forces over the last couple of years. This budget continues that process in putting people out there. We do have to designate some people and find people with the right competencies for fisheries inspections. And as we take on, as we're continuing to analyze what sort of workload this is going to be for us, I think we'll probably see, within the 2013 budget we'll start identifying some of those resources we need to beef up our fisheries inspection forces.

Senator SNOWE. So, the Committee for implementation for these safety measures has not yet been established?

Admiral PAPP. Okay. That's correct.

Senator SNOWE. Are you required by a certain time frame to accomplish that?

Admiral PAPP. I don't have the exact date at the tip of my fingers, but I can provide that for the record.

[The information requested follows:]

The Coast Guard is developing a rulemaking to fulfill our statutory responsibilities under the Coast Guard Authorization Act of 2010 for commercial fishing vessel safety requirements that took immediate effect.

Senator SNOWE. I think it's to make sure that the fishing community's involved in the process before these rules are imple-

mented, given that they are such important stakeholders. This is why I was wondering about the timeline for implementation of these new rules.

Admiral PAPP. Oh, absolutely. Yes, ma'am.

We do have a timeline. Unfortunately, I just can't—

Senator SNOWE. OK.

Admiral PAPP.—remember the specific dates. But we'll provide that for the—

Senator SNOWE. But, that will run—it will be run simultaneously with the Committee itself—

Admiral PAPP. Yes, ma'am.

Senator SNOWE.—that will involve the fishing industry.

Admiral PAPP. Yes, ma'am.

Senator SNOWE. It is important because in New England the commercial fishing industry continues to have the highest fatality rate of any occupation, which is deeply troubling.

Admiral PAPP. Yes, ma'am.

Senator SNOWE.—and so—

Admiral PAPP. The good news is—these regulations are long overdue. We're glad to have them. It's, the process now is just the implementation, and identifying the resources to carry it out.

Senator SNOWE. Thank you, Admiral Papp. Thank you very much for your exceptional work, and we appreciate it. Thank you.

Thank you—

Admiral PAPP. Thank you, Senator.

Senator SNOWE.—Mr. Chairman.

Senator BEGICH. Thank you, Admiral Papp.

And I will have just a couple quick ones. And then we'll, unlike some committees, we'll end up early. This is good. So, we like that.

Let me ask you very quickly one, it has a relationship to Alaska, and it's in regards to unmanned aircraft. And I know the Coast Guard is considering, that, when you deal with unmanned aircraft, there are a couple—I'm not sure how familiar you are with them—there's the Fire Scout, then there's the ScanEagle, there are a couple, and, the ScanEagle, which is being developed. And, I know, the University of Alaska at Fairbanks, is developing, it's a lower cost—they're working with NOAA right now very successfully.

Has the Coast Guard looked at alternatives to the Fire Scout, which is more expensive alternative, to one that, for example, I know UAF is working with NOAA on? I don't know if that has been in your mix or not. If you don't have a direct answer for that now, I'd love that for the record, so I kind of get the sense of the budgetary constraints, and how you're looking at these types of issues, too.

Admiral PAPP. Well, you're right. The budgetary issue has been the problem for us with the other acquisitions and trying to fit them in.

Our unmanned systems have gone unfunded so far. We need a long-range system similar to Predator to cover a broad area. The entire Deepwater System, as it was originally conceived, depended upon unmanned systems. And then you need a shipborne tactical UAV to use, as well.

We've been streaming behind the Navy on this. The Navy has put their effort behind Fire Scout. Since we don't have the wherewithal or the funding to strike out on this, our own—

Senator BEGICH. Right.

Admiral PAPP.—we've been following the Navy's progress. And if the Navy decides to go with it, it really does offer us long-term efficiencies in terms of logistic support, training, and other things that would save the Coast Guard money. So, sometimes we look toward our bigger sister service to provide the lead on this, because we can use common systems. But, we're certainly willing to look at what other systems are out there that might make sense for us. It's all a matter of, how can we do that efficiently?

Senator BEGICH. Great. If you wouldn't mind just giving me, again, at a later time, just kind of a response, especially with the ScanEagle, and if that, even—you gave us a good argument here, because the Navy's already doing the Fire Scout, and therefore you've got a lot, you're kind of grabbing the tail and holding on to a lot of their volume, in essence—volume of purchase, potentially, volume of training. And I know NOAA's kind of focused on the ScanEagle.

But I'd be interested in your positives and negatives on the system.

Admiral PAPP. I will take a look at ScanEagle and give you an assessment back on that.

[The information requested follows:]

The Coast Guard is currently investigating the utility of several small Unmanned Aerial Systems (UAS), including Scan Eagle and the Navy's Small Tactical UAS program, as an interim step for a cutter-based capability. Although relatively limited in payload capacity, the inherent simplicity of such smaller systems is they would allow the Coast Guard to evaluate much of its cutter-based UAS Concept of Operations, develop required skill sets, and support the acquisition effort at a reduced cost. With potential partnership opportunities, this methodology allows the Coast Guard to effectively and affordably evolve into the larger, objective systems while they continue to be developed.

Senator BEGICH. Fantastic.

The other one is, I, there's a huge—and we actually had a little bit of discussion—it's about our infrastructure, onshore infrastructure. Has, do you go through a process now, as the new Commandant, now you've been there a year—we expect everything from you now, after a year—but, have you done or started any process to kind of look at all the basing that occurs all across the Coast Guard, and determining, OK, can we consolidate? Are there better approaches? Is there better positioning of our onshore assets? Is that something that you would do on a normal, regular basis? Or, is that something that would be done just as a new Commandant?

Admiral PAPP. We—

Senator BEGICH. Does that make sense? It's kind of like what we're doing on the military side, it's always the international BRAC, the domestic BRAC, we're always, kind of, turning—

Admiral PAPP. Oh, absolutely.

Senator BEGICH. Yes.

Admiral PAPP. Yes, sir. I owe that to you. I owe it to my people to make sure that we're keeping it properly balanced.

Part of this "Steadying the Service" theme that I used right from the start is stopping all the constant reorganization that we had

been doing, and locking in, so that then we can properly resource and balance across all, the sector concept, making sure all our sectors are properly resourced, our district commands are properly resourced, and then getting our mission support side right. This is an ongoing process for us.

We're looking at our deployable specialized forces—I'm doing what I call a stem-to-stern review on them, to make sure that we're using them optimally, and making sure they're properly trained.

At the same time, we're also doing a boat force optimization program. I'm a believer that we've got too many boats out there, too many boat classes, and consequently, it provides us logistic challenges and training challenges at most of our boat stations. So, we're looking, we're reviewing all them with an eye toward reducing the number of boats that we have to maintain out there, while still maintaining operational efficiency—or, effectiveness, rather.

Senator BEGICH. Great. And maybe, as you finish some of those analyses—the boat forces, the stem-to-stern—would you, maybe we can coordinate with your staff, and maybe those are opportunities for you or your staff to present to the Committee what you found, what can happen, what, you know, again, having an opportunity there.

Admiral PAPP. Yes, sir. Absolutely. I think what we will find, though, is, most places, we're under-resourced in terms of people. People is really the issue. And if I could just highlight that. We lost about 5,000 or 6,000 people in the mid-90s when we went through a process called streamlining, which is just another name for—you're getting less money, so—

Senator BEGICH. Budget-cutting.

Admiral PAPP. Right. We have grown over the last decade. But really, we're only back at the strength that we were at the early 1990s, and we have, clearly, more missions, more jobs to do. So, even though we've gained 6,000 people, they're fully employed.

Senator BEGICH. Right.

Admiral PAPP. And the 2012 budget, I gave guidance when we developed our 2012 budget—I don't want to cut a single person. We need every person that we have. And we still need to give—

Senator BEGICH. Right.

Admiral PAPP.—mission effectiveness, and deliver our services. And we need to recapitalize. And we're in a fine balance point right now with this budget. Not everything I want or need, but we're keeping it balanced.

Senator BEGICH. Excellent.

Admiral PAPP. We start going below, and something's got to give—either we've got to stop buying more boats and ships, or I've got to start cutting people. I'm really at that point right now. And the last thing I want to do is cut people. But I think we're going to find ourselves backed into that position as we face further constraints on the budget.

Senator BEGICH. Last question, and then I'll close off. And that is—and this is kind of a global question, and one that may be uncomfortable to answer. But, you know, you are now under Homeland Security, and, I guess the question is, being in that situation, where you're located now, does it create administrative challenges, or challenges that affect the potential for your readiness and ability

to deal with some of the issues? And it may be, regulatory setting, or work that maybe is necessary to complete your mission.

And I, why I'm asking this is, it's kind of a quirky question in the way I'm asking it, is, sometimes when you move an agency—and the Coast Guard kind of keeps, you know, moves here, and moves here—that, when you do that there are new processes that new agency has which, then, you have to adjust to. Or, sometimes it's faster, or slower.

Can you give me your thoughts of, now you're under Homeland Security. Is that, you know, creating—does it give you the flexibility that you need to be, really, the Coast Guard that I think we all expect, and need, and desire? Does that—without putting you in an awkward—I don't want to put you in any position here. But I just, because part of our role is, I think, is to, we want you to be very effective in anything, and if there's process that are layered on top of you that are creating problems, we need to know that.

Admiral PAPP. Sir, I, first of all, you never make me uncomfortable.

Senator BEGICH. Good.

Admiral PAPP. I'm going to be candid with you and—

Senator BEGICH. Good.

Admiral PAPP.—tell you exactly what I feel. And I will tell you that I'm happy in the Department of Homeland Security. Is it perfect? No. But it wasn't perfect in the Department of Transportation, either.

But, what I will say is, more of our mission sets fit within the Department of Homeland Security than when we were in the Department of Transportation. Yet, there are transportation issues that are still very important to me. We meet with the Department of Transportation all the time. Just like I talked about the bridge that we provide to the Department of Defense—

Senator BEGICH. Right.

Admiral PAPP.—we also provide a bridge to the Department of Transportation. I'm meeting constantly with the Department of Justice, the Department of the Interior. The beauty of the Coast Guard is—

Senator BEGICH. Right.

Admiral PAPP.—we provide those linkages across.

The challenge I face in DHS is, it's still a new department, and consequently, we don't have the career bureaucrats—and I'm not saying that pejoratively—but, we don't have the career bureaucrats that understand the multi-mission capabilities in what the Coast Guard does.

Senator BEGICH. Yes.

Admiral PAPP. They are learning. But, the challenge is, in this new department, the leadership is very shallow. There's a lot of political appointees. So, consequently, there's turnover, and you have to re-educate.

I will tell you that Secretary Napolitano is personally involved, going out visiting the Coast Guard, learning. I mean, for someone who didn't have much coastline as a Governor, she has done magnificently in terms of learning about what we do.

Our Deputy Secretary, Jane Lute, has been marvelous. I meet with her every week. She is personally involved in working up a

strategy which explains us better to OMB and other people on all these capabilities that we bring into the Department, that heretofore people said, What? Aids to navigation in Homeland Security? Oil spill response—well they understand oil spill response now—

Senator BEGICH. Yes. They've got it now.

Admiral PAPP.—clearly. But, the Secretary and Deputy Secretary are believers.

Senator BEGICH. Good.

Admiral PAPP. And they are both personally involved in convincing other people that need to understand the versatility and adaptability the Coast Guard brings to all the missions sets.

We even had, at the beginning of the Department, we had, of our 11 missions, we had some that were considered homeland security, others that weren't. There were proposals to fund them at different levels. Now, both the Secretary and Deputy Secretary believe all 11 statutory missions have an impact on homeland security.

So, back to the bottom line—I'm happy where I'm at. And it's not providing me an impediment.

What it obligates me to do is make sure I continue to work with my Secretary to make sure she, or in the future, he, understands fully what we bring to the table.

Senator BEGICH. Well, thank you, Admiral Papp. And let me just say that, in all the year here, and the time we spent on the plane in going up north, you've always been very candid. And it's always a pleasure to work with the Coast Guard in all aspects because, you have great needs, but also provide an incredible service. And the men and women that serve in the Coast Guard are unbelievable, and the families that support them.

So, first, again, thank you for coming today.

We're going to continue. We have some questions we'll submit for the record, and look forward to those answers. And then, the hearing record will be open for another 7 days for submission and comments by other members. But, again, we want to thank you for being here today, and doing what you do in the Coast Guard, because it is an incredible team of folks.

Admiral PAPP. Thank you, Mr. Chairman.

And, thank you, Senator Snowe.

Senator BEGICH. This meeting is adjourned.

[Whereupon, at 11:35 a.m., the hearing was adjourned.]

A P P E N D I X

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN D. ROCKEFELLER IV
TO ADMIRAL ROBERT J. PAPP, JR.

Question 1. While we understand that an engine overhaul alone will not bring the POLAR SEA back to operational status. How much would the engine overhaul cost?

Answer. The cost to repair and overhaul POLAR SEA's 6 Main Diesel Engines and 2 Ship's Service Generators would be \$4.5 million.

Question 2. What is the cost (range) to bring the POLAR SEA back to operational status and what work would that entail?

Answer. Approximately \$14–15 million non-recurring funding to complete the necessary Hull, Mechanical & Electrical (HM&E) work and an additional \$30 million annual recurring funding for crewing and asset Operations & Maintenance (O&M) are required to return POLAR SEA to operational status. Operational status is defined as the ability of the cutter to deploy for a polar mission. It is estimated that this work would take 12–16 months, with impacts to the POLAR SEA schedule, to complete from the receipt of funding.

Bringing POLAR SEA to operational status would also have significant impacts to the current POLAR STAR reactivation project due to limited supply of critical parts and long production timelines for diesel engine parts that would have to be allocated across both assets. Additionally, the specialized workforce necessary to reconfigure the engines would also have to be balanced across both assets. The required work listed above would return POLAR SEA to operational status but would not significantly enhance reliability. POLAR SEA's projected end of service life would remain at the end of 2014, which means escalation of reliability concerns and maintenance costs would continue unless a Service Life Extension Project (SLEP) was performed.

Question 3. How much would a 10-yr service life extension of the POLAR SEA likely cost?

Answer. Approximately \$40–68 million in non-recurring funding would be required to achieve a 10-yr service life extension for POLAR SEA as a bridging strategy until new construction. Additionally, \$30 million of annual recurring funding will be required for crewing and Operation & Maintenance (O&M) costs.

Question 4. Would the 10-yr service life extension include the necessary overhaul of the engines?

Answer. Yes.

Question 5. The Coast Guard performed admirably as head of the Federal response to the *Deepwater Horizon* oil spill, and the Service continues to do good work overseeing the cleanup of the Gulf. As we approach the one-year anniversary of the capping of the *Deepwater Horizon* well, what are some of the lessons the Coast Guard has learned from that historic response? What did we get right and what could we have done better?

Answer. The *Deepwater Horizon* oil spill was the first incident in U.S. history to be declared a Spill of National Significance (SONS) and the first to designate a National Incident Commander (NIC). Despite the challenges of the first ever SONS declaration and NIC designation, many aspects of the response worked very well.

The National Contingency Plan (NCP) served the Nation well and proved effective during the *Deepwater Horizon* response. The NCP provided a sound framework that allowed for the needed discretion and freedom of action to address contingencies that arose during the response.

Although the NIC's role and function evolved through the course of the response, the NIC proved to be an effective command organization that served its intended purpose to promote unity of effort across the whole-of-government.

After several near mishaps in the airspace above the oil spill response, the NIC, in coordination with U.S. Northern Command and the U.S. Air Force, established the Aviation Coordination Center (ACC) at Tyndall Air Force Base in Florida to establish command and control over the airspace. The ACC helped prevent midair col-

lisions, improved situational awareness, validated oil trajectory monitoring, tracked skimmers and vessels of opportunity, and directed boom deployment to where it was most needed.

The Coast Guard is conducting a review of the President's National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling's findings, the National Incident Commander's (NIC) Report, Incident Specific Preparedness Review (ISPR) along with the other *Deepwater Horizon* reports that provide a body of observations, perspectives, and opinions. The Coast Guard is carefully reviewing these reports to identify areas of positive and effective preparedness improvements to develop effective and appropriate national implementation strategies. The Coast Guard has already taken several actions to address areas where planning and preparedness will be improved, including: directing Captains of the Port to review Oil Spill Response Plans for offshore facilities; requiring Area Committees to include Worst Case Discharge scenarios for offshore facilities in their respective Area Contingency Plans; increasing State, local, and tribal outreach and participation in Area Committee meetings and activities; participating in a Coast Guard, Federal Emergency Management Agency, and Environmental Protection Agency workgroup to develop recommendations to harmonize the National Contingency Plan and National Response Framework governance constructs. Additionally on July 7, 2011 the Coast Guard issued a Federal Register Notice announcing an updated policy employing risk based targeting to prioritize inspections of foreign-flagged Mobile Offshore Drilling Units operating on the Outer Continental Shelf.

Question 6. Congress has made few legislative fixes to address gaps in our spill prevention and response capabilities. Does the Service have the statutory authorities and flexibility it needs to respond to *Deepwater Horizon*-like events in the future?

Answer. Broadly speaking, the statutory authorities vested in the Secretary of Homeland Security and the Commandant of the Coast Guard are sufficient. The *Deepwater Horizon* oil spill however, did expose the limitations of those powers when confronted with a spill of national significance—specifically, the “per-incident” limitation on expenditures from the Oil Spill Liability Trust Fund, the limitation on advances from the Fund for Federal removal activities, and the lack of an appropriation from the Fund for the extraordinary costs to administer the claims process. The Coast Guard is conducting a comprehensive review of the various *Deepwater Horizon* reports to identify areas of improvement and, from this viewpoint, the sufficiency of its authorities. Once this review is complete, the Department stands ready to work the Congress to identify appropriate remedies to identified limitations.

Once this review is complete, the Department stands ready to work with Congress to identify appropriate remedies to identified limitations.

Question 7. Do you envision the Coast Guard being more or less involved in inspecting offshore drilling systems and how do you think the Service and the successor agency to the Minerals Management Service should coordinate their inspection duties for offshore drilling systems?

Answer. The Coast Guard shares foreign-flagged Mobile Offshore Drilling Unit (MODU) regulatory responsibilities with the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). Each agency's areas of responsibility are outlined in a Memorandum of Understanding (MOU) OCS-01 signed September 30, 2004. This MOU outlines the inspection responsibilities of the two agencies. In general, the Coast Guard's primary responsibilities are related to vessel operations and safety systems including firefighting, lifesaving, electrical systems, and hull structures on MODU's. BOEMRE's primary responsibility is subsea operations and drilling systems. The Coast Guard does not oversee drilling systems, but the interface between subsurface and surface operations warrants very close coordination and collaboration between both agencies.

The MODU *Deepwater Horizon* casualty primarily resulted from a well blowout. Although the blowout preventer and drilling systems fall under the authority and jurisdiction of BOEMRE, this incident and others have prompted the Coast Guard to review all operations and systems under its responsibility for potential improvements to both regulations and the inspection regime of foreign-flagged MODUs on the U.S. Outer Continental Shelf (OCS). To that end, the Coast Guard is developing improvements to enhance the safety of offshore operations and improving coordination with BOEMRE. Furthermore, Coast Guard and BOEMRE established a prevention working group to enhance alignment and consistency on how inspections are conducted.

The Coast Guard recently announced, by publication in the *Federal Register*, an updated policy that Coast Guard marine inspectors will use to determine the risk posed by foreign-flagged MODUs operating on the U.S. OCS by examining accident

history, past discrepancies, flag state performance and classification society performance to identify those vessels requiring additional oversight in addition to annual inspections undergone by all vessels. Risk based targeting allows more efficient use of Coast Guard resources and more frequent examinations of the highest risk MODUs.

Question 8. Admiral Papp, at the annual State of the Coast Guard Address in February, you said the following:

“In order to achieve proficiency in our most needed activities and capabilities, we may have to reduce our range of activities and capabilities. This is acceptable.” Let me repeat this—“We may need to reduce the number and range of capabilities we’ve added since 9/11, until properly resourced, and this will be acceptable.”

Admiral Papp, without the proper resourcing, which activity or capability will have to be reduced first?

Answer. The biggest challenge the Coast Guard faces is sustaining front-line operations while simultaneously recapitalizing our fleet to stem declining readiness. The FY 2012 President’s budget supports these priorities while making investments to enhance maritime incident prevention and response and support military families. The budget required tough choices in a constrained fiscal environment to fund these priorities. These are honest and necessary choices to sustain front-line operations and rebuild the Coast Guard.

The Coast Guard is no different than other agencies across the Federal Government—just as the Nation is tightening its belt, we must focus our resources on the tasks that provide the Nation with maritime safety and security services in the most efficient manner.

The Coast Guard will leverage technology and base resources to mitigate impacts of these reductions on Coast Guard readiness, operations, and the workforce.

Question 9. Section 3316 of Title 46 of the United States Code grants the United States Coast Guard the ability to delegate the authority to perform certain Coast Guard functions to the American Bureau of Shipping and other “recognized” classification societies. This authority encompasses the performance of broad discretionary functions (review of plans and inspection of vessels to Coast Guard standards), the ability to approve or reject such plans or vessels on the Coast Guard’s behalf, and the authority to issue vessel certificates required under U.S. and international law. These recognized classification societies perform these functions pursuant to memoranda of agreement (“MOAs”) executed between the society and the Coast Guard. These MOAs delineate which authority the Coast Guard is delegating to that particular society and the responsibilities of that society in carrying out these delegations. They make clear that approvals issued by the society will be accepted in the same manner as if approved by the Coast Guard. The MOAs also state that remuneration for delegated services carried out by the society will be charged directly to the party receiving such services and not the U.S. Government.

Given the above, does the Coast Guard consider a classification society, when performing the functions as described under 46 USC 3316 and the relevant MOA, to be an agent of the Coast Guard?

Answer. Pursuant to 46 U.S.C. § 3316, the Coast Guard may delegate to the American Bureau of Shipping (ABS) or another recognized classification society the authority to review plans, conduct inspections, and issue certificates of inspection. However, that same statute assigns special status to ABS by requiring each department, agency, and instrumentality of the United States to recognize ABS as its agent in classifying vessels owned by the Government, and in matters related to classification.

Question 10. What is the Coast Guard’s position regarding the propriety of allowing an organization which serves as an agent of the Islamic Republic of Iran on matters of marine safety and security to also serve in a similar capacity for the United States Coast Guard?

Answer. The Coast Guard believes in the longstanding international axiom that class societies be permitted to operate in the interests of maritime safety and pollution prevention regardless of political/nationalistic affiliations. Recognized class societies operate globally, providing impartial service to customers regardless of national affiliation. Moreover, it is this axiom that underpins the development of an important new Code for Recognized Organizations (Classification Societies) at the International Maritime Organization.

Question 11. Section 3316 of Title 46 of the United States Code appears to give the Coast Guard broad discretionary authority regarding if, when or how it chooses to delegate any of its authority to any classification society. For example, while Sec-

tion 3316(a) requires that U.S. Government agencies “shall” recognize the American Bureau of Shipping as its agent in classifying vessels owned by the Government and in matters related to classification, Section 3316(b) provides that the Coast Guard “may” delegate its authority to one or more societies, subject to certain reciprocity and recordkeeping requirements. Please explain the Coast Guard’s position regarding its discretion to exercise its authority under Section 3316 of Title 46.

Answer. The Coast Guard implemented section 3316 of Title 46 in 46 CFR Part 8.

The Coast Guard exercises its authority to evaluate a class society for participation as a recognized organization (RO) under 46 CFR Part 8. The elements for accepting an RO under section 3316 can be broadly described using the terms “track record”, breadth of customer base, technical proficiency, and reciprocity. However, the Coast Guard is limited to the criteria listed in 46 CFR Part 8; it may not create new criteria not listed without changing the regulation.

Question 12. Does the Coast Guard ever consider that it is “required” to grant any of its authority to any society under Section 3316? If so, under what circumstances?

Answer. The requirements for any class society’s participation as a recognized organization (RO) acting on behalf of the Coast Guard is stated in both 46 U.S.C. 3316 and further refined in 46 CFR Part 8. Should a class society fail to meet the regulatory criteria required for participation, the Coast Guard is not compelled to recognize it under 46 U.S.C. 3316 and 46 CFR Part 8.

Question 13. Section 8 of Title 46 of the Code of Federal Regulations provides the regulations for the implementation of the Coast Guard’s authority under Section 3316 of Title 46 of the United States Code. 46 CFR 8 contains several conditions governing the delegation of its authority to classification societies which are not contained in 46 U.S.C. 3316, and which are not directly related to the performance of review/inspection services on behalf of the Coast Guard. For example, a class society wishing to receive a delegation from the Coast Guard must execute an agreement which, inter alia, allows the Commandant to participate in the development of that class society’s rules; requires the class society to inform the Commandant of all proposed changes to its class rules; and requires the class society to provide the Commandant the opportunity to comment on any proposed changes to its class rules. Similarly, the Coast Guard criteria for recognition of class societies for delegation purposes contain several requirements not mentioned in 3316 (e.g., “recognized” class societies must have a total classed tonnage of at least 10 million gross tons; must have a classed fleet of at least 1,500 ocean-going vessels over 100 gross tons; and must employ a minimum of 150 exclusive surveyors).

Please explain the Coast Guard’s position regarding its latitude, absent direction from Congress, to establish (e.g., through a rulemaking process) additional criteria under which it will recognize a classification society and allow it to receive a delegation from the Coast Guard, including any criteria which ensures such societies are not engaged in activities which are inconsistent with United States law or policy.

Answer. In accordance with the Administrative Procedure Act, the Coast Guard established regulations that comply with the law. This effort was undertaken to establish a construct that could ensure consistency and performance of recognized class societies in a manner that meets Coast Guard and International Maritime Organization (IMO) marine safety requirements.

As those marine safety requirements evolve, the Coast Guard will endeavor to ensure class societies act not only to uphold the requirements of U.S. regulation, but also meet IMO criteria for the issuance of international certificates issued on behalf of the U.S.

The Coast Guard does not believe that its criteria are inconsistent with U.S. law or policy.

Question 14. Section 8.230(a)(23) of Title 46 of the Code of Federal Regulations provides that, “In order to receive recognition by the Coast Guard a classification society must not be involved in any activities which could result in a conflict of interest.”

Please provide the Coast Guard’s position regarding whether the Coast Guard considers an entity acting on behalf of the United States in the performance of safety and security inspections, while simultaneously acting in a similar capacity for a foreign government which is the subject of U.S. sanctions, to be a “conflict of interest” and counter to the objectives of U.S. policy for purposes of 46 CFR 8.230(a)(23).

Answer. The Department of State (DOS) and the Office of Foreign Assets Control (OFAC) are the agencies charged with ensuring compliance with U.S. economic sanctions. While we defer to their expertise and encourage you to seek their views on the proposed legislation, we do believe that class societies should be permitted

to operate in the interests of maritime safety and pollution prevention regardless of political/nationalistic affiliations.

Question 15. The propriety of classification societies serving as agents of the U.S. Government while those same organizations also serve as agents of the Islamic Republic of Iran, or other sanctioned governments, arguably requires consultation with other agencies of the U.S. Government. Please provide the Coast Guard's position on the input, if any, required from other agencies, as well as a history of any previous discussion held with other agencies.

Answer. No formal input has been required from the Coast Guard by other agencies.

Several separate teleconferences between the Coast Guard and ABS, and between the Coast Guard and Department of State (DOS) and Treasury's Office of Foreign Asset Control (OFAC) culminated in a May 2011 meeting with all of the above parties. An additional meeting with DOS, OFAC and the Coast Guard in June 2011 was held to provide a "Class Society 101" instructional session to better acquaint staff with the work of class societies as ROs under 46 USC 3316. The Coast Guard recommends contacting DOS to obtain their official position.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARK BEGICH TO
ADMIRAL ROBERT J. PAPP, JR.

Question 1. I was pleased the Arctic Council recently ratified an international agreement on search and rescue (SAR) in the Arctic. What can you tell me about the Coast Guard's readiness to uphold America's responsibilities in this landmark agreement? What do we need in terms of personnel, assets, and infrastructure to comply with its terms and perform Arctic SAR?

Answer. The Coast Guard realizes that with limited search and rescue (SAR) resources and with the increase in human activity in the Arctic (on land, in the maritime environment and with the increase in passenger aircraft on transpolar flights), international SAR coordination and cooperation in this region will become more crucial. The arctic SAR agreement will serve as the basis for future SAR cooperation and coordination with the other Arctic Council nations (*e.g.*, Canada will host an arctic SAR exercise in October 2011; all eight Arctic Council nations have been invited to participate). In addition, the agreement highlighted the Coast Guard's already existing arctic SAR responsibilities and, with limited available resources, the Coast Guard's continued challenge in conducting arctic SAR.

The agreement does not impose additional requirements on the Parties beyond those already required by international Convention.

Question 2. The Coast Guard still has not released the Fleet Mix Analysis—an analysis of the types, numbers, and capabilities of assets it needs to meet mission requirements. This analysis contains important information Congress needs in order to make well informed spending decisions. What is the status of the Fleet Mix Analysis; what is delaying its release? When will Congress be able to see it?

Answer. The Fleet Mix Analysis was delivered to Congress on July 29, 2011.

Question 3. The Coast Guard reported \$1.5 billion backlog in shore infrastructure projects including century-old small boat stations in the Great Lakes that are crumbling and very expensive to maintain. Does there need to be a realignment of bases in the Great Lakes to consolidate small boat stations and how would this impact the Coast Guard's lifesaving mission there?

Answer. At this time, realignment of Coast Guard boat stations on the Great Lakes is not needed. Changes to the Coast Guard's boat station footprint must be based on a clear understanding of maritime risks and operational requirements. The seasonal nature of the Great Lakes creates two distinctly different operating environments, each requiring unique mission capabilities and assets: cold weather and ice operations associated with frozen or "hard" water conditions, which impact commercial traffic and pose unique challenges with Search and Rescue, and warm weather or "soft" water conditions that result in a surge of recreational boating activity.

Coast Guard stations in the Great Lakes play a critical role in meeting Coast Guard mission requirements along the 6,700 miles of coastline and 1,500 mile international border encompassed by the Great Lakes. Cutter capacity and capability is limited and used to the maximum extent possible to provide offshore presence and response.

Certainly, new technologies and platforms improve our patrol and response capability. As Rescue 21 and the Response Boat-Medium are deployed in the Great Lakes, the Coast Guard will continue to evaluate those capabilities and any oppor-

tunities these new assets may provide relative to the location and number of our stations.

Question 4. It has been a rough 3 years for the Coast Guard's aviation community with the loss of 14 Coast Guard aviators in accidents. Many of these accidents are still currently under investigation by the Coast Guard but I understand the Coast Guard is conducting a nose-to-tail safety assessment to evaluate the overall fitness of Coast Guard aviation. What have you learned in your investigations into these incidents so far; is there a common thread between these accidents? What lessons have been learned from the safety assessment and how do you evaluate the overall fitness of Coast Guard aviation?

Answer. The "nose to tail" assessment of the aviation safety environment was completed earlier this year. Analysis of the study suggests that a number of factors combined to create an environment where complacency, rate of change, inadequate leadership, lack of focus on aviation professionalism and incomplete risk management undermined the overall safety posture of Coast Guard aviation. Common in each of the recent mishaps was a failure to adequately address risk factors when the perceived risk was low. There was also a sense of complacency, and an environment existed in which safety policies and safeguards were not effective in preventing mishaps.

The Coast Guard Aviation Safety Assessment Action Plan (ASAAP) identified immediate action items to counter these negative environmental factors and provides a plan of action to prevent similar mishaps in the future. As a result of strong leadership at every level within the aviation community, a commitment to aviation professionalism, and immediate actions taken to adopt the ASAAP recommendations, one-year has passed since the last major aviation mishap. The Coast Guard will continue to emphasize that maintaining professionalism requires continual learning, mastery of the operations, and knowledge of policy, regulation and mission requirements.

Question 5. Since September 11, 2001, Coast Guard aviation, specifically helicopters, has adopted new mission capabilities to support the service's new homeland security missions. Each new mission requires qualifications and training requirements for pilots and aircrew on top of traditional training. Despite these new responsibilities, the Coast Guard has the same number of aircraft and pilots as it did pre-9/11.

Does the Coast Guard need more aircraft, pilots and aircrew to cover these new special missions? Are aircrews being overextended? Is the expertise and proficiency level being diluted as pilots train for these new special missions? Does Coast Guard Aviation even need to perform these new special missions?

Answer. Coast Guard minimum aviation asset requirements are outlined in the FY 2010 Revised Deepwater Implementation Plan Review report to Congress. The Coast Guard balances its rotary wing training and resource needs for special missions through the use of existing assets and planned accomplishments in the FY 2012 President's Budget.

The special missions that Coast Guard aircrews have absorbed since 2001 have made adequate levels of proficiency a challenge. Managing multiple qualifications is accomplished by flying a higher percentage of mission hours for training.

The Coast Guard performs the Rotary Wing Air Intercept mission as a military service in support of Department of Defense's OP NOBLE EAGLE air defense mission. The Coast Guard's Airborne Use of Force and Fast Roping capabilities were developed and utilized in our traditional Law Enforcement role in the late 1990s, and as the Maritime Security mission grew after September 11, 2001, the use of these latter two capabilities expanded.

Question 6. You mentioned this disturbing trend in accidents in your State of the Coast Guard speech and said training needs to lead toward the higher level of proficiency and not just qualification. Can you give an example of what you are now doing in your training programs to achieve a higher level of proficiency? Will this require the Coast Guard to narrow its mission focus?

Answer. For aviation, the Coast Guard has significantly modified the aircrew grading system to better stratify individual performance levels. The legacy grading system evaluated aircrew performance on a Pass or Fail basis. The stratification allows evaluators to provide more comprehensive feedback to pilots, improving proficiency.

For tactical, high risk boarding teams, Special Missions Training Center (SMTC) in Camp Lejeune, NC, has revamped tactical and pursuit training based on the results of a comprehensive study. SMTC has been allocated new boats, allowing coxswains to be instructed on the same equipment they use during everyday operations at their home units. Prior to this initiative, coxswains were trained on dissimilar

boats. The SMTC training program has been improved by adding remedial training options for basic tactical operator. Early returns show that this remediation training has increased graduation rates while meeting the same rigid standards for basic tactical operators. The study also indicated a need for increased preparation prior to attending the basic course and an increased/revised need for sustainment training at units following course attendance. The Coast Guard has initiated these changes at field units.

For surf boats, a new four-week surfman course was instituted in an effort to increase the number of qualified surfman by providing fifty hours of operations in the surf. This course, coupled with the existing Standard Surfman Training Package, has substantially increased the number of qualified surfman in the Coast Guard through standardized proficiency training, resulting in fewer operational mishaps in the high-risk surfman community.

These initiatives do not require the Coast Guard to narrow its mission focus.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BILL NELSON TO
ADMIRAL ROBERT J. PAPP, JR.

Question 1. Coast Guard personnel continue to staff the Gulf Coast Incident Management Team, performing standard cleanup operations such as manual removal of oily debris and mechanical recovery of oily marsh, and working on special operations such as the Submerged Oil Mats program. Response activities continue but have diminished substantially compared to the height of operations.

The Coast Guard's response to the oil spill required a significant amount of resources from a Service that operates under a small budget, when compared to the other Armed Forces. Answers to these questions will hopefully highlight some concern within the Coast Guard, as to their ability to support future demand for their capabilities. Over the course of the oil spill, how much did Coast Guard spend on the response? To what extent do these funds come from the Oil Spill Liability Trust Fund? If a large spill occurred again given the current funding levels, would CG be able to mount an effective response?

Answer. Over the course of the oil spill, the Coast Guard spent \$400,640,847 (as of July 27, 2011). This value does not include Coast Guard directed payments from the Oil Spill Liability Trust Fund (OSLTF) to other government agencies. Of the aforementioned amount, \$129,707,889 of that funding came from the OSLTF.

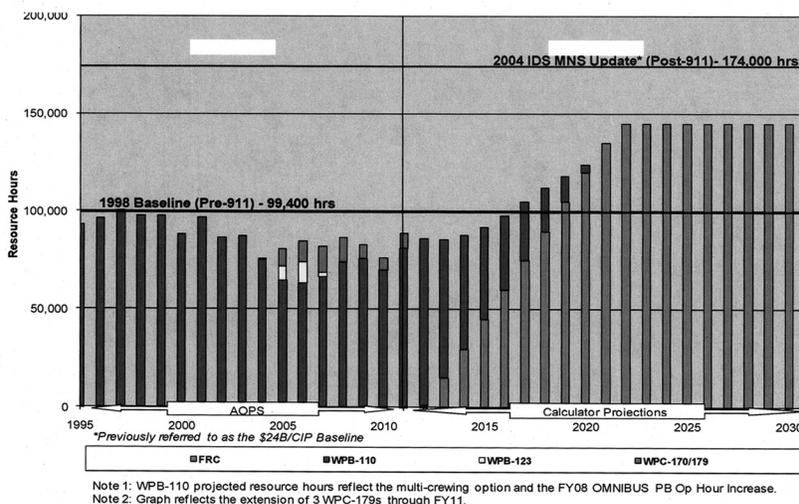
The National Response System contains a series of plans that are used to respond to a spill and the resources required will vary for any given spill. However, recent experience with several complex oil spills including the M/V COSCO BUSAN, the T/V EAGLE OTOME, and DEEPWATER HORIZON underscore the importance of having proficient and readily deployable incident managers and pollution responders throughout the Coast Guard.

The President's FY 2012 budget request addresses critical resource and capacity gaps in marine environmental response in two ways. First, the President's FY 2012 budget request seeks funding for Coast Guard military and civilian personnel to enhance the Service's marine safety and marine environmental response capacity through the establishment of a Coast Guard National Incident Management Assist Team. It also strengthens oil pollution research by funding a full-time Executive Director of the Interagency Coordinating Council for Oil Pollution Research.

Question 2. I am increasingly concerned with the USCG's acquisition programs and how problems with it have contributed to your current operational hour gaps, meaning there are missions that the American people expect the Coast Guard to accomplish, but you're not able to. One such area is the patrol boat operational hour shortfall in the tens of thousands per year. What missions are not being met by your patrol boats? Are patrol boats the only place where you're seeing this operating hour gap? If not, where else do you have shortfalls? The House recently recommended stripping funding for 2 of your 6 Fast Response Cutters due to structural deficiencies . . . can you respond to that and what affect would that have on the operating hour shortfall?

Answer. To establish a consistent baseline from which to measure, the patrol boat operational hour capacity of 99,400 hours is based on programmed operational hours available in 1998 with a full complement of 49 110-ft WPBs. In 2010 the 110-ft WPB fleet patrolled 70,065 hours resulting in an operational hour gap of 29,335 hours (29.5 percent short of the 1998 baseline). Both the hour and hull gaps are acutely manifested in the Coast Guard District Seven's area of responsibility, which is programmed for 47,400 hours (53 percent of all Coast Guard Patrol Boat hours). The below graph illustrates the patrol boat operational hour gap and the future projection to close the gap based on the Fast Response Cutter (FRC) delivery schedule:

Patrol Cutter Transition Schedule—FY 2012 President's Budget Request



The primary missions of the 110-ft WPB are Counter-Drug, Alien Migration Interdiction Operations, Search and Rescue, Ports Waterways and Coastal Security and Living Marine Enforcement. All missions continue to be met by the patrol boat fleet but at a reduced operational capacity. This reduced capacity inhibits the Coast Guard's ability to patrol and enforce applicable laws/regulations and reduces overall effectiveness across the entire mission set.

The patrol boat gap is projected to start closing in FY 2012 with the delivery of the first FRC in 2011. Each FRC is designed to be operated 2,500 hours annually. Following delivery, testing, and evaluation, these new cutters will immediately contribute toward mitigating shortages in WPB operational capacity. Specifically, the first 12 FRC hulls will be home-ported in Miami and Key West, FL, where the patrol boat gap is the most acute. Based on an out-year FRC delivery schedule of six FRC deliveries per year projected in the FY 2012–2016 Capital Investment Plan, the 1998 baseline is anticipated to be met in FY 2016. Delivering four FRCs annually equates to a 5,000 operational hour impact that would shift the attainment of the 1998 baseline and closure of the patrol boat gap beyond 2020. To mitigate operational impacts of any delays in FRC delivery, the 110 ft WPBs, 29 of 41 which are beyond their 20-year service life, would continue to operate until replaced by FRCs.

Question 3. GAO recently testified that you have been working on a Fleet Mixed Analysis since October 2008 and still have not released its findings. GAO also said that the initial numbers you're holding onto are not feasible in the current fiscal climate. In May, House Appropriators claim you've been conducting this analysis since 2004 and have yet to submit its findings. This lack of transparency is concerning because if you have mission requirements, and don't have the resources to accomplish them, we as Congress need to know. When will the Fleet Mixed Analysis be ready? Are you getting some independent help with this analysis or has it been internal to the Coast Guard?

Answer. The Fleet Mix Analysis was delivered to Congress on July 29, 2011. The Coast Guard used a consultant to complete this study.

Question 4. For your Deepwater acquisition programs, GAO reports \$3.8B cost overruns when compared to your 2007 baseline and an overall 35 percent overrun for programs that were re-base lined. In our current fiscal state, this is unacceptable and points to re-occurring issues in the way the USCG does business. How do you account for such cost growth and what is the Service doing to address the overarching problems with your acquisition processes?

Answer. In 2007, the Coast Guard assumed responsibility as Lead System Integrator (LSI). Integrated Deepwater System acquisition projects were disaggregated into individual Acquisition Program Baselines, leveraging project estimates that were provided by ICGS under the legacy Deepwater construct. The projected total acquisition costs were \$24.2 billion and the Life Cycle Cost Estimates (LCCE) were

approximately \$180 billion. Efforts to consolidate the Acquisition Directorate, assume Lead System Integrator responsibilities, and implement the Blueprint for Continuous Improvement have better equipped the Coast Guard to manage costs, schedules and contractor performance.

Over the past four years, the Coast Guard has focused on improving cost management for all related projects and budget accounts, and significantly improved its ability to acquire in an integrated fashion with rigorous, coordinated participation from technical authorities and sponsors.

As the Coast Guard assumed this role, our focus included a robust analysis of all cost estimates, partnering with the U.S. Navy and third-party technical experts.

Question 5. With the permanent decommissioning of 1 of the Coast Guard's 2 heavy polar icebreakers, we're losing the ability to support national interests in the region, which is especially alarming since Russia maintains 8 heavy icebreakers. New shipping routes that were previously frozen and unnavigable are now being used by vessels to reduce transit times. You recently stated that, "because of the condition of the icebreakers, we are rapidly losing the expertise, and we don't have the resources to respond up there to a major emergency." Is the Coast Guard equipped to properly handle this mission? What efforts are under way to ensure we maintain a good grip on our national interests in that region?

Answer. The Coast Guard mission demand for icebreakers in the Arctic has been primarily in support of National Science Foundation, National Oceanic and Atmospheric Administration, and National Aeronautics and Space Administration science missions. As the ice cover diminishes, we can expect increased maritime activity, especially in the form of vessel transits and natural resource exploration. Coast Guard vessel presence and capability will become key factors for meeting national response requirements. While Coast Guard could potentially respond during extended open water periods of the summer using Alaska's buoy tenders, the Coast Guard only has one operational icebreaker (HEALY) that is able to work in ice-covered waters in summer and the shoulder seasons when Arctic sea ice covers much of the ocean. The Coast Guard's reactivation of POLAR STAR for full mission capability will be complete in 2013. DHS has proposed an icebreaker acquisition analysis in the 2012 President's Budget which will help define the long-term icebreaking solution well beyond the expected service life of the POLAR STAR.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. OLYMPIA J. SNOWE TO
ADMIRAL ROBERT J. PAPP, JR.

Question 1. The Coast Guard Authorization Act of 2010 outlined a consultation process for sharing of technical expertise between the U.S. Coast Guard and Department of Defense, with the objective of obtaining the Navy's acquisition program management expertise. Has the Coast Guard initiated the memorandum of understanding to facilitate technical expertise sharing? What is the status of that process?

Answer. The Coast Guard presently has approximately 80 interagency agreements and memorandums of agreement, primarily with the DOD and U.S. Navy. Those agreements are primarily for acquisition management and technical expertise sharing. The GAO has verified this fact in their April 2011, report GAO-11-480. In this report, the GAO made a recommendation that the Coast Guard develop and maintain a repository for information on Federal partnerships and Memorandums of Understanding (MOUs). The Coast Guard is in the process of establishing this repository to ensure that the process for sharing of technical expertise between the U.S. Coast Guard and Department of Defense outlined in the Coast Guard Authorization Act of 2010 is implemented. Once established, the Coast Guard will assess if an additional Memorandum of Understanding to facilitate technical expertise sharing is necessary.

Question 2. What are the differences in the acquisitions authorities of the U.S. Coast Guard and the Navy?

Answer. The U.S. Coast Guard and Navy acquisition authorities are codified in the following three titles of the U.S. Code:

- Title 10 Armed Forces
- Title 14 Coast Guard
- Title 41 Public Contracts

Implementation of the law is established in the Code of Federal Regulations (CFR) and most of the Coast Guard and the Navy acquisition authorities are located in two titles of the CFR:

- Title 41 Public Contracts and Property Management

- Title 48 Federal Acquisition Regulations System (FAR)

Coast Guard acquisition authority is further defined in DHS and Coast Guard regulations, including the Department of Homeland Security (DHS) Homeland Security Acquisition Manual (HSAM), DHS Acquisition Management Directive 102–01 Revision 01 of 20 January 2010, and Coast Guard Major Systems Acquisition Manual (MSAM). Navy acquisition authority is further defined by the Defense Federal Acquisition Regulation Supplement (DFARS) which is part of the FAR. From the DFARS, the Navy acquisition authority is further refined in DOD and Navy regulations.

In general, many of the Coast Guard and the Navy acquisition authorities are the same. There are, however, significant differences in the area of major acquisition programs, as that portion of Title 10 applicable to Major Acquisition Programs (Chapter 144) is not applicable to the Coast Guard (the term “major defense acquisition program” means a Department of Defense acquisition program,” 10 U.S.C. § 2430(a)). The Defense Acquisition Regulation Supplement also contains additional authorities that are DOD-specific.

One other notable difference is that the Navy has well established multi-year/multi-ship authority. Multi-year/multi-ship contracts allow the procurement of known requirements for up to 5 years, even though the total funds ultimately to be obligated may not be available at the time of contract award.

Question 3. The Coast Guard Authorization Act of 2010 set forth a number of changes that will affect fishing vessels operating in Federal waters, including new construction standards for vessels built after July 1, 2012. While the high fatality rates that plague the fishing industry are deeply troubling, the implementation of new training, classing and loadline requirements are of concern to the fishing industry, particularly those already enduring regulatory changes that stress their financial viability. When does the Coast Guard expect to promulgate rules on the implementation of new training requirements? How can the Coast Guard ensure that the new construction requirements will not deter the fishing industry from pursuing necessary upgrades or vessel replacements?

Answer. The Coast Guard does not have discretion to modify or exempt the requirements for construction standards and classing of vessels as mandated by the Coast Guard Authorization Act (Act) of 2010. The new requirements may or may not deter the fishing industry from pursuing necessary upgrades or vessel replacements and impact their financial viability. However, the industry will be involved in developing new alternate safety compliance program requirements for older vessels and vessels altered after July 1, 2012, so that the impact of these requirements will be taken into consideration in the adoption of the final alternate safety program requirements.

As set forth in the Act, construction standards apply to new vessels. Vessels built after January 1, 2010, are less than 50 feet overall in length, and operate beyond three nautical miles from the baseline, must at least meet the safety standards established for recreational vessels. Vessels built after July 1, 2012, are at least 50 feet overall in length, and operate beyond three nautical miles from the baseline, must meet all survey and classification requirements prescribed by the American Bureau of Shipping or other similarly qualified organization. For instance, Det Norske Veritas (DNV), a similarly qualified organization, is currently developing rules for survey and classification of fishing vessels and hopes to have them completed by early 2012.

Vessels that are upgraded through a significant alteration or a substantial change to its dimensions or type will have to meet standards of an alternate safety compliance program. This applies to vessels built before July 1, 2012 and altered after that date, are at least 50 feet overall in length, and operate beyond three nautical miles from the baseline. The alternate safety compliance program requirements will be developed by the Coast Guard in cooperation with the industry and consultation with and recommendations from the Advisory Committee, and must be implemented not later than January 1, 2017. The alternate safety requirements may be developed for specific regions and fisheries. All vessels meeting the criteria above, whether altered or not, and are 25 years of age or older must comply with an alternate safety program after January 1, 2020.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROGER F. WICKER TO
ADMIRAL ROBERT J. PAPP, JR.

Question 1. A multi-year contract would save tax payer money and stabilize the industrial workforce by guaranteeing procurement beyond a single year. Now that the NSC design is mature, would you support multi-year contract authority for this program, recognizing that some changes in your current acquisition strategy may be required?

Answer. We cannot execute the National Security Cutter (NSC) project under a multi-year procurement construct given the current NSC contract structure.

Question 2. Assuming NSCs 6, 7, and 8 are contracted in FY 2013, 2014, and 2015, respectively, can you quantify how much they would cost if contracted individually? Similarly, can you quantify the cost of these three NSCs if purchased with multiyear contract authority, assuming a Congressional funding commitment in FY 2013?

Answer. Contracting individually for National Security Cutters (NSCs) 6, 7, & 8 are consistent with the current FY 2012–2016 NSC Capital Investment Plan (CIP) for single-year funding of each NSC. Under the assumptions of the CIP, the total planning cost for each NSC and related project costs are as follows:

Segment	Single-Year Funding Appropriation Amount	Year of Planned Funding
NSC #6	\$775M	2013
NSC #7	\$795M	2014
NSC #8	\$815M	2015
Structural Enhancement for NSCs #1/#2	\$38M	2015
Project Close-out	\$45M	2016

With Multi-year contract authority, all three NSCs could be ordered together. It is possible that savings could accrue due to economic order quantities, increased productivity, and improved scheduling. Coast Guard estimates that the potential savings derived with Multi-year contract authority could be approximately \$85 million as shown below.

Coast Guard estimates for Single-Year and Multi-Year NSC Funding Scenarios		
Segment	Single-Year Funding	Multi-Year
NSC #6	\$775M	\$750M
NSC #7	\$795M	\$765M
NSC #8	\$815M	\$785M
Structural Enhancement for NSCs #1/#2	\$38M	\$38M
Project Close-out	\$45M	\$45M
Est. Reduction from Single-Year Funding		\$85M

Question 3. In light of the proposed decommissioning of Pascagoula, Mississippi-based “Patrol Coastal” Cutters, does the Coast Guard have a long range plan to replace these cutters in Pascagoula, and cover the potential mission gap in the Gulf of Mexico region?

Answer. The return of the PC–179’s to the Navy, which were originally transferred to the Coast Guard as part of a mitigation strategy for the patrol boat operational hour gap, results in a short-term loss of patrol boat operational capacity in mission areas that include Counter-Drug (CD), Alien Migration Interdiction Operations (AMIO) and Living Marine Resources/Other Law Enforcement (LMR/OLE). This capacity will be filled by the delivery of Sentinel Class patrol boats beginning in early 2012, several of which will be homeported in the Gulf Coast region.