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# COAST GUARD READINESS, MISSION BALANCE, AND FISCAL YEAR 2006 BUDGET REQUEST

## HEARING

BEFORE THE

SUBCOMMITTEE ON FISHERIES AND THE COAST GUARD

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

MARCH 17, 2005

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ONE HUNDRED NINTH CONGRESS

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# CONTENTS


| | Page |
|---|---|
| Hearing held on March 17, 2005 | 1 |
| Statement of Senator Cantwell | 3 |
| Statement of Senator Inouye | 4 |
| Prepared statement | 5 |
| Statement of Senator Lautenberg | 52 |
| Statement of Senator Snowe | 1 |
| Statement of Senator Stevens | 42 |

WITNESSES

| | |
|---|---|
| Collins, Admiral Thomas H., Commandant, U.S. Coast Guard | 5 |
| Prepared statement | 7 |
| Welch, Master Chief Franklin A., Master Chief Petty Officer, U.S. Coast Guard | 14 |
| Prepared statement | 16 |
| Wrightson, Margaret T., Director, Homeland Security and Justice Issues, U.S. Government Accountability Office | 19 |
| Prepared statement | 21 |

APPENDIX

| | |
|---|---|
| Barnes, Joseph L., National Executive Secretary, Fleet Reserve Association, prepared statement | 61 |
| Lautenberg, Hon. Frank R., U.S. Senator from New Jersey, prepared statement | 61 |
| Response to written questions submitted to Admiral Thomas H. Collins by: | |
| Hon. Maria Cantwell | 76 |
| Hon. Daniel K. Inouye | 72 |
| Hon. John F. Kerry | 84 |
| Hon. Frank R. Lautenberg | 89 |
| Hon. Olympia J. Snowe | 66 |
| Response to written questions submitted to Margaret T. Wrightson by: | |
| Hon. Olympia J. Snowe | 93 |
| Hon. Frank R. Lautenberg | 93 |

# THE COAST GUARD'S READINESS, MISSION BALANCE, AND FISCAL YEAR 2006 BUDGET REQUEST

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**THURSDAY, MARCH 17, 2005**

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

The Subcommittee met, pursuant to notice, at 10 a.m. in room SR–253, Russell Senate Office Building, Hon. Olympia J. Snowe, Chairwoman of the Subcommittee, presiding.

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

Senator SNOWE. The hearing will come to order. Now that we have the Chair and Ranking here, I think we can get going now.

Good morning. Admiral Collins, Master Chief Welch, Ms. Wrightson, I'd like to thank all of you for being here this morning to testify on this critical hearing on the Coast Guard's readiness, mission balance, and the Fiscal Year 2006 budget request.

Today's hearing will further examine the readiness concerns due to the overall degradation of the Coast Guard's assets, to review the challenges the Coast Guard's facing in balancing its homeland-security and traditional missions, and as well as to ensure that we provide the Coast Guard with the 2006 budget request to fulfill its many current and increasing responsibilities.

As Chair of the Fisheries and Coast Guard Subcommittee, I strongly believe that the Coast Guard serves as a cornerstone of our Department of Homeland Security. It is uniquely positioned to perform a wide variety of missions critical to our nation's domestic safety and security. Last year alone, the Coast Guard responded to more than 32,000 calls for assistance, and saved nearly 5,500 lives. These brave men and women risk their lives to defend our borders from drugs, illegal immigrants, acts of terror, and other national-security threats.

In 2004, the Coast Guard prevented 376,000 pounds of marijuana and cocaine from crossing the borders. It also stopped more than 11,000 illegal migrants from reaching our shores, conducting more than 4,500 boardings to protect our vital fishery stocks, and responded to more than 24,000 pollution incidents.

The Coast Guard also aggressively defended our homeland by conducting more than 36,000 port security patrols, and conducted 19,000 security boardings. In accordance with the Maritime Trans-

portation Security Act, the Coast Guard has also reviewed and approved 9,580 domestic vessel security plans, and 3,119 domestic facility security plans. They also verified security-plan implementation for 8,100 foreign vessels.

This is a tremendous record of success, and I cite these statistics because I think, again, it underscores the role that the Coast Guard plays on so many different levels. And this record of success is really, I think, extraordinary.

I think, at the same time, we share the concern about the toll that such a high operational tempo is taking on the Coast Guard's antiquated ships and aging aircraft, and ultimately on its personnel.

So, Admiral Collins, it's unfortunate—and we had this discussion yesterday, and repeatedly—that, again, we're addressing this issue concerning the high OPTEMPO issue for the Coast Guard, but, at the same time, the deterioration of its equipment and the resources that has plagued the service repeatedly, year after year.

I'm aware that the 110-foot patrol-boat fleet, a workhorse of the Coast Guard, in the past year has experienced 23 hull breaches requiring emergency dry docks. This simply is too unsafe for the men and women out there on the seas, it certainly poses a grave danger to them.

Additionally, the 378-foot fleet experiences a main-space casualty each patrol. Again, an unacceptable safety record.

The resultant total of unexpected maintenance days for medium- and high-endurance fleets has skyrocketed and endured a 400 percent increase from 1999. This averages to more than two lost cutters per year. With the missions assigned to the Coast Guard and the pace of the operation the service now endures, the Coast Guard and this nation cannot afford to lose 1 day of service, let alone 2 years. So the time to act on this is obviously now, before we deepen the crisis.

Today, we're considering the Administration's Fiscal Year 2006 budget request, which proposes $8.1 billion in funding for the Coast Guard, which is an 8 percent increase over the previous year. While these increases, on the surface, may appear to be sufficient, I am concerned that this is not enough, just as I was concerned last year, and expressed that, as well, repeatedly.

Once more, as we delve into this budget request, we find it does not significantly increase funding for the Coast Guard's Deepwater Project, even though the Coast Guard is clearly in desperate need of upgrading its legacy assets. More importantly, the Administration's request places this program on a 20-plus-year timeline, which obviously does not allow the Coast Guard to fulfill its obligations that this nation requires of it.

We cannot expect the Coast Guard to do its job with the resources that it currently has, and certainly those that are degrading and those that have become inoperative, in many respects. I will continue to fight for Deepwater acceleration, because it is the best and most cost-effective way to remedy the Coast Guard's readiness problems and provide the Coast Guard with the tools it needs to carry out all of its missions.

While these additional resources are desperately needed, a new reality requires the Coast Guard to operate more efficiently and

smarter if it is also going to do its job successfully in fulfilling its traditional missions, as well. Maintaining a proper mission balance is a significant challenge for the Coast Guard, as I'm sure Ms. Wrightson will discuss. We have to balance the available resources with our expectations for mission performance.

Admiral Collins, it is great to see you here again this morning. I look forward to discussing your agency's budget request, as well as the other issues I have discussed and raised in our meeting yesterday. Our nation needs the Coast Guard today more than ever. I intend to ensure, as the Chair of this Subcommittee, that you have the essential resources to fulfill the agency's homeland-security as well as non-homeland-security duties, as well.

Master Chief Welch, I welcome you to the Senate, as well, and look forward to your testimony. The issues you confront are equally important to ensure that our men and women in uniform are treated fairly. You obviously have a unique perspective. You can provide the insights regarding the issues that affect our men and women in uniform on a daily basis.

And, Ms. Wrightson, I thank you for being here today, and want to thank you for all the service that you have provided us in assisting the Coast Guard in their endeavors to meet and fulfill the responsibilities and how they can improve in doing so. And I thank you. And I've read your report, and I appreciate some of the recommendations you have made. And I know Admiral Collins does, as well.

So, with that, I'll recognize other Members of the Committee.

Mr. Chairman?

Senator STEVENS. Well, thank you very much. I'll yield to my colleagues. I've got another appointment later. I'd just as soon wait and hear the testimony.

Thank you.

Senator SNOWE. OK.

Senator Cantwell?

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

Senator CANTWELL. Thank you, Madam Chair. Thank you. At this, our first hearing together, I would like to take an opportunity to let you know I look forward to working with you in the 109th Congress, as representative of states with strong maritime traditions from different corners of the country. I believe, though, we do share a common interest and perspective that we can blend together in creating good policy.

Mr. Chairman, I'm pleased to hear that we are going to discuss the proposal for the Fiscal Year 2006 budget regarding the important role of the U.S. Coast Guard in maritime security, maritime safety, search and rescue of mariners, and a variety of other issues. In addition, the Coast Guard plays a critical role in protecting our oceans resource through fisheries enforcement and response to oil spills.

The 13th Coast Guard District, encompassing Oregon, Idaho, and Montana, is headquartered in Seattle, and Washington has played a major role in maritime industries. The Port of Seattle is the third-largest container port in the nation and half of the nation's

large passenger ferry operations are in the State of Washington. So we thank you for your help and coordination with law enforcement throughout the country on that issue.

Seattle is also the home port of many Coast Guard vessels, including the nation's polar icebreaker fleet operated by the Coast Guard. And I plan to ask a few questions of Admiral Collins on that issue this morning, as it's certainly a vital national resource to our country.

Admiral Collins, we also had a chance to talk about the aging nature of the Coast Guard fleet and your related concerns. I look forward to talking about that this morning, and the issues of ship repair.

Recently, an oil spill in Puget Sound coated miles of shoreline with heavy-grade industrial oil. The Coast Guard was able to respond and clean up that spill quickly with money from the Oil Spill Liability Trust Fund. Because liability for this spill has yet to be determined, money from the trust fund was critical for fast containment and cleanup. Incidents like the Dalco oil spill in Puget Sound are an example of why we need to ensure that the Oil Spill Liability Trust Fund exists beyond 2010. So we thank you for your quick response on that cleanup.

The Coast Guard's homeland-security activities are also vital to our nation's well-being and prosperity. So are, I would argue, the traditional mission of the U.S. Coast Guard, including maritime safety and protection of natural resources. That's why I am concerned about the Coast Guard effectively balancing new and old missions. We'll have to work hard to meet the challenges as we move ahead. Effective operations of the Coast Guard is important for the nation, and I look forward to working with Senator Snowe and my colleagues here—the Ranking Member and the Chairman of the overall Committee—to make sure that we are ensuring both safety and lawful maritime operations.

Thank you, Senator Snowe.

Senator SNOWE. Thank you, Senator Cantwell. And I'm looking forward to working with you on this Subcommittee, because I know that we share a number of issues of mutual concern and interest. And so, I am looking forward to a very productive year. Thank you.

Co-Chair Inouye?

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

Senator INOUYE. Thank you, Madam Chair. I'd like to commend you, Madam Chairman and Ms. Cantwell, for focusing on the critical services of the Coast Guard as your first matter in the first Subcommittee hearing.

Madam Chair, I have a full statement here, but, because of the immense importance of this hearing, may I submit it for the record?

Senator SNOWE. Without objection, so ordered.

[The prepared statement of Senator Inouye follows:]

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

I would like to commend Senators Snowe and Cantwell for choosing to focus on the critical services provided by the United States Coast Guard in their first Subcommittee hearing of the 109th Congress.

The Coast Guard is critical to ensuring the safety and security of all coastal states and safeguarding our natural resources. The Coast Guard's District 14, based in my home state of Hawaii, covers the largest geographical area in the U.S. We rely on the oceans and the ships that travel them for most of the goods that come to Hawaii.

While I am pleased to see that the Administration has requested an increase in Coast Guard funding for Fiscal Year 2006, I do have some concerns as to whether this is adequate to cover both their security and non-security missions. Indeed, the Coast Guard has itself alerted us that the amount requested by the President is not sufficient, and has shared with Congress a list of unfunded priorities for FY 2006 totaling $919 million.

The list includes more than $100 million for maritime security efforts. While not the subject of this hearing, the Transportation Security Administration's budget makes it very clear that we continue to focus more than 90 percent of our resources on aviation security. However, port security funding is also critical. We can buy all of the patrol boats the Coast Guard seeks, but we will still need to harden security at our ports.

Nearly four years after 9/11, we are still struggling to find the right balance in funding and resource allocation to meet all of the Coast Guard's important missions. We all know that homeland security is our highest priority, but we cannot neglect other key missions such as maritime safety and living resource management.

I am particularly concerned with the fact that over the past five years, a total of 216 suspected illegal incursions of foreign fishing vessels were detected within the Western/Central Pacific Exclusive Economic Zone. The Coast Guard detected only three of these incursions.

Perhaps the problem is that in District 14, we receive fewer assets than any other district in terms of personnel, aircraft, and cutters.

I also have concerns about the Deepwater program. Costs are increasing, and yet the Administration's budget request includes only $726 million for new Deepwater assets, essentially a flat budget over Fiscal Year 2005, and $240 million for maintaining existing "legacy" assets. The Coast Guard says that it needs an additional $637 million for Deepwater, as well as $63 million to maintain legacy assets. At the same time, the Administration has failed to provide us the revised Deepwater plan.

I would like to assure the Commandant in saying that this is a room full of friends and if ever there was a time for frankness in your statements regarding the budget, that time is now.

I look forward to the testimony of all of the witnesses.

Senator INOUYE. And I'd like to assure the Commandant that this room is filled with your supporters, so come out and tell us what you want.

Admiral COLLINS. Thank you, sir.

Senator SNOWE. Admiral Collins, please begin.

## STATEMENT OF ADMIRAL THOMAS H. COLLINS, COMMANDANT, U.S. COAST GUARD

Admiral COLLINS. Well, thank you, Madam Chair. It's terrific to be here with this distinguished Committee, and Members of this Committee, and discuss the budget for 2006 for the United States Coast Guard.

Budget time is always important time. And, of course, one of my critical job elements is trying to put the best tools in the hands of our Coast Guard men and women to do the job for America.

I think since 9/11 we've made great progress in securing America's waterways. Still, no doubt, a great deal is left to be done to improve our security, but I think we're getting better every day, and thanks, in large part, to the Administration, the Secretary,

and, clearly, this Committee that has helped us plot the way forward in this very, very important work.

The budget—the 2006 budget, I think, will help us continue this progress. The discretionary part of this budget is 6.9 billion, about an 11-percent increase over comparable 2005 funding levels. And the budget provides the necessary resources, as you've noted, to continue the recapitalization of the Coast Guard aging fleet, while building our maritime safety and security capabilities.

Our overarching goal is to secure America's maritime border by managing and ultimately reducing risk. Risk. We've heard the new Secretary talk a lot about risk. But that's our focus. How do we reduce/mitigate risk in the maritime domain? And doing so requires that we identify and intercept threats well before they reach our shores by conducting layered multi-agency security operations while strengthening security posture of our strategic ports. And as we reduce risk, we continually balance each of the Coast Guard mission requirements to ensure no degradation in service to the American public.

So, with that in mind, the 2006 budget has three critical priorities from our perspective: recapitalizing Coast Guard primarily through the Deepwater Program, implementing maritime security for the homeland, and enhancing mission performance.

Now, Deepwater, clearly the issue of the day for the Coast Guard, it not only serves to recapitalize this service, but it's also the foundation for, and the necessary precursor to, implementing the maritime security strategy for our nation and to enhance mission performance, across the board.

I would be remiss if I failed to acknowledge the, I think, extremely dedicated service by the Coast Guard workforce over the past year, just terrific folks—auxiliarists, reservists, active duty, and civilian. What a team. And you've cited some of the accomplishments of the last year. And in—my written statement fully details some of these extraordinary accomplishments.

I think our workforce is terrific, the young folks that have a commitment to selfless service. And I think they're making progress, across the board, on every mission. I know the focus here is homeland security—has been and should be—but we're not forgetting any of our missions.

Let me just give you an example of several weeks ago. One 4-day period, about two and a half weeks ago, in 152 cases, Coast Guard men and women saved the lives of 87 people, in a 4-day period. They protected our homeland, both on the East Coast and the West Coast, in 12 different cases. They interdicted a total of 308 migrants from four different countries who were attempting to enter this country illegally. They investigated a Greek tanker carrying over 23 million gallons of crude oil which ran aground on the lower Mississippi. They detained four foreign flag vessels for failing to comply with the Maritime Transportation Security Act. And in two separate cases in the Caribbean, they interdicted more than 6,000 pounds of cocaine in a 4-day period. This is the typical type of multi-mission performance that you're getting out of our Coast Guard.

And, again, my view is to ensuring they are properly compensated, that they have the environment to grow professionally.

Probably my single-highest priority is a commitment to our men and women.

I think this budget is about placing the right tools in their capable hands. And they keep showing, and they have shown time and time again, that they know just what to do with it when we put the tools in their hands.

With your continued support, I'm confident that we will continue to deliver robust maritime safety and securities that America deserves and expects.

Thank you for the opportunity to testify before this Committee, and I stand ready to answer any question that you might have.

Thank you.

[The prepared statement of Admiral Collins follows:]

PREPARED STATEMENT OF ADMIRAL THOMAS H. COLLINS, COMMANDANT, U.S. COAST GUARD

**Introduction**

Good morning Madam Chair and distinguished Members of the Subcommittee. It is a pleasure to be here today to discuss the Coast Guard's FY 2006 budget request and the positive impact it will have on the Coast Guard's ability to secure America's maritime borders, aid persons in distress, and facilitate the safe and efficient flow of commerce.

On 9/10/01, our primary maritime focus was on the safe and efficient use of America's waterways. Since 9/11, we have made great progress in securing America's waterways, while continuing to facilitate the safe and efficient flow of commerce. There is no doubt that work remains, but there is also no doubt that we continue to improve maritime homeland security each and every day—thanks in large part to the continued strong budgetary support of the administration, congress, and this committee.

The Coast Guard's FY 2006 budget continues that support, proposing discretionary budget authority of $6.9 billion, an eleven percent increase over the comparable 2005 funding level. The budget provides the resources necessary to continue recapitalizing the Coast Guard's aging cutters, boats, aircraft, and supporting infrastructure, while building out maritime safety and security capabilities essential to meeting present and future mission demands.

**Getting Results**

The Coast Guard's overarching goal is to manage, and ultimately reduce, terror-related risk in the Maritime Domain. Doing so requires identifying and intercepting threats well before they reach U.S. shores by conducting layered, multi-agency security operations; while strengthening the security posture of strategic economic and military ports. As we seek to reduce maritime risk, we continually strive to balance each of the Coast Guard's mission requirements to ensure no degradation in service to the American public. Looking at their accomplishments, it is clear that Coast Guard men and women continue rising to the challenge and delivering tangible and important results across both homeland security and non-homeland security mission-programs. No amount of new technology or capability enhances security more than our personnel. They are the indispensable link in any strategy and I am continually impressed by their ingenuity, courage, and dedication.

Coast Guard personnel have embraced these priorities, have integrated them in daily operations, and have achieved impressive results. In 2004, Coast Guard personnel:

- Prevented more than 376,000 pounds of illegal narcotics from reaching the U.S. including seizing over 241,000 pounds of cocaine, shattering the previous record of 138,000 pounds.
- Interdicted nearly 11,000 undocumented migrants attempting to enter the country illegally by sea.
- Dispatched several cutters, aircraft, and personnel for four months as part of U.S. efforts to stabilize Haiti after the departure of President Aristide.
- Aggressively conducted more than 36,000 port security patrols, 6,900 air patrols, and 19,000 security boardings; escorted 7,200 vessels; and maintained more than 115 security zones to reduce maritime risk.

- Provided humanitarian assistance and disaster relief, including 42 personnel, one 378-foot High Endurance Cutter (WHEC), and four C–130 aircraft, to the governments of Indonesia, Sri Lanka, and Thailand in the aftermath of the devastating tsunami of December 26, 2004.
- In support of Operation Iraqi Freedom the Coast Guard protected, safely secured, and escorted to sea over 200 military sealift departures at ten different major U.S. seaports, carrying over 25 million square feet of indispensable cargo.
- Deployed two additional patrol boats and two additional LEDETs to DoD's Central Command joining four Coast Guard patrol boats, two LEDETs, one Port Security Unit (PSU), and supporting logistics and command and control support elements already participating in Operation Iraqi Freedom.
- In response to a maritime gap in national law enforcement and counter-terrorism (LE/CT) capability, they stood up an offensive force able to execute across the full spectrum of LE and CT response in support of homeland security and homeland defense objectives. This capability was a critical force addition in protecting the maritime boundaries of several National Special Security Events including the G8 Summit and Democratic and Republican National Conventions.
- Leveraged the Coast Guard's 34,000 member Coast Guard Auxiliary workforce, receiving approximately 3 million volunteer hours of maritime safety and security services.

Before 9/11 we had no formal international or domestic maritime security regime for ports, port facilities, and ships—with the exception of cruise ships. Partnering with domestic and international stakeholders, we now have both a comprehensive domestic security regime and an international security convention in place. Both have been in force since July 1, 2004. In executing the requirements of the Maritime Transportation Security Act (MTSA) and the International Ship and Port facility Security (ISPS) code, the Coast Guard has:

- Reviewed and approved 9,580 domestic vessel security plans and 3,119 domestic facility security plans.
- Overseen the development of 43 Area Maritime Security Plans and Committees,
- Verified security plan implementation on 8,100 foreign vessels.
- Completed domestic port security assessments for 54 of the 55 militarily and economically strategic ports, with the last assessment in the final stages of completion.
- Visited 14 key foreign countries to assess the effectiveness of anti-terrorism measures and implementation of ISPS code requirements. An additional 21 countries are scheduled for visits by June 2005.

Of course the Coast Guard has mission requirements beyond homeland security and once again thanks to the tremendous dedication of our personnel, last year provided more evidence of the superb contributions they make each and every day. In 2004, Coast Guard personnel:

- Saved the lives of nearly 5,500 mariners in distress and responded to more than 32,000 calls for rescue assistance.
- Conducted more than 115,800 recreational vessel safety checks.
- Conducted 10,000 foreign commercial vessel boardings.
- Boarded more than 4,500 fishing vessels to enforce safety and fisheries management regulations.
- Partnered with Federal and state agencies to enhance enforcement of Marine Protected Species regulations.
- Conducted more than 3,000 inspections aboard mobile offshore drilling units.
- Responded to nearly 24,000 reports of water pollution or hazardous material releases.
- Ensured more than 1 million safe passages of commercial vessels.
- Maintained more than 50,000 federal aids to navigation, responding to and correcting over 13,000 aids to navigation discrepancies.
- Provided 99.0 percent availability of Differential Global Positioning System coverage to over 95,000 miles of U.S. waterways.

With your support, the Coast Guard continues its tradition of operational excellence and exceptional service to the nation. I am proud of the tireless efforts of our personnel who continue to meet every challenge both at home and abroad.

**Reducing Maritime Risk**

Despite these accomplishments, there is still much to do. Today's global maritime safety and security environment demands a new level of operations specifically directed against terrorism without degrading other critical maritime safety and security missions. Most importantly, the Coast Guard must implement capabilities necessary to mitigate maritime security risks in the post-9/11 world. In terms of threat, vulnerability, and consequence there are few more valuable and vulnerable targets than the U.S. maritime transportation system.

*Threat:* While the 9/11 commission notes the continuing threat against our aviation system, it also states that "opportunities to do harm are as great, or greater, in maritime or surface transportation."

*Vulnerability:* The maritime transportation system annually accommodates 6.5 million cruise ship passengers, 51,000 port calls by over 7,500 foreign ships, at more than 360 commercial ports spread out over 95,000 miles of coastline. The vastness of this system and its widespread and diverse critical infrastructure leave the nation vulnerable to terrorist acts within our ports, waterways, and coastal zones, as well as exploitation of maritime commerce as a means of transporting terrorists and their weapons.

*Consequence:* Contributing nearly $750 billion to U.S. gross domestic product annually and handling 95 percent of all overseas trade each year—the value of the U.S. maritime domain and the consequence of any significant attack cannot be understated. Independent analysis and recent experiences on 9/11 and the west coast dock workers strike demonstrates an economic impact of a forced closure of U.S. ports for a period of only eight days in excess of $58 billion to the U.S. economy.

Since 9/11 the Department of Homeland Security (DHS) and the Coast Guard have made significant strides to secure our homeland. However, maritime safety and security gaps remain. These gaps present risks that we must work to reduce, and we continue that work within the FY 2006 budget.

The Coast Guard continues to guide its efforts by implementing policies, seeking resources, and deploying capabilities through the lens of our maritime security strategy. However, continued risk reduction is contingent upon Coast Guard readiness and capacity. Without these basic building blocks, implementation of maritime security strategies will not be sustainable.

With that in mind, the priorities of the FY 2006 budget are to *recapitalize the Coast Guard* as a necessary foundation to *implementing the maritime security strategy*, as well as ensuring we continually *enhance mission performance* across the entire suite of Coast Guard mission requirements.

**Recapitalize the Coast Guard**

The FY 2006 budget continues the urgently needed recapitalization of our cutters, boats, aircraft and support infrastructure to reverse declining readiness trends and enhance operational capabilities to meet today's maritime safety and security threats.

The majority of the Coast Guard's operational assets will reach the end of their anticipated service lives by 2010, resulting in rising operating and maintenance costs, reduced mission effectiveness, unnecessary risks, and excessive wear and tear on our people. Listed below are some specific examples highlighting alarming system failure rates, increased maintenance requirements, and the subsequent impact on mission effectiveness:

- HH–65 helicopter in-flight engine power losses occurred at a rate of 329 mishaps per 100,000 flight hours in FY 2004. This is up from a FY 2003 rate of 63 mishaps per 100,000 flight hours. The comparable Federal Aviation Administration acceptable standard for a mishap of this severity is approximately 1 per 100,000 flight hours. The engine loss rate has resulted in flight and operational restrictions and high levels of risk to our aircrews. Re-engining the HH–65 will remain the Coast Guard's highest legacy asset priority until complete.
- The 110-foot Patrol Boat fleet has experienced 23 hull breaches requiring emergency dry docks. The resultant loss in operational days is unsustainable, and risks to our personnel are unacceptable. By the end of 2005, the Coast Guard will have taken delivery of eight reconfigured 123-foot patrol boats, which are upgraded 110-foot patrol boats designed to sustain this cutter class until replacement with the Integrated Deepwater System's Fast Response Cutter.
- Our high and medium endurance cutters are experiencing sub-system failures due to old and unserviceable systems. The 378-foot WHEC fleet averages one

engine room casualty, with potential to escalate to a fire, on every patrol. One-quarter of our fleet have recently missed operations due to unscheduled maintenance required to repair failing sub-systems. The total number of unscheduled maintenance days for the major cutter (medium and high endurance cutters) fleet has skyrocketed from 85 days in FY 1999 to 358 days in FY 2004 (over a 400 percent increase). This loss of operational cutter days in 2004 equates to losing two major cutters, or 5 percent of our major fleet for an entire year. The 2006 budget includes funding for six mission effectiveness projects to help sustain the medium endurance cutter fleet, and funds construction of the third National Security Cutter, the replacement for the Coast Guard's high endurance cutter class.

These same Deepwater assets are integral to the Coast Guard's ability to perform its missions, such as migrant and drug interdiction operations, ports waterways and coastal security, fisheries enforcement, and search and rescue. In 2004, deepwater legacy assets made invaluable contributions to America's maritime safety and security:

- Operation ABLE SENTRY blanketed the coastline of Haiti with Coast Guard Deepwater assets, which interdicted over 1,000 illegal migrants during this operation and deterred many thousand more from taking to sea in unsafe boats.
- The 378-foot Coast Guard Cutter GALLATIN, and its Airborne Use of Force (AUF) capable helicopter seized more than 24,000 pounds of cocaine worth an estimated $768 million and detained 27 suspected smugglers in the span of seven weeks.
- The Coast Guard's Deepwater cutters and aircraft patrolled over 28,000 hours in direct support of maritime homeland security missions. 110-foot patrol boats alone patrolled 13,000 hours supporting port and coastal security missions including, cruise ship escorts, critical infrastructure protection, and countless security boardings.
- Working in conjunction with the U.S. Secret Service during the national political conventions, 270-foot Medium Endurance cutters and 110-foot patrol boats provided maritime security, enforced security zones, and served as command and control platforms coordinating maritime traffic. Deepwater aircraft, equipped with the AUF package, provided air security and conducted maritime security patrols.

Despite spending increasing amounts to maintain operational assets, the Coast Guard is experiencing a continuing decline in fleet readiness. Legacy cutters are now operating free of major equipment casualties (equipment failures that significantly impact mission performance) less than 50 percent of the time, despite the investment per operational day increasing by over 50 percent over the last six years. The resulting "readiness gap" negatively impacts both the quantity and quality of Coast Guard "presence"—critical to our ability to accomplish all missions. The FY 2006 budget continues the urgently-needed Coast Guard fleet recapitalization to address this readiness gap.

The Integrated Deepwater System is the enduring solution to both the Coast Guard's declining legacy asset readiness concerns and the need to implement enhanced maritime security capabilities to reduce maritime risk in the post–9/11 world. Continued implementation of the Deepwater program will recapitalize the Coast Guard fleet and introduce much needed surveillance, detection/clarification, intercept, interdiction and command and control capabilities.

The President's FY 2006 budget provides $966 million for the Integrated Deepwater System, taking aim on reversing the Coast Guard's declining readiness trends and transforming the Coast Guard with enhanced capabilities to meet current and future mandates through system-wide recapitalization and modernization of Coast Guard cutters, aircraft, and associated sub-systems.

This level of investment in the Integrated Deepwater System is paramount in providing the Coast Guard with the capability and capacity essential to meeting our nation's maritime homeland security needs; providing a layered defense throughout ports, waterways, coastal regions and extending far offshore, as well as sustaining other mission area efforts, such as search and rescue and living marine resources. Funding included for legacy asset sustainment projects, such as HH–65 re-engining, and WMEC mission effectiveness projects, is absolutely critical to sustain *capabilities today,* while acquisition of new and enhanced Deepwater assets is vital to ensuring the Coast Guard has the right *capabilities tomorrow*.

The Coast Guard's deepwater assets are not the only capital assets in urgent need of recapitalization or replacement. The FY 2006 budget also includes funding for:

- Response Boat-Medium—replaces the aging 41-foot Utility Boat fleet with an enhanced platform better able to meet search and rescue and homeland security mission requirements.
- Shore Infrastructure Recapitalization—funds critical projects such as the Coast Guard Academy Chase Hall Barracks rehabilitation, Group/Marine Safety Office Long Island Sound building replacement, and construction of a breakwater to protect boats and mooring facilities at Coast Guard Station Neah Bay Breakwater. These projects will not only improve habitability and quality of life of our people, but also increase effectiveness of the various missions these facilities support.
- High Frequency (HF) Communications System Recapitalization—replaces unserviceable, shore-side, high power HF transmitters, restoring long-range communications system availability to enhance Coast Guard mission performance and help meet International Safety of Life at Sea (SOLAS) treaty HF emergency distress monitoring requirements.
- Rescue 21—continues implementation of Rescue 21, vastly improving coastal command and control and communications interoperability with other federal, state, and local agencies.

Recapitalizing the Coast Guard is the indispensable foundation of our ability to continue improving maritime security while facilitating the flow of commerce. It is on this foundation that the FY 2006 budget continues to build out Coast Guard capabilities necessary to reduce risk and implement the maritime strategy for homeland security.

**Implement the Maritime Strategy for Homeland Security**

Considering the vast economic utility of our ports, waterways, and coastal approaches, it is clear that a terrorist incident against our marine transportation system would have a disastrous impact on global shipping, international trade, and the world economy in addition to the strategic military value of many ports and waterways.

The four pillars of the Coast Guard's *Maritime Strategy for Homeland Security* are in direct alignment with the Department of Homeland Security's strategic goals of Awareness, Prevention, Protection, Response and Recovery. These pillars guide our efforts to reduce America's vulnerabilities to terrorism by enhancing our ability to prevent terrorist attacks and limit the damage to our nation's ports, coastal infrastructure and population centers in the event a terrorist attack occurs.

First, we seek to increase our awareness and knowledge of what is happening in the maritime arena, not just here in American waters, but globally. We need to know which vessels are in operation, the names of the crews and passengers, and the ship's cargo, especially those inbound for U.S. ports. Global Maritime Domain Awareness is critical to separate the law-abiding sailor from the anomalous threat.

Second, to help prevent terrorist attacks we have developed and continue to improve an effective maritime security regime—both domestically and internationally.

Third, we seek to better protect critical maritime infrastructure and improve our ability to respond to suspect activities by increasing our operational presence in ports, coastal zones and beyond . . . to implement a layered security posture, a defense-in-depth.

Finally, we are improving our ability to respond to and aid in recovery if there were an actual terrorist attack.

Below is an overview of each of the four pillars of the Coast Guard's Maritime Strategy for Homeland Security and supporting FY 2006 budget initiatives:

*Enhance Global Maritime Domain Awareness (MDA).* The core of our MDA efforts revolve around the development and employment of accurate information, intelligence, and targeting of vessels, cargo, crews and passengers—and extending this well beyond our traditional maritime boundaries. All DHS components are working to provide a layered defense through collaborative efforts with our international partners to counter and manage security risks long before they reach a U.S. port. The FY 2006 budget significantly advances our efforts to implement comprehensive MDA, including funding for:

- Automatic Identification System (AIS)—accelerates deployment of nationwide AIS throughout regional Coast Guard command centers.
- Maritime Patrol Aircraft (MPA)—provides additional MPA resources to fill documented flight hour gaps in support of detection, surveillance and tracking activities.

- Common Operational Picture (COP)—deploys COP throughout Coast Guard command centers to fuse surveillance and tracking information from MDA systems such as AIS, Rescue 21, and Ports and Waterways Safety System (PAWSS).
- Radiological-Nuclear (Rad/Nuc) Detection and Response—consistent with the President's Proliferation Security Initiative (PSI), this initiative increases the ability of Coast Guard cutters and Maritime Safety and Security Teams to detect Rad/Nuc materials to prevent proliferation in support of terrorist operations; and respond to incidents involving release of these dangerous substances.
- Integrated Deepwater System—Deepwater funding will continue C4ISR enhancements aboard legacy assets and development of the Common Operational Picture for new Deepwater platforms.

*Create and Oversee Maritime Security Regime.* This element of our strategy focuses on both domestic and international efforts and includes initiatives related to MTSA implementation, International Maritime Organization regulations such as the International Ship & Port Facility Security (ISPS) Code, as well as improving supply chain security and identity security processes. As I mentioned previously, the Coast Guard has made a critical first step in ensuring the security of our ports and protecting our nation's economic prosperity by implementing the requirements set forth in the MTSA of 2002. The FY 2006 budget provides the resources necessary to continue robust enforcement of the MTSA, which includes:

- Continued verification of an estimated 3,100 domestic facility and 9,500 domestic vessel security requirements (plans must be revalidated every five years, upon a change of ownership, or significant change in operations), including working with vessel, company, and facility security officers.
- A robust Port State Control program to ensure compliance with international security requirements of over 8,100 foreign vessels calling on the U.S. annually.
- Development and continuous updates and improvements to the National and 43 Area Maritime Security plans.
- Assessment of the anti-terrorism measures in place in approximately 140 foreign countries with which the U.S. conducts trade to ensure compliance with international standards.

*Increase Operational Presence.* Our collective efforts to increase operational presence in ports and coastal zones focus not only on adding more people, boats and ships to force structures but making the employment of those resources more effective through the application of technology, information sharing and intelligence support. The FY 2006 budget focuses resources toward increasing both the quantity and quality of Coast Guard operational presence by providing funding for:

- Airborne Use of Force (AUF) capability—deploys organic AUF capability to five Coast Guard Air Stations, increasing the ability to respond to maritime security threats.
- Enhanced Cutter Boat Capability—replaces existing obsolete and unstable cutter boats on the entire WHEC/WMEC fleet with the more capable Cutter Boat—Over the Horizon and replaces aging, unsafe boat davit systems on 210-foot WMECs.
- Increase Port Presence and Liquefied Natural Gas (LNG) Transport Security—provides additional Response Boat-Smalls and associated crews to increase presence to patrol critical infrastructure patrols, enforce security zones, and perform high interest vessel escorts in strategic ports throughout the nation. Provides additional boat crews and screening personnel at key LNG hubs such as Cove Point, MD and Providence, RI to enhance LNG tanker and waterside security.
- Enhanced Maritime Safety and Security Team (E–MSST)—Reallocates existing Coast Guard resources to immediately fill an existing gap in national maritime Law Enforcement and Counter-Terrorism (LE/CT) capability. Permanent establishment of E–MSST Chesapeake, VA will provide an offensive DHS force able to execute across the full spectrum of LE and CT response in support of homeland security and homeland defense objectives, including CT response capability for scheduled security events out to 50 nautical miles from shore and augments to interagency assets in high visibility venues such as National Special Security Events (NSSEs).
- Integrated Deepwater System—Continued investment in Deepwater will greatly improve the Coast Guard's maritime presence starting at America's ports, waterways, and coasts and extending seaward to wherever the Coast Guard needs

to be present or to take appropriate maritime action. Deepwater provides the capability to identify, interdict, board, and where warranted seize vessels or people engaged in illegal or terrorist activity at sea or on the ports, waterways, or coast of America.

*Improve Response and Recovery Posture.* Understanding the challenge of defending 26,000 miles of navigable waterways and 361 ports against every conceivable threat at every possible time, we are also aggressively working to improve our response capabilities and readiness. While many of the increases in MDA and operational presence augment our collective response and recovery posture, the FY 2006 budget funds initiatives that will increase our ability to adequately manage operations and coordinate resources during maritime threat response or recovery operations:

- High Frequency (HF) Communications System Recapitalization—replaces unserviceable, shore-side, high power HF transmitters to restore long-range communications system availability enhancing the Coast Guard's ability to coordinate response activities.
- Continued Deployment of Rescue 21—the Coast Guard's maritime 911 command, control and communications system in our ports, waterways, and coastal areas. This system provides Federal, state and local first responders with interoperable maritime communications capability, greater area coverage, enhanced system reliability, voice recorder replay functionality, and direction finding capability.

**Enhance Mission Performance**

Lastly, we must continue to leverage the Coast Guard's unique blend of authorities, capabilities, competencies and partnerships to enhance performance across the full suite of Coast Guard mission requirements.

The Coast Guard is the Nation's lead federal agency for maritime homeland security and fulfills a crucial role within the Department of Homeland Security as the Nation's maritime first responder. The FY 2006 budget includes resources necessary to effectively execute all of our missions and meet associated performance goals. Every resource provided to the Coast Guard will contribute to a careful balance between our safety, security, mobility, protection of natural resources and national defense missions, all of which must be adequately resourced to meet the Coast Guard's performance objectives. The FY 2006 budget advances several initiatives that will yield increased performance across multiple Coast Guard missions:

- Great Lakes Icebreaker (GLIB)—provides funding to operate and maintain the new GLIB scheduled to be commissioned in FY 2006, greatly enhancing the Coast Guard's ability to conduct essential icebreaking activities and maintain aids-to-navigation to facilitate maritime commerce and prevent loss of life, personal injury, and property damage on the navigable waters of the Great Lakes.
- Maritime Law Enforcement School Co-location—enhances law enforcement training through co-location with the Federal Law Enforcement Training Center, increasing Coast Guard law enforcement training throughput and promoting better coordination among field activities with other federal, state, and local agencies.
- Polar Icebreaking Funding Transfer—shifts base funding for the two Polar Class icebreakers (USCGC POLAR SEA and USCGC POLAR STAR) and the USCGC HEALY to the National Science Foundation. The National Science Foundation is the resident agency with responsibility for the U.S. Antarctic Program and the current primary beneficiary of polar icebreaking services. Under this arrangement, the National Science Foundation will reimburse the U.S. Coast Guard for maintenance and operation of the polar icebreaking fleet.

**Conclusion**

I appreciate your strong support over the past several years in providing the Coast Guard with the tools necessary to meet our multi-mission and military demands. I am extremely proud of our Coast Guard's accomplishments since 9/11 as we strive to increase maritime homeland security while performing a myriad of critical maritime safety functions.

We continue to focus on improving maritime security while facilitating safe use of the maritime transportation system for its many commercial, environmental, and recreational functions. But, much work remains to be done to reduce America's vulnerabilities to terrorism and other maritime security threats. The FY 2006 budget includes the resources required to continue the multi-year effort to modernize the Coast Guard, reduce risks to maritime safety and security, and deliver capabilities

and competencies necessary to enhance mission performance. The requested funding will positively impact our ability to deliver the maritime safety and security America demands and deserves by focusing resources toward three critical priorities:

- Recapitalize the Coast Guard.
- Implement the Maritime Strategy for Homeland Security.
- Enhance Mission Performance.

Finally, I would be remiss if I failed to acknowledge the outstanding service provided by the extremely dedicated Coast Guard workforce—a total team of uniformed active duty, Reserve, and Auxiliary personnel; dedicated civilian employees, and talented contractors. Looking at their accomplishments, it is clear that Coast Guard men and women continue to rise to the challenge and deliver tangible and important results across both homeland security and non-homeland security mission programs. Coast Guard men and women are unwavering in their commitment to their Service and country. Ensuring these same people are properly compensated and given the opportunity to grow both personally and professionally is my single highest priority. With Congressional and Administration support, we have done much in recent years, from pay raises, improved housing allowances to better medical care, to support our men and women. The FY 2006 budget builds upon those results and provides a pay raise and important funding for Coast Guard housing projects through the shore recapitalization request.

Coast Guard members volunteer in order to serve, secure, and defend this great nation. Our personnel are faced on a daily basis with a daunting set of mission requirements and challenges. We owe them not only fair compensation and benefits; we owe them the capabilities and tools to get the job done. The FY06 budget is about placing the right tools in the capable hands of our personnel. They have shown time and again that they know just what to do with them.

With the continued support of the Administration and Congress, and the tremendous people of the Coast Guard, I know that we will succeed in delivering the robust maritime safety and security America expects and deserves in its' Coast Guard well into the 21st Century.

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

Senator SNOWE. Thank you, Admiral Collins.

Master Chief Welch?

## STATEMENT OF MASTER CHIEF FRANKLIN A. WELCH, MASTER CHIEF PETTY OFFICER, U.S. COAST GUARD

Chief WELCH. Good morning, Madam Chair and distinguished Members of the Subcommittee.

Thank you so much for the opportunity to present my views in support of the servicemembers and their families that I am honored to represent.

I am very proud of the national contributions made of our work force. And, with your support, we have benefited greatly from the reductions made between military and private-sector pay gaps of years past. The cumulative positive impact of military pay raises, coupled with significant reductions of housing expenses, has been both timely and well deserved.

And despite increased personnel tempos experienced by all components of our work force, our recruiting and retention results continue to remain impressive. In Fiscal Year 2004, we slightly exceeded our active-duty recruiting mission, while making significant progress to further diversify our work force. Minority accessions totaled 36 percent of our overall recruiting efforts, representing an 11 percent increase from Fiscal Year 2003. Our reserve accessions were equally successful.

Retention rates also remain extremely high. The current retention rate within the enlisted work force is 89.6 percent, with 1.2 percent of those accessing into our officer corps. While there are

many factors contributing to our high retention, I view our successes as being key and measurable results of our Commandant's commitment to our people.

We have invested to nationally advertise and promote the roles and missions of the Coast Guard, and we have made great strides in providing our people with enhanced professional development opportunities. Recent accomplishments include the establishment of a command master-chief course, the introduction of a formal enlisted professional military education program, increased throughput of our leadership and management school, the establishment of a comprehensive unit leadership development program, and continued aggressive support of tuition assistance funding.

We consider these human-capital investments key to the continued development of our existing work force and essential for us to remain attractive to those contemplating military service.

We also remain ever mindful of the quality-of-life needs of our people. Housing remains a chief concern of our servicemembers and their families. While BAH reform has been successful in absorbing housing costs incurred by our people who reside in the private sector, we cannot claim total housing success until we can provide our people who reside in government-owned quarters with the same desirable and well-maintained housing found on the economy. To that end, we have begun privatization in Hawaii, and have privatization feasability studies underway in Alaska and Cape May, New Jersey.

Childcare is also an expensive and problematic issue for our servicemembers with children. High childcare costs impact our work force throughout all geographical areas, but particularly those assigned to locations inaccessible to Coast Guard or Department of Defense childcare facilities. We have a childcare study ongoing to assess the needs of our people and to identify areas in which we may make appropriate interventions.

Medical and dental-care concerns remain widespread. The majority of our concerns are due to the fact that most of our personnel are assigned well beyond the bounds of military treatment-facility catchment areas, thereby forcing our members to seek providers, which are becoming increasingly difficult to secure. I believe that the principal contributing factor to limited provider access is that of provider dissatisfaction with healthcare reimbursement rates. We continue to work with the Department of Defense to resolve these challenges, and we look forward to the implementation of the new TRICARE contract, which we hope will rectify some of the shortcomings experienced with TRICARE in the past.

In addition to quality-of-life concerns, we also remain extremely committed to the needs of our people in the workplace; specifically and most critically, our responsibility to provide our servicemembers with safe, reliable, and effective cutters and aircraft from which to operate. Our front-line fleet of cutters continues to deteriorate, resulting in significantly degraded readiness capabilities and equally degraded crew morale. Fleet readiness issues are having an adverse impact on our presence in the maritime domain, affecting missions from domestic fisheries enforcement to the global war on terrorism, and causing our men and women to work even harder to overcome the deficiencies associated with our outdated fleet. In fact, if it weren't for the ingenuity, the profes-

sionalism, and the sacrifices made of our crews, our cutter fleet would not be in service today.

The long-predicted demise of our fleet can no longer be overcome at the expense of our people, and we are very grateful for your support and understanding of the urgency of need for our Deepwater Recapitalization Initiative.

In conclusion, your support of our efforts to transform the United States Coast Guard is greatly appreciated. We thank you for your service, and I thank you for the opportunity to speak with you today. I look forward to answering any questions that you may have.

[The prepared statement of Chief Welch follows:]

PREPARED STATEMENT OF MASTER CHIEF FRANKLIN A. WELCH, MASTER CHIEF PETTY OFFICER, U.S. COAST GUARD

Madam Chair and distinguished Members of this Subcommittee, I am once again very thankful for the opportunity to appear before you to present my views in support of the Coast Guard and the Coast Guard family that I am honored to represent. I am very proud of our service members and equally proud and thankful for the tremendous support provided by this Subcommittee during the 108th Congress. I look forward to continuing an equally supportive relationship with you and the 109th Congress as well.

I am also grateful for House support of S. 2486, the Veteran's Benefits Improvement Act of 2004, S. 2484, the Veterans Affairs Health Care Personnel Enhancement Act of 2004, and H.R. 3936, the Veterans Health Programs Improvement Act of 2004. Legislative support of these acts formally recognizes the sacrifice and dedication of our many veterans and I ask for your continued support in ensuring that the men and women who serve or *have served* our country, remain well-served *by* our country.

The Coast Guard has accomplished much in the past year thanks to the dedication and unwavering support of Coast Guard men and women stationed throughout this country and assigned globally. I travel extensively to meet with our service members, to share information with them, and more importantly to listen to their ideas and concerns. These personal interactions enable me to better represent their needs and interests. One of the things I hear loud and clear from our troops is how they have benefited greatly from the reductions made between the military and private sector pay gaps. The cumulative positive impact of military pay raises coupled with significant reductions of out of pocket housing expenses has been well received and is certainly well deserved. I believe they are a big reason for our recent workforce retention trends being at record high levels.

Despite increased operational and personnel tempos by all components of our service, our recruiting results continue to remain impressive. In FY 2004, we slightly exceeded (by nine) our active duty-recruiting mission of 3,800 enlisted accessions. In addition to meeting our numerical goal we also made significant progress in our efforts to further diversify our work force. FY 2004 minority accessions represented 36 percent of the total. This represents an increase of 11 percent from FY 2003. We are enjoying similar success in our critical reserve component accessions.

Retention rates also remain extremely high. The current retention rate of our enlisted work force is 89.6 percent, with 1.2 percent of those accessing to our officer corps. As we continue work force expansion, successful recruiting and retention efforts are mitigating many of the challenges associated with targeted growth endeavors. Growth has produced a temporary service issue that many people refer to as "juniority." This means that junior personnel are often filling senior positions, resulting in significant billet to pay grade mismatches. However, I prefer to define the situation as one of "opportunity" for the younger members of our Coast Guard, who continually impress me with their can-do attitudes and ability to accomplish the mission.

There are many factors driving our high retention rates but I view our retention successes as being the key measurable result of our Commandant's commitment to our people. With your budgetary support, he is fulfilling his vision, *"The Coast Guard committed to our people . . . and our people committed to the Coast Guard."* There has never been a period during my career in which so many people-oriented initiatives have been realized, including:

**Raising the Visibility of the Coast Guard**

We have wisely invested in a modern, relevant and attractive branding campaign to nationally advertise and promote the roles and missions of the Coast Guard, as well as the opportunities afforded the men and women of our service. The *Shield of Freedom* campaign is vitally important in attracting a diverse workforce that will lead the Coast Guard in accomplishing its vital Homeland Security missions.

**Providing Professional Development Opportunities**

The Coast Guard is making every effort to better prepare our people for success. Recent accomplishments have placed a permanent senior enlisted cadre within the U.S. Coast Guard Academy Corps of Cadets for the purpose of providing enlisted perspective, mentorship and experienced practical guidance for our future officer corps. As I mentioned during last year's hearing, we were working to establish a Command Master Chief course that would better prepare our senior enlisted leaders with tools to blend personnel representation and command advisory roles. We piloted that course last year and based on tremendously positive reviews we will continue with the course in FY 2005. The introduction of our much-anticipated Enlisted Professional Military Education Program has also been completed with equally positive feedback. We have also significantly increased student throughput for our Leadership and Management School; a course designed to increase the effectiveness of our mid-grade enlisted work force and our junior officers. In addition to expanding our resident training opportunities, our Leadership Development Center in New London, Connecticut, has designed a comprehensive Unit Leadership Development Program (ULDP) that is mandatory at the unit level. A subset to the ULDP is the *first term-first unit* requirement to complete an Individual Development Plan that was designed by our Command Master Chiefs in concert with our training branch at Coast Guard Headquarters. I am proud of collaborative efforts such as these, because they represent a renewed sense of alignment between those with oversight responsibilities and those charged with implementation.

**Providing Personal Development Opportunities.**

Recognizing the importance of continuing education for our people, the Coast Guard has continued its support of tuition assistance funding that defers the rising cost of education. In FY 2004, the Coast Guard authorized 22,212 courses at an expense of $12.2M. As of 7 January 2005, tuition assistance commitments already totaled $5.1M. We consider these human capital investments key to the development of our current work force, and critical to remaining an *employer of choice* for those contemplating Coast Guard service. It is imperative that we remain competitive with our sister services of the Department of Defense, thereby underscoring the importance of discretionary funding as provided for in the President's FY 2006 budget. In addition to supporting our people who opt to pursue higher education, we remain committed to the health and well being of our Coast Guard men and women. To that end, we have mandated use of personal fitness plans for all of our service members as part of the Coast Guard fitness program.

These initiatives serve to enhance the important sense of self worth of our people and I am proud of our focus. We have more to do, but these tangible work force enhancements are highly visible to our people and are indicative of our commitment to the workforce. Again, I appreciate this Subcommittee's support that has enabled the Coast Guard to remain attractive as a service that values our most important asset—our people.

With your support, the Coast Guard continues to increase its authorized end strengths. In the post 9/11 environment it is essential that the principal agency charged with maritime safety and security be adequately staffed to perform its many missions. We are thankful for the authority to increase work force end strengths and we are doing so in the most responsible and deliberate manner. In addition to ensuring that we are appropriately staffed to effectively meet our many responsibilities, we are also mindful of the many critical *quality of life* needs of our people.

*Military pay* is the single-most important quality of life and compensatory issue that we face. Without question, the military pay raises of the past four years have been a key contributor to accession and retention success. We seek your continued support in enabling the armed services to remain competitive with the private sector in order for us to attract and retain the skilled and motivated work force that our country must rely upon.

*Housing* remains a chief concern of our work force. As advertised, basic allowance for housing (BAH) reform has eliminated out of pocket expenses for housing in most areas throughout our country and reduced it in all areas; the aggregate impact of BAH reform has been to reduce uncompensated housing expenses by approximately

20 percent. This effort is significant, commendable and appreciated by our service members and their families who reside in areas in which private sector housing is desirable and attainable. We must also remain mindful of the needs of our people who do not have access to this ideal housing situation. Throughout my personal engagements with our workforce, I have witnessed first-hand the poor materiel condition of government owned housing units that we mandate for many of our people. As this Subcommittee knows, the Coast Guard faces many challenges to address its shore infrastructure maintenance and recapitalization programs, and has deferred many projects, which is having direct and negative consequences to our service members and their families. It also negatively impacts the ability of our single and unaccompanied personnel to secure adequate housing because our owned unaccompanied personnel housing (UPH) is often in the same inadequate condition as our family housing.

In an effort to enhance quality of life as it relates to deteriorating shore infrastructure we have expanded our availability of leased housing options to our service members who are E–4 and below assigned ashore with less than four years time in service. We are also pursuing privatization efforts, including the transfer of 318 units located at Red Hill, Hawaii, to the U.S. Army. On October 1, 2004, the Army subsequently transferred maintenance of their Hawaii inventory (over 7,000 units) to Actus Land Leasing with full financial closing and property transfer. In the greater New Orleans area, we have entered into a limited partnership with Patrician C.G. LLC. As I have seen during visits to Department of Defense housing facilities, military housing privatization, provides substantial benefits for limited up-front government investment.

We currently have privatization feasibility studies underway in Alaska and Cape May, New Jersey. These studies will provide us with an assessment of the ability to privatize housing in those locations. The Alaska study, which includes Kodiak, Valdez, Cordova (our worst), Sitka, Petersburg and Homer, is scheduled for completion by next spring. The Cape May study will follow closely behind the Alaska study.

We have also deemed areas absent private sector *and* government owned housing as Critical Housing Areas (CHA's). This designation enables our people to receive BAH rates higher than the locales that they are assigned to so that they can afford housing in these high demand areas. Although this initiative may encourage family separation, the alternative of forced financial hardship is unacceptable. The Coast Guard has twelve such CHA designated locations. They are: Eastern Shore, Virginia; Buxton, North Carolina; Montauk, New York; Cape May, New Jersey; Abbeville, Louisiana; Port O'Connor, Texas; Coastal Maine; Carrabelle and Marathon/Islamorada, Florida; Provincetown, Massachusetts; Oxford, Maryland; and Marinette, Wisconsin. Additionally, any area designated as a CHA by the U.S. Navy applies to the Coast Guard.

*Child care* is also an expensive and problematic issue for our service members with dependent children. High child care costs impact our workforce throughout all geographical areas but particularly those assigned to locations inaccessible to Coast Guard Child Development Centers and/or Department of Defense facilities. Due to the typically remote locations in which we serve, it is difficult, if not impossible to maintain parity with the other armed services in respects to providing our people with quality and affordable child care options. Recognizing the financial burdens placed upon our people, we have recently chartered a child care study to assess the needs of our work force and to identify areas in which we may make appropriate interventions. This is a key quality of life issue and we appreciate your understanding of the impact of the extremely high cost of child care nationwide.

*Medical and dental care* issues remain chief and common concerns of our service members and their families. As I have testified in the past, these issues affect the Coast Guard in unique and sometimes difficult ways. The Coast Guard continues to work with the Department of Defense to resolve these challenges, and we are looking forward to the implementation of the new TRICARE contract, which we hope will help rectify some of the shortcomings we have experienced with TRICARE in the past.

In addition to quality of life concerns and initiatives, we also remain ever mindful of the needs of our people in the workplace; specifically our responsibility to provide our service members with safe, reliable and effective platforms from which to operate. As I have testified during the past two years, our front-line fleet of cutters continues to deteriorate; resulting in significantly degraded readiness capabilities and equally degraded crew morale. It is important to note that during FY 1999, our Deepwater fleet experienced 267 unscheduled maintenance days. In FY 2004, the fleet had 742 unscheduled maintenance days. This increase does not represent a lack of crew effort, but is simply indicative of old cutters and old subsystems—get-

ting even older. Fleet readiness issues are having an adverse impact on our presence in the maritime domain, and our men and women must work even harder to overcome the deficiencies associated with our fleet. If it weren't for the ingenuity, professionalism and the sacrifices made of our crews, our cutter fleet would not be in service today, and that applies to every class of cutter that we have. The demise of our fleet can no longer be overcome at the expense of our people, and as this Subcommittee knows, our Deepwater recapitalization project is essential in order for us to meet the demands that face our service today. We are very grateful for your historical support and understanding of our Deepwater initiative and urge your support of the President's $966M FY 2006 Deepwater request, which includes funds both for new vessels and for legacy medium-endurance cutter maintenance to help address the problem of our aging fleet.

To conclude, let me again offer my sincere appreciation to this Subcommittee for affording me the opportunity to present my views before you. I trust that the American public is rapidly coming to know the broad range of missions that the Coast Guard is responsible for, as well as the global context in which we are involved. I could not be prouder of our Coast Guard men and women than I am today. Collectively, our active duty, reservists, civilians, auxiliarists, *and their families alike* continue to make endless sacrifices to ensure that our service remains "Always Ready," and that our country remains always safe! Mr. Chairman, on behalf of the tens of thousands of people that I represent, I am thankful for your service in support of our nation's Coast Guard and I look forward to your continued support as we aggressively transform our service. I welcome any questions that you or this Subcommittee may have.

Senator SNOWE. Thank you, Master Chief. We appreciate it. Urgency is the operative word, you're correct.

Chief WELCH. Yes, ma'am.

Senator SNOWE. Thank you.

Ms. Wrightson?

**STATEMENT OF MARGARET T. WRIGHTSON, DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Ms. WRIGHTSON. Thank you very much.

I'm pleased to be here to discuss the President's 2006 budget request for the Coast Guard. My testimony focuses on GAO's work this past year pertaining to three areas of the budget the Coast Guard deems its most important priorities, which the Commandant mentioned.

In summary, I would say the following. Carrying out the Coast Guard's maritime security responsibilities continues to be a daunting challenge, one that cannot be ignored or shortchanged. Although the Coast Guard has worked hard to get MTSA off the ground and build its security presence and domain awareness, doing so has significantly impacted operations and strained mission capacity and capability. The Coast Guard is pursuing many initiatives that it believes will be force multipliers in these regards. However, by doing so much so fast, the Coast Guard has sometimes put dollars and programs at risk through less-than-effective design, management, and oversight.

Turning to the most important details. If the Coast Guard's budget request is granted, agency discretionary funding will have increased each year since 2002, for a total increase of 45 percent. The Coast Guard will now account for 20 percent of DHS's budget.

By comparison, the Coast Guard's performance measures over this past period have been more mixed. For the eight mission areas where results are currently available, the Coast Guard met half. Some misses represent small differences, which I would be happy

to talk about, but others are potentially more significant. In thinking about these year-to-year fluctuations, it is worth noting, as I did last year, the difficulties in directly linking resource allocation decisions and performance results. For example, to explain performance results for foreign fish, the Coast Guard points to oceanic and climatic shifts that alter fish migration patterns and draw foreign vessels into U.S. waters. At the same time, I know the Commandant agrees that there is no doubt that a proactive presence is essential.

Rising budgets and fluctuating performance measures underscore how important it is for the Coast Guard to continue to improve its measures so they are as robust as possible. Also, the better the Coast Guard understands the relationship between resources it gets and the results it achieves, the more efficient and effective its decision-making will be.

Regarding the Coast Guard's efforts to implement an effective maritime security regime, since MTSA was enacted the Coast Guard has taken determined action to establish a meaningful regime, including reviewing and approving thousands of vessel and facility security plans, increasing its security presence at ports, and enhancing intelligence capabilities, to name just some. However, this past year we raised concerns in a number of areas. For example, whether the Coast Guard would be able to devote sufficient resources to its port security inspection program, and whether inspectors would be qualified, adequately trained, and provided proper guidance.

Among other things, we urged the Coast Guard to conduct a formal evaluation after the first round of compliance inspections, and consider unannounced inspections and covert testing as part of its program. In response to this and other suggestions we made, the Coast Guard has a number of improvements ongoing.

A second Coast Guard priority in the 2006 budget is to enhance mission performance. Three broad initiatives that deserve particular mention here are the new coastal communications system, called Rescue 21, a new field command structure, called sectors, and efforts to improve readiness of multi-mission boat stations, formerly known as small boat stations. All three carry risk. I will mention only the second.

While there is no doubt that sectors would improve performance and efficiency at the Coast Guard, flexibility and attention to details will also be important. For example, I was in San Diego a couple of weeks ago, and it appears quite clear that that pilot is successful. But in San Diego—but the fact is that San Diego's key units were already co-located, and there was a strong history of communication and partnership there. In other cases, commands are physically separated, and there is stovepipe culture between operations and marine-safety offices. Thus, a relatively easy transition in one case may not translate into a smooth transition in all.

The third priority is recapitalizing the Coast Guard, but I will focus on just Deepwater. The Coast Guard is requesting nearly a billion dollars for this program this year. Last year, we reported that, well into the second year, key components needed to manage the program and oversee the contractor had not yet been effectively implemented. The Coast Guard also had not updated its master

schedule, and costs were rising above original estimates. More recently, we have seen schedule slippages, such as for the national-security cutter, and emergency accelerations, such as for the HH–65. Unobligated balances are also growing. Finally, we have also seen at least one instance of a serious performance problem, at least initially; this being the hull breaches on the first converted 123-foot patrol boats.

We have made numerous recommendations to improve the program's management and oversight, and the Coast Guard has agreed with every one. In most cases, however, while actions are underway to address our concerns, management issues remain that will take some time to resolve.

Additionally, there is uncertainty around the recently revised mission-needs statement, which will almost certainly increase costs and require further schedule adjustments once the implementation plan is approved.

Finally, any look at the Coast Guard's budget would be incomplete without a discussion of its legacy assets. As of Fiscal Year 2005, the Coast Guard had requested 856 million in total, and this number could rise significantly. While we are not questioning the agency's decisions about which projects should receive priority, we believe it is important for the Coast Guard to make Congress aware, very aware, of the magnitude of the potential funding needs and to provide greater transparency. This summer, we will issue a report to you, Madam Chairman, on this subject.

In conclusion, the Coast Guard's 2006 budget request reflects the continuing importance the Administration attaches to the Coast Guard's missions, especially those related to the homeland security. Our recent work indicates that such funding increases may be warranted, given the condition of the Coast Guard's aging assets and the fact that the systems needed to improve maritime domain awareness and security were either inadequate or nonexistent prior to September 11th. Nevertheless, as GAO's work this past year bears out, dramatic infusions of money bring added risk that too much will be attempted too fast.

We look forward to continuing with your Subcommittee to mitigate these risks through productive oversight and engagement with the Coast Guard.

Thank you very much.

[The prepared statement of Ms. Wrightson follows:]

PREPARED STATEMENT OF MARGARET T. WRIGHTSON, DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Madame Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the President's Fiscal Year 2006 budget request for the Coast Guard, focusing on three priority areas the Coast Guard believes are critical to improving performance and reducing vulnerabilities within the U.S. maritime domain. As you know, the Coast Guard continues to face extraordinary, heightened responsibilities to protect America's ports, waterways, and waterside facilities from terrorist attacks, while also maintaining responsibility for many other programs important to the nation's interests, such as helping stem the flow of illegal drugs and illegal immigration, protecting important fishing grounds, and responding to marine pollution. At the same time, the Coast Guard is adjusting to its new home in the Department of Homeland Security (DHS) and attempting to manage the largest acquisition in its history, replacing or upgrading virtually all of its deepwater assets (ships and aircraft capable of operating further out to sea). It is an understatement to say that the Coast Guard has a lot going on. In recognition

of this, the Coast Guard has received substantial budget increases since the terrorist attacks on September 11, 2001.

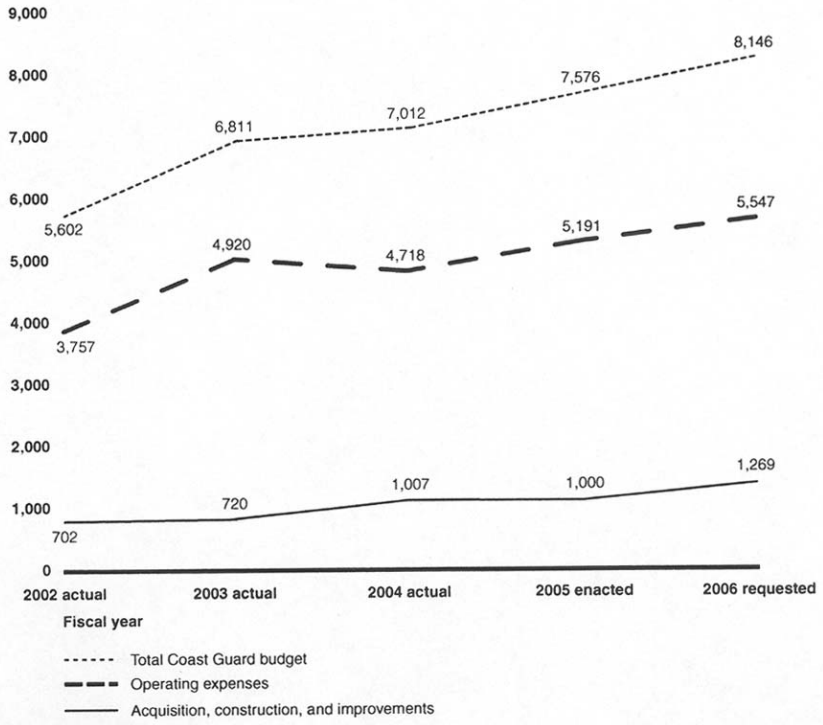
My testimony today provides a brief overview of the Coast Guard's budget and performance information, and then discusses key Coast Guard programs and activities within the context of a three-part framework that the Coast Guard outlines in its Fiscal Year 2006 budget documents. The Coast Guard believes that funding three priority areas—implementing the maritime strategy for homeland security, enhancing mission performance, and recapitalizing the Coast Guard—are essential to best position the agency to implement the President's strategies and reduce vulnerabilities in the U.S. maritime domain. My testimony is based on a number of reviews we have conducted in recent years on several Coast Guard programs. (See app. II for a listing of recent reports.) Our work for this testimony has been conducted from February 2005 to March 2005 in accordance with generally accepted government auditing standards. (See app. I for additional information regarding our scope and methodology.)

In summary, the 2006 request reflects the continuing importance the administration attaches to the Coast Guard's missions—especially those that relate to homeland security. Our recent work indicates that funding increases may be warranted, given the condition of the Coast Guard's aging assets and the fact that the systems and processes the agency needs to improve maritime domain awareness and security were either inadequate or nonexistent prior to the terrorist attacks. Nevertheless, as our work also has shown, dramatic infusions of money do not guarantee success, but bring added responsibility to ensure that these large investments of taxpayer dollars are wisely spent. The risk that an agency may simply attempt to do too much and do it too quickly is increased when an agency faces as many significant new heightened responsibilities as the Coast Guard. We have not evaluated the Coast Guard's priorities or whether the funding levels proposed are those needed to accomplish these priorities. However, our work does show that in key areas the Coast Guard has not always paid as much attention to program design and management as it should. These design and management issues can often have implications for how effectively money is spent. My testimony focuses on findings from our recent work as they relate to each of the Coast Guard's three priority areas, the recommendations we made, the progress that the Coast Guard has made in addressing them, and the issues that remain. First, I would like to put the Fiscal Year 2006 budget request in a historical context and also provide some perspective on the Coast Guard's reported performance results.

**Funding Has Escalated in Recent Years, but Is Difficult to Link to Performance Results**

The Coast Guard's 2006 budget request continues a trend of increasing budgets that began in Fiscal Year 2002, as figure 1 shows.

**Figure 1: Coast Guard Budget from Fiscal Year 2002 to Fiscal Year 2006 (dollars in millions)**




Source: GAO analysis of Coast Guard data.

If the Coast Guard's full budget request is granted, its funding will have increased by 45 percent in nominal terms in this 5-year period. A major portion of this growth will have occurred in the acquisition, construction, and improvements account, which grew 81 percent in nominal dollars between the Fiscal Year 2002 actual funds and the Fiscal Year 2006 requested funds—a $568 million increase. Much of this increase can be attributed to two major acquisition projects—Deepwater and Rescue 21. Deepwater is the Coast Guard's largest-ever acquisition program. It replaces or modernizes cutters, aircraft, and communications equipment for missions that require mobility, extended presence on scene, and the capability of being deployed overseas. Rescue 21, the Coast Guard's second largest procurement in Fiscal Year 2006, will replace the Coast Guard's current antiquated coastal communication system.

The Fiscal Year 2006 budget request shows a $570 million increase to $8.1 billion,[1] which is an increase of about 11 percent in its discretionary funding over the enacted budget for Fiscal Year 2005.[2] The majority of the total is for operating expenditures: $5.5 billion. Capital acquisition accounts for another approximately $1.3 billion, and the remainder is primarily for retired pay. (See app. III for more detail on the Coast Guard's Fiscal Year 2006 budget accounts.) Much of the additional $570 million over and above the 2005 budget covers such things as mandatory pay

[1] The $8.1 billion request for the Coast Guard represents 20 percent of the Department of Homeland Security's budget request for Fiscal Year 2006.

[2] This calculation is based on the Coast Guard's discretionary funding and, for comparison purposes, removes the Fiscal Year 2005 hurricane supplemental ($33 million) and adds in the anticipated Fiscal Year 2006 reimbursements for polar icebreaking ($47.5 million) and research, development, test and evaluation ($24 million).

increases for current employees and operating expenses for existing programs—many of which relate to homeland security functions. In addition, more than $50 million of the increase would fund new or enhanced initiatives, all of which relate to homeland security. For example, a portion of this funding would be dedicated to increasing maritime patrol aircraft operations, increasing the Coast Guard's presence in ports, and providing enhanced security for liquefied natural gas transports. Of the nearly $1.3 billion requested for capital projects, $966 million, or 76 percent, would be dedicated to the Deepwater acquisition, while $101 million would be dedicated to Rescue 21.

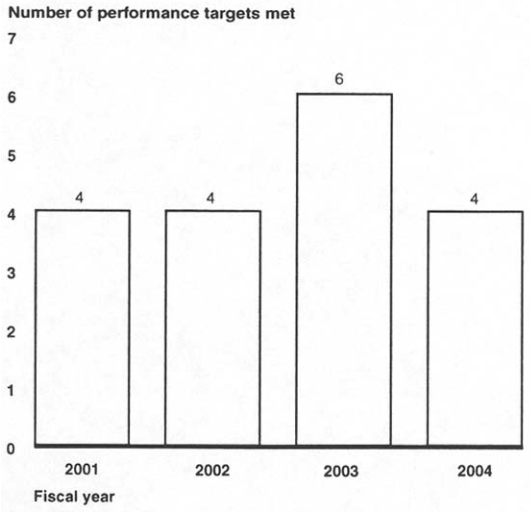
By comparison with the pattern of budget increases, performance results—indicators that track a program's progress from year to year—have been more mixed in terms of the number of performance targets met each year.[3] (See app. IV for a detailed discussion of the Coast Guard's performance measures and results.) The Coast Guard has a key performance target—the goal it aims to achieve each year—for 10 of its 11 programs.[4] For search and rescue, for example, its target is to save the lives of at least 85 percent of mariners in distress. For the 8 programs with performance results through Fiscal Year 2004,[5] the Coast Guard met or exceeded its targets in 4—a decline from the 2003 results, when the Coast Guard met 6 of these targets (see fig. 2). Such changes can involve relatively small shifts in results. For example, in Fiscal Year 2004, 96.3 percent of domestic fishermen were found to be in compliance with regulations, compared with 97.1 percent the year before—but the percentage for Fiscal Year 2004 was below the Coast Guard's target of 97.0 percent, while the percentage for Fiscal Year 2003 was above it.

[3] Pursuant to the Government Performance and Results Act of 1993 (Pub. L. 103–62, 107 Stat. 285 (1993)), performance indicators are to be used to assess relevant outputs, service levels, and outcomes of each program activity. Performance targets or goals are defined as a set of annual goals that establish the agency's intended performance, stating a particular level of performance in either an absolute value or as a targeted level of improvement.

[4] For homeland security (called ports, waterways, and coastal security), performance measures are still under development.

[5] According to the Coast Guard, performance results for Fiscal Year 2004 are not available for two programs. They are: (1) marine safety—Fiscal Year 2004 performance results will not be available until spring 2005, when the recreational boating data is reported; and (2) illegal drug interdiction—Fiscal Year 2004 results will be calculated and released once illegal drug flow information for Fiscal Year 2004 is known—sometime in the spring of 2005.

**Figure 2: Number of Coast Guard Performance Targets Met for the 8 Programs with Performance Results between Fiscal Years 2001 and 2004**




Source: GAO analysis of Coast Guard data.

Note: Only those performance results that were available for each fiscal year between 2001 and 2004 were included in these results. As such, performance results for marine safety, illegal drug interdiction, and ports, waterways, and coastal security are not included in these figures.

As we have reported in the past, it is difficult to link spending and resource allocations to performance and results, because many other factors also are at work.[6] For example, one of the Coast Guard's measures—the number of incursions into U.S. fishing grounds by foreign fishing vessels—is affected by oceanic and climatic shifts that can cause fluctuations in the migrating patterns of fish. The number of foreign vessels drawn to U.S. waters could be affected by these fluctuations. In addition, the Coast Guard is still developing its performance measures and targets for its primary homeland security program, so this major reason for funding increases is not yet reflected in the results. These complicating factors suggest caution in attempting to read too much into the Fiscal Year 2004 drop. Nevertheless, attention to these trends over the long term is important, as a way to help ensure that taxpayer dollars are spent wisely.

**Efforts Made on Coast Guard's Maritime Security Strategy Show Promise, but Concerns Remain**

One of the Coast Guard's Fiscal Year 2006 priorities involves implementing a maritime strategy for homeland security. Major portions of this endeavor are heavily influenced by the requirements of the Maritime Transportation Security Act (MTSA) of 2002.[7] We have reviewed the Coast Guard's response to a number of these requirements, and our findings have implications for several aspects of the budget request.

MTSA seeks to establish a comprehensive security regime for the nation's ports—including planning, personnel security, and careful monitoring of vessels and cargo—and charges the Coast Guard with lead responsibility for implementing this regime. Since MTSA was enacted, the Coast Guard has worked to address vulnerabilities by spurring the development of meaningful security plans for thousands of facilities and vessels in the nation's ports. The Coast Guard has taken

[6] GAO, *Coast Guard: Key Management and Budget Challenges for Fiscal Year 2005 and Beyond,* GAO–04–636T (Washington, DC: April 7, 2004); and *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, GAO–04–432 (Washington, DC: March 22, 2004).

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

many other actions as well, including establishing area maritime security committees to improve information sharing, increasing port presence through increased security patrols, enhancing intelligence capabilities by establishing field intelligence teams in ports, and beginning to implement an electronic identification system for vessels in the nation's ports. As we have reported, the Coast Guard deserves credit for taking fast action on so many MTSA security provisions at once, especially with regard to MTSA's aggressive requirement that regulated facilities and vessels have security plans in place by July 2004.[8] However, the combination of so many reforms and an aggressive schedule posed a daunting challenge, and our review of Coast Guard efforts to meet these requirements showed some areas for improvement where we have made recommendations—most notably the following three from reports issued in 2004.

- *Automatic Identification System (AIS) has potential for cost savings.* National development of this system, which identifies vessels traveling to or through U.S. waters, is an important step in the overall effort to increase port safety and security. The Coast Guard faced several key decisions to determine AIS's technical requirements, waterway coverage, and vessels to be equipped with identification equipment. Estimates to establish such a system, however, were well above funding levels. We thought the goals of the system might be achieved more quickly and the costs to the Federal Government reduced by pursuing cost-sharing options. Consequently, we recommended that the Coast Guard seek and take advantage of partnerships with organizations willing to develop AIS systems at their own expense.
- *Port security assessments could be more useful.* The port security assessment program is intended to assess port vulnerabilities and security measures in the nation's 55 most economically and militarily strategic ports. Our review showed that while some improvements were made, the Coast Guard risked producing a system that was not as useful as it could have been because its approach lacked a defined management strategy, specific cost estimates, and a clear implementation schedule. A major factor of the program—a computer-based geographic information system that would provide information to personnel in charge of port security—was developed in such a way that gaps in port security postures could be overlooked. We recommended that the Coast Guard define and document the functional requirements for this computer system and develop a long-term project plan for the system and for the port security assessment program as a whole.
- *The Coast Guard's strategy for conducting oversight and compliance inspections of facilities and vessels could be improved.* Because the program was new, we recommended that the Coast Guard undertake a formal evaluation after the first round of inspections and use the results to improve the program. The evaluation was to include the adequacy of security inspection staffing, training, and guidance. To improve the program strategy, we also recommended that the Coast Guard clearly define the minimum qualifications for inspectors and link these qualifications to a certification process, as well as consider unscheduled and unannounced inspections, and covert testing as a way to ensure that the security environment at the nation's seaports met the nation's expectations.

The Coast Guard agreed with many of our recommendations and has made progress in implementing some of them, but the remaining issues have implications for the availability of funds or the effectiveness with which available funds are spent.

- *AIS.* Coast Guard officials have taken a number of steps to encourage stakeholder participation, although they have not formally sought AIS partners to date. For example, the Coast Guard has a contract with PETROCOMM (a provider of communications services in the Gulf of Mexico) to provide locations, maintenance, and data services for several AIS base stations on offshore platforms in the Gulf of Mexico.[9] The Coast Guard believes that it is too early to

[8] GAO, *Maritime Security: Partnering Could Reduce Federal Costs and Facilitate Implementation of Automatic Vessel Identification System,* GAO–04–868 (Washington, DC: July 23, 2004); *Maritime Security: Better Planning Needed to Help Ensure an Effective Port Security Assessment Program*, GAO–04–1062 (Washington, DC: September 30, 2004); and *Maritime Security: Substantial Work Remains to Translate New Planning Requirements into Effective Port Security*, GAO–04–838 (Washington, DC: June 30, 2004).

[9] The other instances are (1) The Coast Guard has a contract with the Port Graham Development Corporation (an Alaskan Native corporation) in partnership with the Marine Exchange of Alaska to deploy and manage a network of AIS receivers at 11 locations in Alaska; (2) the Volpe Transportation Systems Center approached the Coast Guard to offer its assistance in facilitating

consider partnerships beyond these initial efforts, because the Coast Guard is still developing operational requirements for AIS systems and vetting these requirements with stakeholders and Coast Guard field units. However, Coast Guard officials also reported that in their discussions with private parties, these parties have shown little interest in shouldering any of the financial burden associated with achieving AIS capability. The Coast Guard estimates that the installation of AIS nationwide could cost nearly $200 million. The Fiscal Year 2006 budget requests $29.1 million for this project, in addition to the $48 million previously enacted ($24 million per year in Fiscal Years 2004 and 2005)—leaving a substantial sum to be financed.

*Port security assessments.* Coast Guard officials said they are working with the Department of Homeland Security to determine the focus and scope of the Fiscal Year 2006 port assessments and are taking into consideration the progress being made by ports to identify shortcomings and improve security. However, the Coast Guard continues to move forward with the overall program, as well as the geographic information system, without a plan that clearly indicates how the program and its information component will be managed, what they are expected to cost, or when the various work steps should be completed. The lack of a plan, in our view, increases the risk that the program will be unsuccessful. In response to our recommendation, the Coast Guard has indicated that it will develop a long-term plan for the port security assessment program but they did not indicate when this effort will begin or when they expect a plan to be completed.

- *Strategy for ensuring facility and vessel compliance.* The Coast Guard has taken a number of actions but has not focused its resources on doing unscheduled or unannounced spot checks to verify whether domestic vessels are complying with requirements.[10] We continue to believe that without unscheduled inspections, vessel owners and operators can mask security problems by preparing for the annually announced inspections in ways that do not represent the normal course of business. Unannounced inspections are a way of ensuring that planning requirements translate into security-conscious behavior.

**Three Efforts to Enhance Mission Performance Bear Watching**

A second Coast Guard priority is to enhance mission performance. Many Coast Guard personnel and assets are involved in performing multiple missions. For example, Coast Guard cutters and crews may be involved with fisheries patrols, distress calls, oil spills, stopping and boarding vessels of interest, and many other tasks. In Fiscal Years 2005 and 2006, the Coast Guard plans to continue developing several initiatives that agency officials believe will yield increased performance across multiple Coast Guard missions over time. Three initiatives, in particular, deserve mention. These are a new coastal communication system, called Rescue 21; a new field command structure, called Sectors; and efforts to improve readiness at multimission stations that conduct search and rescue as well as other missions. All three efforts carry some risk and will merit close attention.

- *Rescue 21.* The Coast Guard has resolved some initial development problems that delayed the implementation of this new coastal command and control communication system and is now poised to move forward again, with a Fiscal Year 2006 budget request of $101 million. According to Coast Guard officials, Rescue 21 can improve coastal command and control communications and interoperability with other agencies, helping to improve not only search and rescue efforts but also other missions such as illegal drug and migrant interdiction. The program is composed of very-high-frequency-FM radios, communication towers, and communication centers. Rescue 21 was originally scheduled to be ready for operational testing by September 2003, but this was delayed because of problems in developing system software. Operational testing of this software has been completed.[11] The program is now set—once additional Coast Guard and DHS approvals are obtained—to move into its next phase of production, and the

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partnerships. (This was done in response to GAO–04–868.) The Coast Guard entered into an agreement with Volpe for the provision of a variety of support for AIS services, including its help in setting up AIS capability in areas where partnerships may be of assistance.

[10] Agency officials reported that they are focusing resources on making the initial inspection of the nearly 10,000 vessels subject to MTSA requirements. Coast Guard officials say the agency is using unscheduled or unannounced spot checks for facilities, and for foreign vessels. However, we have not assessed the extent to which this has occurred.

[11] As a result of these delays, $40 million in Fiscal Year 2005 funds were reprogrammed within the Coast Guard from Rescue 21 to other purposes, and an additional $16 million was rescinded.

Coast Guard anticipates that the program will be operational by the end of 2007.

According to the Coast Guard, one risk that remains in moving ahead with Rescue 21 involves locating sites for about 330 towers that must be built. The Coast Guard must locate these towers in accordance with the requirements of the National Environmental Policy Act of 1969 (NEPA), as amended, which requires federal agencies to prepare an environmental impact statement for major federal actions that may significantly affect the quality of the human environment.[12] Towers can have environmental effects; for example, when they are built in migratory bird locations, birds can fly into the towers or their supporting wires. Additionally, for effective communications, each tower must be placed in a way that one tower's coverage meets the next tower's coverage without interference. Thus, if one tower must be moved for environmental reasons, neighboring towers may also have to be moved—leading to a potential for schedule slippage, if additional sites must be identified and developed. The NEPA process represents the Rescue 21 program's greatest risk, according to a program official.[13]

- *Sectors.* This is a new field command structure that will unify previously disparate Coast Guard units such as air stations, groups, and marine safety offices into integrated commands. This effort is a budget neutral effect in the Fiscal Year 2006 request, but it bears attention for operational effectiveness reasons. The Coast Guard is making this change to improve mission performance through better coordination of Coast Guard command authority and resources such as boats and aircraft. Under the previous field structure, for example, a marine safety officer who had the authority to inspect a vessel at sea or needed an aerial view of an oil spill as part of an investigation would often have to coordinate a request for a boat or aircraft through a district office, which would obtain the resource from a group or air station. Under the Sector realignment, these operational resources will be available under the same commanding officer. To date, 8 sectors have been established, with approximately 28 to be established by the end of 2006.[14] According to Coast Guard personnel, the realignment is particularly important for meeting new homeland security responsibilities, and will facilitate the Coast Guard's ability to manage incidents in close coordination with other federal, state, and local agencies.

While the establishment of Sectors appears to be an important step that could positively affect the Coast Guard's mission performance, the Coast Guard is likely to face a number of implementation challenges that it will need to overcome to help ensure success. First, Sectors change a longstanding cultural divide within the agency. This divide has separated those personnel who typically operate aircraft and boats from those personnel who typically enforce marine safety, security, and environmental protection laws. Second, it has implications for alignment above the field operations level as well. Realignment is likely to be needed at the district office and headquarters levels to help ensure that management misalignments among these levels do not pull the field reorganization off track. Third, it will likely require training, such as taking steps to ensure that senior commanders are aware of key issues critical for decision making across the various Coast Guard mission areas. Coast Guard officials acknowledge these challenges but believe that the culture challenge will be overcome in time as a result of increased familiarity and training. They also acknowledged that further realignments at the district and headquarters levels are likely to be needed over time and that efforts are under way to implement training changes.

- *Multimission stations.* Another area where the Coast Guard has an opportunity to improve mission performance involves its 188 multimission stations. These stations located along the nation's coastlines and interior waterways have been the mainstay of one of the Coast Guard's oldest missions—finding and rescuing mariners in danger. In 2001, after a series of search and rescue mishaps, the Coast Guard began efforts to improve station readiness, which had been declin-

[12] Pub. L. No. 91–190, 83 Stat. 852 (1970) (environmental impact statements provision found at 42 U.S.C. § 4332(2)(c)).

[13] To help address these concerns, the Coast Guard has agreed to support U.S. Fish and Wildlife Service's studies examining what can be done to prevent birds from hitting the towers or supporting wires. In response to the Fish and Wildlife Service's concerns, the Coast Guard has adapted the night lighting on the towers to make the towers more visible for the birds and has used towers that do not require support wires.

[14] Sectors will be organized along existing Captain of the Port zones. The eight established sectors as of March 1, 2005, are in Boston, Baltimore, San Diego, Honolulu, Miami, Key West, San Juan (Puerto Rico), and Guam.

ing for more than 20 years. This included reconfiguring operations and bolstering resources in four areas—staffing, training, boats, and personal protection equipment used by personnel during operations, such as life vests and survival suits. This effort was complicated by the new and increased homeland security responsibilities that stations assumed after the terrorist attacks of September 11.

Today, 4 years after efforts began to improve station readiness, there have been operational improvements in staffing, training, boats, and personal protection equipment, as well as increases in resource levels at stations. However, even though readiness concerns have been mitigated to some extent, the stations have still been unable to meet standards and goals relating to staffing, boats, and equipment, which indicates that the stations are still significantly short of desired readiness levels in some areas. For example, even though station staffing has increased 25 percent since 2001, station personnel continue to work significantly longer hours than are allowed under the Coast Guard's work standards.

To address continued readiness concerns, actions are needed in two areas, and the Coast Guard says that it has such efforts underway. Currently, the Coast Guard does not have an adequate plan in place for achieving and assessing readiness in its new post-September 11 operating environment. The Boat Forces Strategic Plan—the Coast Guard's strategy for maintaining and improving essential multimission station capabilities over the next 10 years—is the agency's main tool for measuring progress in meeting station readiness requirements, but it has not been updated to reflect increased homeland security responsibilities. However, Coast Guard officials recently reported that they will update the plan to reflect its homeland security mission and identify actions taken and results achieved. Second, the Coast Guard is operating under interim homeland security guidelines, which establish recommended security activities for field units according to each maritime security threat level. Coast Guard officials said they would incorporate measurable station readiness goals into the plan. The Coast Guard plans to complete these efforts in the next 6–9 months.

**Important but Costly Programs for Maintaining and Recapitalizing Deepwater Assets Need Careful Monitoring**

The third Coast Guard priority involves the single largest and most complex acquisition program in the agency's history—a project designed to improve the mission performance of the range of cutters and aircraft that currently conduct the agency's offshore missions. We have previously reported on the risky approach for this acquisition,[15] and although progress has been made to address our past recommendations, the risks still remain substantial. As it undergoes a transformation to these new or upgraded assets, the Coast Guard is also faced with sustaining its legacy assets[16] to ensure that they can continue to perform the Coast Guard's missions until new or upgraded assets are in place. Revisions to the Coast Guard's mission requirements for Deepwater, slippages in the acquisition schedule, and limited information about the condition of and likely costs for maintaining the legacy assets all highlight the need for continued attention to this area.

*Deepwater Acquisition Involves a Major Recapitalization of the Coast Guard*

In 1996, the Coast Guard initiated a major recapitalization effort—known as the Integrated Deepwater System—to replace or modernize the agency's deteriorating aircraft and cutters. These legacy assets are used for missions that require mobility, extended presence on scene, and the capability of overseas deployment. Examples of such missions include interdicting illegal drug shipments or attempted landings by illegal aliens, rescuing mariners in difficulty at sea, protecting important fishing grounds, and responding to marine pollution. The Deepwater fleet consists of 187 fixed-wing aircraft and helicopters, and 88 cutters of varying lengths. As currently designed, the Deepwater program replaces some assets (such as deteriorating cut-

[15] GAO, *Coast Guard's Acquisition Management: Deepwater Project's Justification and Affordability Need to Be Addressed More Thoroughly*, GAO/RCED–99–6 (Washington, DC: October 26, 1998); GAO, *Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain*, GAO–01–564 (Washington, DC: May 2, 2001); and GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO–04–380 (Washington, DC: March 2004).

[16] For purposes of this testimony, we use the term "legacy assets" to refer to the existing fleet of deepwater aircraft and cutters. These legacy assets include the HC–130, HU–25, HH–60, and HH–65 aircraft and the 378-foot high-endurance cutters, the 210-foot and 270-foot medium-endurance cutters, and the 110-foot and 123-foot patrol boats. We did not include the 213-foot *Acushnet*, the 230-foot *Storis*, or the 282-foot *Alex Haley* as part of our analyses of the deepwater legacy assets because they are one-of-a-kind vessels.

ters) with new ones while upgrading other assets (such as some types of helicopters) so that all of the assets can meet new performance requirements.[17]

In an effort to maintain its existing assets until the Deepwater assets are in place, the Coast Guard is conducting extensive maintenance work. Notwithstanding extensive overhauls and other upgrades, a number of the cutters are nearing the end of their estimated service lives. Similarly, while a number of the deepwater legacy aircraft have received upgrades in engines, operating systems, and radar and sensor equipment since they were originally built, they too have limitations in their operating capabilities. For example, the surface search radar system on the HC–130 long-range surveillance aircraft is subject to frequent failures and is quickly becoming unsupportable. Flight crews use this radar to search for vessels in trouble and to monitor ships for illegal activity, such as transporting illicit drugs or illegal immigrants. When the radar fails, flight crews are reduced to looking out the window for targets, greatly reducing mission efficiency and effectiveness. A flight crew in Kodiak, Alaska, described this situation as being "like trying to locate a boat looking through a straw." We have been reviewing the condition of Coast Guard Deepwater assets for a number of years, and our work has shown that a need exists for substantial replacement or upgrading.[18] We have additional work underway this year regarding the status of Deepwater assets, and will be testifying on this work next month.

*Deepwater Contracting Approach Remains Risky*

While we agree that the case for replacing and upgrading the Coast Guard's legacy assets is compelling, the contracting strategy the agency is using to conduct this acquisition carries a number of inherent risks. This strategy relies on a contractor—called the system integrator—to identify and deliver the assets needed to meet a set of mission requirements the Coast Guard has specified, using tiers of subcontractors to design and build the actual assets. The resulting program is designed to provide an improved, integrated system of aircraft, cutters, and unmanned aerial vehicles to be linked effectively through systems that provide command, control, communications, computer, intelligence, surveillance, reconnaissance, and supporting logistics. However, from the outset, we have expressed concern about the risks involved with this approach because of its heavy reliance on a steady funding stream over several decades and the potential lack of competition to keep contracting costs in line.[19]

These risks have had tangible effects, including rising costs and slipped schedules. Early on in our reviews of the program, we expressed concern that the Coast Guard risked schedule slippages and cost escalation if project funding fell short of planned funding levels. These concerns materialized in the first 2 years of the program, when appropriated funding was $125 million less than planned for. And, although funding in the fourth year of the program (Fiscal Year 2005) exceeded the Coast Guard's request by about $46 million, the early shortfalls, according to the Coast Guard, resulted in schedule slippage and led to increases in the total projected costs for the program. As of spring 2004, it was estimated that an additional $2.2 billion (in nominal dollars) would be needed to return the program to its original implementation schedule.[20] In addition, there is clear evidence that the asset delivery schedule has also slipped. For example, under Deepwater's original schedule, the first major cutter, the National Security Cutter was due to be delivered in 2006; the current schedule indicates that it will now not be delivered until 2007. Similarly, the first nine Maritime Patrol aircraft were due to be delivered in 2005; now only two will be delivered in 2007.

When we reviewed the Deepwater program again last year, we found that, on many fronts, the Coast Guard was not doing enough to mitigate these risks. For example, we found that well into the contract's second year, key components needed to manage the program and oversee the system integrator's performance had not been effectively implemented.[21] We also reported that the degree to which the program was on track could not be determined, because the Coast Guard was not up-

[17] Current plans call for the Coast Guard to replace all of its deepwater legacy cutters and patrol boats, beginning with the 378-foot cutters. The Coast Guard also plans to replace the HU–25 aircraft, but will upgrade the existing HC–130 aircraft, and HH–60 and HH–65 helicopters to extend their service lives.

[18] GAO–01–564 and GAO–04–636T.

[19] GAO–01–564 and GAO/RCED–99–6.

[20] GAO–04–636T.

[21] GAO–04–380.

dating its schedule.[22] We detailed needed improvements in a number of areas, shown in table 1.

Table 1: Summary of Deepwater Areas Needing Management Attention as Reported by GAO

| Area of concern | Recommendations to the U.S. Coast Guard |
|---|---|
| Key components of management and oversight not effectively implemented | Improve integrated product teams responsible for managing the program by providing better training, approving charters, and improving systems for sharing information between teams |
| | Ensure adequate staffing of the Deepwater program |
| | Provide field personnel with guidance and training on transitioning to new Deepwater assets |
| | Update the original acquisition schedule to support future budget requests, starting with the fiscal year 2006 request |
| Procedures for ensuring contractor accountability are inadequate | Develop measurable award fee criteria consistent with guidance from the Office of Federal Procurement Policy |
| | Provide for better input from technical representatives |
| | Hold system integrator accountable for improving effectiveness of integrated project teams |
| | Establish a time frame for putting steps in place to measure contractors' progress toward improving operational effectiveness |
| | Establish a baseline for determining whether the acquisition approach is costing the government more than a traditional asset replacement approach |
| | Establish criteria to determine when to adjust the project baseline and to document the reasons for change |
| Control of future costs through competition remains at risk because of weak oversight | Develop a comprehensive plan for holding the system integrator accountable for ensuring adequate competition among suppliers |
| | For subcontracts over $5 million awarded by the system integrator to the two major subcontractors, require notification to the Coast Guard about decisions to perform the work in-house rather than contracting it out |

Source: Developed by GAO from our reports, GAO-04-380, and GAO-04-695.

The Coast Guard agreed with nearly all of our recommendations and has since made progress in implementing some of them. In most cases, however, while actions are under way to address these concerns, management challenges remain that may take some time to fully address. Here are some examples.

- *Strengthening integrated product teams.* These teams, the Coast Guard's primary tool for managing the program and overseeing the contractor, consist of members from subcontractors and the Coast Guard. In 2004, we found these teams often lacked training and in several cases lacked charters defining clearly what they were to do. Most now have charters setting forth the team's purpose, authority, and performance goals, among other things, and more training is now being provided. However, roles and responsibilities in some teams continue to be unclear, and about one-third of team members have yet to receive entry-level training.

*Holding the systems integrator accountable for competition.* The Coast Guard has taken a number of steps to improve cost control through competition. For example, to improve competition among second-tier suppliers, Coast Guard officials said they will incorporate an assessment of the steps the system integrator is taking to foster competition at the major subcontractor level as one of the factors they take into account in deciding whether to award the first contract option.

Besides the risks noted in table 1, the program also bears careful watching because it is still being affected in midcourse by the Coast Guard's additional homeland security responsibilities. Planning for the Deepwater program had been set in motion before the terrorist attacks of September 11, and while the initial program included consideration of homeland security responsibilities, these responsibilities have grown considerably in the interim. In March 2004, the Coast Guard developed a revised mission needs statement (MNS) that indicated that current specifications for Deepwater assets lacked some functional capabilities needed to meet mission requirements. The MNS was approved by DHS in January 2005.

According to the Coast Guard, some of the functional capabilities now deemed to be required include the following:

- Rotary wing airborne use of force and vertical insertion/vertical delivery capability;
- Greater speed, a larger flight deck, and automated defensive and weapons systems for the National Security Cutter and Offshore Patrol Cutter classes;

[22] GAO, *Coast Guard: Deepwater Program Acquisition Schedule Update Needed,* GAO–04–695 (Washington, DC: June 14, 2004).

- A common operating picture (COP) for the entire Coast Guard (and maritime ports of a unified Department of Homeland Security COP), an interoperable network to improve performance in all mission areas, and a Secure Compartmentalized Information Facility for improved intelligence capabilities; and
- Chemical, biological, radiological defense and decontamination capability for selected Deepwater assets.

While we have not conducted an analysis of the likely cost and schedule impact of the revised MNS requirements, they undoubtedly will have an effect on cost and schedule. The Coast Guard's own estimates identified in the March 2004 MNS show an increased acquisition cost for the original 20-year acquisition of about $1 billion.[23] According to the Coast Guard, the revised MNS requirements and associated cost and schedule information have been forwarded to the Department of Homeland Security (DHS) and the Office of Management and Budget for approval. As of this time, the implementation plan has not been approved.

These issues point to the need for continued and careful monitoring of the Deepwater acquisition program both internally and externally. One positive development in this regard involves the Coast Guard's efforts to update the Deepwater acquisition schedule—action that we suggested in our June 2004 report.[24] The original 2002 schedule had milestone dates showing when work on an asset would begin and when delivery would be expected, as well as the integrated schedules of critical linkages between assets, but we found that the Coast Guard was not maintaining an updated and integrated version of the schedule.[25] As a result, the Coast Guard could not demonstrate whether individual components and assets were being integrated and delivered on schedule and in critical sequence. While as late as October 2004 Deepwater performance monitors likewise expressed concern that the Coast Guard lacked adequate visibility into the project's status, the Coast Guard has since taken steps to update the outdated schedule, and has indicated that it plans to continue to update the schedule—monthly for internal management purposes, and semi-annually to support its budget planning efforts. We think this is an important step toward improving the Coast Guard's management of the program because it provides a more tangible picture of progress, as well as a baseline for holding contractors accountable. And, as we have said in the past on numerous occasions, we will continue to work closely with the Coast Guard to monitor how risks are mitigated.

**Attention Also Needed to Planned Transition and Phase out of Legacy Assets**

Although the Coast Guard expects to upgrade a number of its legacy assets for use in the Deepwater program, a substantial portion of its legacy assets—particularly cutters—are scheduled to be replaced. Until their replacements are available, however, many of the cutters will need to be kept in service so that the Coast Guard can continue to perform its missions. Our visits to field locations and conversations with Coast Guard operations and maintenance personnel clearly indicated that the maintenance of these assets is already taking increasingly more time and effort. For example, air station maintenance personnel indicated that aircraft are being subjected to additional corrosion-related problems. To address these problems, air station maintenance personnel at the locations we visited said they have instituted additional measures, such as washing and applying fluid film to the aircraft prior to each deployment. Similar accounts were told by personnel working on cutters. For example, officers of the 270-foot cutter Northland told us that because of dated equipment and the deteriorating condition of the vessel's piping and other subsystems, crewmembers have to spend increasingly more time and resources while in port to prepare for the cutter for the next deployment. While we could not verify

[23] According to the MNS, the original estimated acquisition, construction, and improvement costs were bracketed at between $7.5 billion to $15 billion in Fiscal Year 1998 dollars. It then notes that current Deepwater projections show an approximately $16 billion cost for a 20-year implementation plan. However, GAO reported in April 2004 that the costs for the Deepwater program would reach $17 billion under the funding stream that the Coast Guard projected that it would need to complete the program in 20 years.

[24] GAO–04–695.

[25] Not maintaining a current and integrated schedule lessens the Coast Guard's ability to monitor the system integrator's performance and take early action to resolve risks that could become problems later. Maintaining such a schedule is an industry best practice; the Department of Defense is required to do so in order to be able to report any breaches in cost, schedule, or performance targets. Deepwater performance monitors (the contracting officers' technical representatives who represent the contracting officer in monitoring the contractor's performance) have likewise expressed concern that the Coast Guard lacks adequate visibility to scrutinize schedules for component-level items which prevents reliable forecasting and risk analysis.

these increases in time and resources because of limitations in the Coast Guard's data, the need for increasing amounts of maintenance was a message we consistently heard from operations and maintenance personnel.

The Coast Guard is aware that keeping these legacy assets mission capable will likely require an additional infusion of funds for some assets that are scheduled to be replaced. Since 2002, the Coast Guard has annually created a compendium that consolidates information about projects needed to maintain and sustain legacy assets. The Coast Guard uses this compendium as a tool for setting priorities and planning budgets. The most recent compendium (for Fiscal Year 2006), lists more than $1 billion worth of upgrades to the Deepwater legacy assets. The planned upgrades identified in the compendium that have been approved and received initial funding account for an estimated $856 million the Coast Guard anticipates it will need to complete those projects. In addition, the compendium lists another estimated $409 million in sustainment projects for the other legacy assets for which funding has not been requested. If the condition of these assets continues to deteriorate or replacement assets are further delayed, this additional funding will likely be needed.

We are not questioning the Coast Guard's decisions about which projects within the compendium should receive priority. We believe it is important, however, for the Coast Guard to make Congress aware of the magnitude of the potential funding needs for sustaining the assets that are eventually scheduled for replacement. Given the schedule slippages we have seen and the continued possibility that Deepwater requirements may yet change, this information will be important to determine a thoughtful and accurate estimate of future maintenance budget needs.

One planning effort under way within the Coast Guard illustrates the kinds of considerations that may be needed with regard to these assets. This effort is being undertaken by the Coast Guard's Pacific Area Command, which to accomplish its missions, relies on 378-foot cutters—the first asset scheduled to be replaced under the Deepwater program.[26] Under the original Deepwater proposal, the final 378-foot cutter was to be decommissioned in 2013, but by 2005, that date had slipped to 2016. To help keep these cutters running through 2016, Pacific Area Command officials are considering such strategies as designating some of the 378-foot cutters as capable of performing only certain missions, rather than attempting to keep them all fully capable of performing all missions. Even so, the Pacific Area Commander told us that in order for the 378-foot cutters to be properly maintained until their replacements become operational; the Coast Guard will have to provide more focused funding. So far, the Coast Guard's budget plans and requests do not address this potential need.

**Concluding Observations**

Over the past several years, the Coast Guard has been in the vortex of the nation's response to homeland security concerns. It has been charged with many new responsibilities related to ports and to marine security in general, and from the outset, we have often used the word "daunting" to describe the resulting tasks. In addition, expectations continue that the Coast Guard will be able to rescue those in distress, protect the nation's fisheries, keep vital marine highways operating efficiently, and respond effectively to marine accidents and natural disasters. Congress has acknowledged that these added responsibilities carry a price tag and has, through the appropriations process, provided substantially more money for the job.

As these efforts begin to move into a more mature phase, allowing lessons that can already be learned to better inform judgments about the future, it is increasingly important to explore ways to enhance mission effectiveness while stretching taxpayer dollars for maximum effectiveness. This is particularly true in the current budget climate. While we have found the Coast Guard to be a willing participant in such efforts, the agency's focus on achieving all of its missions can make it difficult to carry through with the many intermediate steps that may be needed to keep management problems to a minimum. We think the issues we have highlighted are potential areas for ongoing congressional attention, and we will continue to work with the Coast Guard on them.

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

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[26] The Pacific Area Command is responsible [0] for operations covering 74 million square miles, ranging from South America, to the Arctic Circle and west to the Far East.

## APPENDIX I: OBJECTIVES, SCOPE AND METHODOLOGY

To provide a strategic overview of the President's Fiscal Year 2006 budget request for the Coast Guard, focusing on several areas of particular congressional interest, we reviewed the Coast Guard's Congressional-stage budget and other financial documents provided by the Coast Guard. We also interviewed Coast Guard headquarters officials familiar with the Coast Guard's budget and acquisition processes.

To determine the status of the Coast Guard's performance measures and results, we reviewed Coast Guard performance data and performance documentation. We also obtained confirmation from knowledgeable Coast Guard officials that the performance data sources and the systems that produced them have not changed since our 2003 data reliability analysis. We determined that Coast Guard performance measures are sufficiently reliable for the purposes of this testimony.

To determine the status of key outstanding Coast Guard recommendations, we reviewed past GAO reports and testimonies related to the Coast Guard and identified the GAO recommendations contained in those reports. In addition, we consulted with GAO staff who performed the work that resulted in the recommendations and interviewed Coast Guard headquarters officials regarding the status of the recommendations—including any progress made to implement them. We also obtained and reviewed relevant documents from the Coast Guard.

To assess the Coast Guard's recapitalization efforts, we analyzed data and condition measures used by the Coast Guard for determining Deepwater legacy assets' condition, reviewed Coast Guard actions to maintain and upgrade the legacy assets, and assessed the improvements the Coast Guard is making in its management of the Deepwater acquisition. We will be following up this testimony with a written report that will contain detailed information related to the condition of Deepwater legacy assets, and the actions the Coast Guard is taking to maintain and upgrade them. As part of the follow-on report we will also provide more detailed information on the Coast Guard's management of the Deepwater program.

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

## APPENDIX II: RELATED GAO PRODUCTS

*Coast Guard: Station Readiness Improving, but Resource Challenges and Management Concerns Remain* (GAO–05–161, January 31, 2005).

*Maritime Security: Better Planning Needed to Help Ensure an Effective Port Security Assessment Program* (GAO–04–1062, September 30, 2004).

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

*Maritime Security: Substantial Work Remains to Translate New Planning Requirements into Effective Port Security* (GAO–04–838, June 30, 2004).

*Coast Guard: Deepwater Program Acquisition Schedule Update Needed* (GAO–04–695, June 14, 2004).

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

*Coast Guard: Key Management and Budget Challenges for Fiscal Year 2005 and Beyond* (GAO–04–636T, April 7, 2004).

*Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer* (GAO–04–432, March 22, 2004).

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

*Coast Guard: New Communication System to Support Search and Rescue Faces Challenges* (GAO–03–1111, September 30, 2003).

*Maritime Security: Progress Made in Implementing Maritime Transportation Security Act, but Concerns Remain* (GAO–03–1155T, September 9, 2003).

*Coast Guard: Actions Needed to Mitigate Deepwater Project Risks* (GAO–01–659T, May 3, 2001).

*Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain* (GAO–01–564, May 2, 2001).

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

## APPENDIX III: BREAKDOWN OF THE COAST GUARD'S FISCAL YEAR 2006 REQUEST

In addition to operating expenses and acquisition, construction, and improvements, the remaining Coast Guard budget accounts include areas such as environmental compliance and restoration, reserve training and oil spill recovery. (See table 2 below.)

**Table 2: Coast Guard Funding Accounts by Fiscal Year**

Dollars in millions

| | Fiscal year 2002 actual | Fiscal year 2003 actual | Fiscal year 2004 actual | Fiscal year 2005 enacted | Fiscal year 2006 request |
|---|---|---|---|---|---|
| Operating expenses | $3,757 | $4,920 | $4,718 | $5,191 | $5,547 |
| Acquisition, construction, and improvements | $702 | $720 | $1,007 | $1,000 | $1,269 |
| Environmental compliance and restoration | $17 | $17 | $17 | $17 | $12 |
| Alteration of bridges[a] | $15 | $17 | $19 | $16 | [a] |
| Retired pay | $876 | $889 | $1,020 | $1,085 | $1,014 |
| Reserve training | $83 | $86 | $94 | $113 | $119 |
| Research, development, test and evaluation[b] | $20 | $22 | $15 | $19 | [b] |
| Oil spill recovery | $68 | $75 | $57 | $71 | $121 |
| Boat safety | $64 | $65 | $64 | $64 | $64 |

Source: Coast Guard Fiscal Year 2005 Report.

[a]No funds have been requested for the alteration of bridges account for fiscal year 2006.

[b]According to the Coast Guard, the research, development, test, and evaluation account has been consolidated within the Department of Homeland Security Science and Technology Directorate (S&T) in order to maximize effective use of research and development resources and minimize redundancies. S&T will continue its relationship with the Coast Guard's Research and Development Center in fiscal year 2006 to ensure that the on-going research needs of the Coast Guard are met.

## APPENDIX IV: COAST GUARD PERFORMANCE RESULTS, FISCAL YEARS 2001–2004

Table 3 shows a detailed list of performance results for the eight programs for which the Coast Guard has Fiscal Year 2001 through 2004 data.[1] Shaded entries in the table indicate those years that the Coast Guard reported meeting its target; unshaded entries indicate those years that the Coast Guard reported not meeting its target. The table also shows that there are three programs for which performance results are pending and data is not available across the four-year period. Each program is discussed in more detail below.

[1]According to the Coast Guard, performance results for all four Fiscal Years (2001 to 2004) are not available for three programs. They are: (a) marine safety—Fiscal Year 2004 performance results will not be available until spring 2005, when the recreational boating data is reported; (b) illegal drug interdiction—Fiscal Year 2004 results will be calculated and released once illegal drug flow information for Fiscal Year 2004 is known—sometime in the spring of 2005; and (c) ports, waterways, and coastal security—performance measures are still under development.

**Table 3: Performance Targets by Program from Fiscal Year 2001 through Fiscal Year 2004**

| Program | Performance measure | Performance results by fiscal year 2001 | 2002 | 2003 | 2004 | Fiscal year 2004 target[a] |
|---|---|---|---|---|---|---|
| **Programs that did not meet their 2004 targets** | | | | | | |
| Foreign fish enforcement | Number of detected Exclusive Economic Zone (EEZ)[b] incursions by foreign fishing vessels | 212 | 250 | 152 | 247 | ≥ 202 |
| Living marine resources | Percentage of fisherman found in compliance with regulations | 98.6% | 97.3% | 97.1% | 96.3% | ≥ 97% |
| Ice operations (domestic icebreaking) | Number of waterway closure days | 7 | 7[c] | 7 | 4[c] | ≥ 2[c] |
| Defense readiness | Percentage of time units meet combat readiness level at C-2 level[d] | 67% | 70% | 78% | 76% | 100% |
| **Programs that met their 2004 targets** | | | | | | |
| Undocumented migrant interdiction | Percentage of interdicted illegal migrants entering the United States through maritime means | 82.5% | 88.3% | 85.3% | 87.1% | ≥ 87% |
| Search and rescue | Percentage of distressed mariners' lives saved | 84.2% | 84.4% | 87.7% | 86.8% | ≥ 85% |

| Program | Performance measure | Performance results by fiscal year 2001 | 2002 | 2003 | 2004 | Fiscal year 2004 target[a] |
|---|---|---|---|---|---|---|
| Marine environmental protection | Average of oil and chemical spills greater than 100 gallons per 100 million tons shipped | 40.3 | 35.1 | 29.4 | 22.1 | ≤ 41 |
| Aids to navigation | Number of collisions, allisions, and groundings | 2,215 | 2,098 | 2,000 | 1,876 | ≤ 1,923 |
| **Total targets met for the eight programs with 2001 to 2004 performance results** | | **4** | **4** | **6** | **4** | |
| **Programs with pending results[e]** | | | | | | |
| Marine safety | Average of maritime injuries and fatalities | 1,651[f] | 1,332 | 1,307 | TBD | ≤ 1,513 |
| Illegal drug interdiction | Percentage of cocaine removed out of total estimated cocaine entering the United States through maritime means[g] | NA[h] | NA | NA | TBD | ≥ 15 |
| Ports, waterways, and coastal security | Under development | NA | NA | NA | NA | TBD |

Source: GAO analysis of Cost Guard performance data.

Performance targets met

Performance targets not met

[a]The target level for some performance measures has changed over time as the Coast Guard seeks to improve its performance. For example, the target level for aids to navigation has decreased between fiscal years 2002 and 2004 from 2,098 to 1,923 collisions, allisions, and groundings. (The Coast Guard defines an allision as a vessel collision with a fixed object.)

[b]Pursuant to the 1976 Magnuson-Stevens Fishery Conservation and Management Act, as amended, the EEZ for the U.S. is an area within 200 nautical miles of U.S. shores in which the U.S. has sovereign rights to natural resources such as harvesting rights to fish stocks. Pub.L.No. 94-265, 90 Stat. 333 (1976).

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

[d]According to Coast Guard information, the C-2 level is defined as the level at which each unit possesses the resources and is trained to undertake most of the wartime missions for which it is organized or designed.

[e]According to the Coast Guard, performance results for all four fiscal years (2001 to 2004) are not available for three programs and are, therefore, not included in the fiscal year 2001 to 2004 figures. They are: (a) marine safety—fiscal year 2004 performance results will not be available until spring 2005, when the recreational boating data is reported; (b) illegal drug interdiction—fiscal year 2004 results will be calculated and released once flow information for fiscal year 2004 is known—sometime in the spring of 2005; and (c) ports, waterways, and coastal security—performance measures are still under development.

[f]The marine safety program did not have target measures in fiscal years 2001 and 2002; therefore we are unable to indicate whether the program did or did not meet its targets. However, the Coast Guard established and met a performance target in fiscal year 2003.

[g]According to the Coast Guard, the illegal drug interdiction measure and targets were revised to cocaine removal rate beginning in fiscal year 2004. Consequently, performance results on cocaine removal for fiscal years 2001, 2002, and 2003 are not available.

[h]According to the Coast Guard, the illegal drug interdiction performance measure includes only cocaine, as cocaine has an analyzed flow rate and it constitutes the preponderance of illegal drugs entering the United States through maritime means (that is, cocaine shipments are measured in tons, while heroin, marijuana, and other illegal drugs are measured in pounds).

Note: NA Not available.

**Programs Not Meeting Targets in Fiscal Year 2004**

- *Foreign fish enforcement.* The performance results for foreign fish enforcement, which indicate the number of foreign vessel incursions into the United States Exclusive Economic Zone (EEZ),[2] has experienced fluctuations from 152 incursions to 250 incursions in the last 4 years. Such fluctuations can be due to oceanic and climatic shifts that affect the migratory patterns of important fish stocks, and limited Coast Guard assets, which the Coast Guard believes are unable to cover the entire 3.4 million square mile EEZ. We reported previously that performance measures for foreign fish may not reflect agency efforts.[3] Because EEZ encroachments can be affected by oceanic and climatic shifts that can cause significant fluctuations in the migratory patterns of fish, they could increase (or decrease) as fishermen follow their intended catch across EEZ boundaries. According to Coast Guard officials, this type of migratory factor can influence the number of encroachments in a given year. Consequently, the Coast Guard has added two additional measures to foreign fish that focus on interception and interdiction. These two submeasures are not reflected in the Coast Guard's foreign fish performance goal. However, the Coast Guard believes that they help it to better distinguish between those incursions that it is able to identify (for example, with a C–130 it can identify a foreign fishing vessel

[2]Pursuant to the 1976 Magnuson-Stevens Fishery Conservation and Management Act, as amended, the EEZ for the U.S. is an area within 200 nautical miles of U.S. shores in which the U.S. has sovereign rights to natural resources such as harvesting rights to fish stocks. Pub.L. 94–265, 90 Stat. 333 (1976).

[3]GAO, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, GAO–04–432 (Washington, DC: March 22, 2004).

incursion) and those incursions that it can actually respond to (for example, 378-foot cutter can interdict a stray foreign fishing vessel).

- *Living marine resources*. The performance measure for living marine resources—defined as the percentage of fishermen complying with federal regulations—has varied from 96.3 percent to 98.6 percent between Fiscal Years 2001 to 2004. According to Coast Guard performance documents, the agency missed the Fiscal Year 2004 target because of poor economic conditions in the U.S. shrimp fisheries, which appear to have made U.S. fishermen in the Southeast region more willing to violate regulations in order to maintain operations. However, the Coast Guard reported that while the number of fishermen in compliance decreased slightly, its total number of fishery boardings (4,560) was the highest number of boardings since 2001.
- *Ice operations.* To meet this performance target, the Coast Guard's ice operations program must keep winter waterway closures under 8 days per year for severe winters and under 2 days per year for average winters. In Fiscal Year 2004, the Coast Guard reports missing its target for an average winter with 4 days of waterway closures instead of 2 or less. The Coast Guard reports that it extended the ice-breaking season for an additional 10 days and because of worsened winter conditions within that period, its icebreaking assets were challenged to provide services in nine critical waterways of the Great Lakes. In Fiscal Year 2006, the Coast Guard plans to complete the construction of the Great Lakes Icebreaker, which will significantly improve icebreaking on the Great Lakes.
- *Defense readiness.* Defense readiness, as measured by the percentage of time units that meet combat readiness status at a C–2 level,[4] improved from 67 percent to 78 percent during Fiscal Years 2001 to 2003 but decreased to 76 percent in Fiscal Year 2004 due to a personnel shortage according to the Coast Guard. The Coast Guard identified its need to supply personnel for the war in Iraq as the main reason for failing to meet this performance target. To support Fiscal Year 2004 efforts in Iraq, the Coast Guard provided personnel for six patrol boats, one patrol boat support unit, one port security unit, four law enforcement detachments, as well as two ships and cutters.

**Programs Meeting Fiscal Year 2004 Performance Targets**

- *Undocumented migrant interdiction.* The Coast Guard reported that it achieved its Fiscal Year 2004 performance goal of interdicting or deterring 87 percent of undocumented aliens attempting to enter the United States. The undocumented migrant interdiction performance measure assesses the percentage of migrants interdicted or deterred on maritime routes.[5] In 2004, the Coast Guard identified 4,761 successful arrivals out of an estimated threat of 37,000 migrants. In Fiscal Year 2003, the Coast Guard missed this target, interdicting or deterring 85.3 percent of migrants. Since 2001, the greatest percentage of migrants deterred or interdicted—88.3 percent—was achieved in Fiscal Year 2002.
- *Search and rescue.* The Coast Guard's performance in this area, as measured by the percentage of mariners' lives saved from imminent danger, was 86.8 percent, above the goal of 85 percent for Fiscal Year 2004. The Coast Guard identified continuing improvements in response resources and improvements made in commercial vessel and recreational boating safety as the main reasons for meeting the target.
- *Marine environmental protection.* The Coast Guard measures the marine environmental protection target as the 5-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped. Since Fiscal Year 2001, the reported average number of oil and chemical spills has dropped from 40.3 to 22.1 in Fiscal Year 2004. The Coast Guard identified its prevention, preparedness, and response programs—including industry partnerships and incentive programs—as reasons for the drop.
- *Aids to navigation.* The aids to navigation program performance measure—which assesses the total number of collisions, allisions, and groundings—improved to 1,876 in Fiscal Year 2004, more than a 6 percent improvement over

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

[5] According to Coast Guard officials, the undocumented migrant interdiction performance target was set at 87 percent based on a study done to incorporate deterrence as a measure of Coast Guard performance.

Fiscal Year 2003's total of 2,000, and below the target of 1,923.[6] (Since the aim is to prevent these accidents, a lower number than the target represents attaining the goal). The number has varied from year to year, but has remained below or at the target in each of the 4 years. The Coast Guard attributes this success to a multifaceted system of prevention activities, including radio aids to navigation, communications, vessel traffic services, dredging, charting, regulations, and licensing.

**Programs with Pending Results**

- *Marine safety*. The marine safety measure, a 5-year average of passenger and maritime deaths and injuries, decreased from 1,651 in Fiscal Year 2001 to 1,307 in Fiscal Year 2003. The Coast Guard is currently waiting on the states to supply recreational boating numbers in order to release their total performance result for calendar year 2004. Coast Guard officials identified ongoing inspection, investigation, prevention, and response programs, as well as work with industry, states, and volunteers to promote boating safe operations, as factors in reducing the number of deaths.
- *Illegal drug interdiction*. The illegal drug interdiction performance measure[7]—the rate at which the Coast Guard seizes cocaine—is currently being modified by the Coast Guard. The Coast Guard expects their performance results will be available in April 2005.
- *Ports, waterways, and coastal security*. The Coast Guard is currently developing a performance measure for ports, waterways, and coastal security.

Senator SNOWE. Thank you, Ms. Wrightson, for your testimony and also for your evaluation of the current challenges facing the Coast Guard with respect to Deepwater, and also the sustainment of the legacy assets, as well, and we'll get into that in a moment.

Let me begin with you, Admiral Collins. I think, first and foremost, obviously, of concern, as we discussed yesterday—and I know it's a mutual concern—is the issue of the Deepwater Recapitalization Program and where it currently stands. And I know we can expect a rebaselining report. Is that going to be forthcoming, you said, on March 25th?

Admiral COLLINS. March 25th is the date that has been discussed on the House side that we're committed to providing the report. And it's, again, the final tuning of that report and consensus-building within the Administration on the out-year dimensions of that plan being finalized, as we speak, and a full expectation that we will meet that deadline.

Senator SNOWE. Well, I think it is going to be critical that we do so, because that, obviously, is going to run concurrent with the budgetary considerations and what we can expect from that rebaselining in terms of projected increases. And so, I think it's going to be absolutely paramount that we see that sooner rather than later, and hopefully that you can meet that deadline of March 25th in order to submit it to the Committees.

Admiral COLLINS. Absolutely. And it'll forecast in detail the five—the next 5 years, and then summarize the balance over the course of the entire project, and it'll give detailed information about the capability adjustments, asset by asset, that we have incorporated into this new baseline, based upon two factors, primarily. One, the post–9/11 environment and what that means to the Deepwater requirement that was developed back in 1998, and what adjustments need. And then, second, the impact of the current state

[6] The Coast Guard defines allisions as vessel collisions with fixed objects, as distinguished from collisions, which are vessel collisions with movable objects.

[7] The illegal drug interdiction performance measure includes only cocaine, because cocaine has an analyzed flow rate and is the preponderant illegal drug.

of our legacy systems, the current fleet, and what that means. Those drive the—the former drives a lot of capability adjustments that you put in each system, and the latter impacts which ones you do first, second, and third, because of the condition of the current asset. So those are the variables, and the rebaseline will delineate all those issues.

Senator SNOWE. Have you seen the RAND studies?——

Admiral COLLINS. Absolutely. That——

Senator SNOWE.—in that regard of post-9/11 evaluation?

Admiral COLLINS. The course of events here in developing this new baseline was direction from me, as soon as I got aboard in the new Department, by the Secretary—Deputy Secretary, "We want to take a re-look at Deepwater, based upon 9/11. The fact that you're a new department, 9/11, please review the bidding, in terms of the requirement." We had an effort by RAND to look at that issue, by CNA, Center for Naval Analysis, to take a look at that issue, and then we had our own internal assessment, which we called a Performance Gap Analysis. And so, we had, sort of, triangulated lines of position, if you will, on the issue. And the mission needs statement that we have put forth to the Department, a revised mission needs statement, which is, of course, part of the formal acquisition process, was submitted to the Department and approved last January, that details all those new capabilities, based on the collection of these multiple analyses.

Senator SNOWE. Well, suffice it to say, I think, the deep concern that we all have is the proposed schedule for the recapitalization of the Deepwater Project and fleet readiness. And I know that you've mentioned in your statement that the Coast Guard is experiencing a continuing decline in fleet readiness; and it goes to the point that Master Chief Welch mentioned, in terms of the impact on the ground, and as Ms. Wrightson mentioned, on schedule slippages. And even with the increase proposed by the Administration, it doesn't put us even on a 20-year schedule. That concerns me. You know, we're close to being behind schedule by 10 years. Would you agree with that?

Admiral COLLINS. Well, clearly, the—you know, the one thing that has—you know, we forecasted, back in 1998, you know, the condition of the legacy fleet and how it would deteriorate over time. And we had a certain curve plotted—a negative slope, obviously, over time. That is steeper and more negative than we anticipated. And so, that fleet is eroding in front of our eyes. You can expect that when you have ships that range anywhere from, you know, 30 to 60 years old. And so, you see, in this request—and we've talked about it, Madam Chair—the fact that the legacy systems are taking more money out of the pot to keep them going while we replace. So that is a balancing act that we have to continue to juggle.

One of the things I should note in the 2006 budget, Deepwater request, which, incidentally, that request is simpatico with the new mission needs statement. Everything that's in that Deepwater request is consistent with the new capability adjustments. And even in the timing adjustments—you'll note, in that 2006 request, two design works going on—108 million for the middle cutter, the offshore patrol cutter, and design work for the patrol boat. That's much advance of the initial Deepwater baseline. Initially, the off-

shore patrol cutter was supposed to be, like, a 2012 phenomenon, and the response cutter, the new patrol boat, the ultimate patrol-boat replacement, like, at 2018. We're designing them in 2006. And because that's some of the adjustment—those are the two parts of our fleet that are wearing out the most, and we need to get the new things designed quicker.

So, there's a reflection of our urgency—I guess what I'm saying is that 2006—a reflection of our urgency to get design work done, the up-front engineering done, so we can prepare to go to production for those two aspects of the fleet.

Senator SNOWE. No, I understand that, I think the bottom line is, we're unacceptably behind schedule on the Deepwater recapitalization. When you're talking about your oldest ships being 30 years old, 40 years old, and the maintenance requirements is taking two cutters per year out—since 1999, maintenance increased, as I said in my opening statement, 400 percent. This is unacceptable, it's unconscionable. I've suggested maybe some members of the OMB should be on some of those Coast Guard cutters, in treacherous waters when you're having to perform your missions, to get an understanding of what we're dealing with here.

And so here we are, we're 20 years-plus to get this program fully underway, let alone sustaining all the rest of the fleet—20 years-plus, that is where we are right now. We're behind schedule. I don't know if the realities are permeating downtown. Is there anybody understanding the conditions of the fleet?

Admiral COLLINS. I think that there's a clear——

Senator SNOWE. Does anyone understand the degradation of this fleet?

Admiral COLLINS.—I think there is a clear support for this issue. No one's questioning the requirement. And——

Senator SNOWE. Well, I know, but I think it's reconciling the requirements with reality. I mean, it's not enough to send up a budget that doesn't reflect the true reality, the grim reality that, really, ultimately, men and women's lives are at stake here.

Admiral COLLINS. We are pleased——

Senator SNOWE. It does not make sense. And It's unconscionable we're at this point that there has been no adjustments made to this score. We have said it repeatedly, as Members of this Committee.

Admiral COLLINS. We are pleased——

Senator SNOWE. And I can't believe that they're not understanding it.

Admiral COLLINS. We are pleased that the level is close to a billion dollars, because the budget did come up. It's the highest it's been.

Senator SNOWE. It's not doing what it needs to do.

Admiral COLLINS. I think——

Senator SNOWE. That's great, but it's not doing what it needs to do. We know that. If the requirement is so much greater to get some of these ships onboard now—to do it now—your oldest ship is, what, 65? What is it, 62, 65?

Admiral COLLINS. The Storis—the venerable Storis, up in Kodiak, is approaching 65.

Senator SNOWE. Sixty-five years old. Great age, right?

[Laughter.]

Admiral COLLINS. I think the key—we're pleased—in a nutshell, I think we're pretty pleased with the 2006 budget. We're pleased that we've got this level. And the key, going forward, is the out-year budgets.

Senator SNOWE. That's right, The point is, we're still looking at 20-plus years. That's the point. It's not moving anything. The need is so great.

Admiral COLLINS. The consequence, of course, is, depending on the rate at which we replace these assets—has a direct bearing on the amount of money we pour into the maintenance and the sustainment of the existing fleet. So the direct—there's a direct relationship, a balance, between those two things. And you'll see the legacy sustainment curve costs go up. And it—you can look at every asset we have, and that's the curve.

Senator SNOWE. Thank you. And I will get to the other panelists in a moment. I'll move to Senator Cantwell, and hopefully you can respond. Thank you.

Senator CANTWELL. Madam Chairman, did you want to recognize the Chairman of the full Committee?

**STATEMENT OF HON. TED STEVENS, U.S. SENATOR FROM ALASKA**

Senator STEVENS. I would like to go forward, thank you.

I do hope, Senator, that we'll keep things in perspective. Senator Inouye and I, on the Appropriations Committee, have seen to it that this budget's been increased every year. We put 168 million more in 2004 bill. We put 724 million into the Deepwater in 2005. And we now have a 242 million increase over 2005, and up to almost a billion dollars in 2006. That's a total of almost 2.4 billion in the last 3 years on this Deepwater side alone. The problem is that because of the homeland-defense missions, these ships, planes, and helicopters are being used, I am told, at 40 percent higher levels than scheduled in the plan that was for 20 years.

Now, I—you know, we have half the coastline of the United States, and the Admiral and I are old friends, and I'm inclined to be more realistic, I think. There's no possibility of going much further than we've gone right now. And the question is, How can we improve, really, the utilization of the funds that we have available?

I would like to go into some of the—we all have available the GAO reports. What has really happened is that the Deepwater funds have been used for—increasingly, for maintenance and repair and restoration of existing facilities, and not for modernization. That's not the Coast Guard's fault. It's not anyone's fault. It's the result of 9/11 and of the change of the society.

Now, Admiral, have you reshaped your—do I understand—is that what I understand? You're going to get a——

Admiral COLLINS. Yes, sir. On the 25th, you'll see the new revised plan that'll—new timeline and some of the changes and when each asset starts to appear—you know, the sequence of them. And, as I mentioned, for example, we have adjusted the ship schedules of the two—the there's classes of ships—the two lower classes, we've moved that schedule to the left, or we've advanced that design schedule, given the current condition of the legacy systems. So the idea is to get those new ones starting to come onboard sooner,

rather than later, so we can reduce the amount of money we have to invest in the maintenance.

Senator STEVENS. Well, I appreciate that. I mean, we are going to some smaller ships. I was told the other day the Chinese are building a ship now that's got 45 knots on it, and it's the size of our small destroyers from World War II. Most of the navies of the world are going to smaller, faster ships. Are you going to do the same thing?

Admiral COLLINS. Yes, sir. Of course, we've been in the—you know, below the frigate category forever, building smaller vessels. That's where we are. Those three classes of ships are, I think, well conceived. The lowest one, the smaller one, the patrol-boat replacement, Senator, is a—we're very excited about it—it's a composite technology design. And the advantage of that is that it has double the life of a steel hull, less—a lower life-cycle maintenance to it. And that's going to be—we're going to—presently designing that, and have a sort of a proof of concept, the prototype, that Northrop will be building down in Pascagoula. That's being designed as part of the 2006 budget. So that's great use of—that's innovation to extend the life of these five forms, to reduce the maintenance and the maintenance burden on the crews, and so forth. So we're excited about that.

The other thing we're doing——

Senator STEVENS. Let me interrupt.

Senator LAUTENBERG. What size is that vessel?

Admiral COLLINS. It's—really, it's conceptual design right now, Senators, but 140 feet.

Senator STEVENS. Do you want to comment, Ms. Wrightson?

Ms. WRIGHTSON. Yes, I would, thank you.

I have two things I'd like to add to the discussion which I think might help. Number one, we have work ongoing now on the condition of legacy assets, and we will be issuing that report this summer. Work to date suggests that, while it takes a fair amount of digging and qualitative data to show it, the Coast Guard's assets really do have significant condition problems. But it's important to distinguish between their aircraft and their cutters in this regard.

And when you think of aircraft and cutters and how much of the resources in Deepwater are being pulled away to take care of aging assets, we did an analysis for this hearing that I thought would be helpful. And it's nothing that I haven't spoken to Admiral Stillman about or that he doesn't agree with. We think there needs to be more transparency in this situation. For example, there's a figure that's touted, 25 percent of the Deepwater 2006 is going to take care of legacy assets, but if you take—break that out by Deepwater legacy assets that are really hybrid assets and are going to be part of the Deepwater solution, such as the HC–130, the HH–65, and the HH–60, which are their helicopters and fixed-wing, you see that 20.9 percent of 2006 is for those; whereas, for cutters, which is truly the sustainment part of the picture, it's only 3.9 percent. Even the contract management is 4.1 percent.

So we're not seeing the resources sucked away in the way that's being discussed. And, in fact, I would argue, as I did to Admiral Stillman, that accelerating the HH–65 represents a prudent decision and an investment.

So it's important to have that kind of transparency in the—in looking at it, without at all discounting the cost of maintenance that you mentioned, Senator, are rising exponentially. That is true. They're in different accounts——

Senator STEVENS. Thank you. I want to get to another subject——

Ms. WRIGHTSON. Yes, thank you.

Senator STEVENS.—Admiral. Senator Cantwell mentioned the Oil Spill Recovery Fund. That started as a Trans–Alaska Pipeline Liability Fund, and we changed it into a general tax on refined crude oil. It's paid at the refinery, and it's got a cap of a billion dollars.

Now, it's my understanding that, currently, according to the briefing you gave our staff, that funding will run out something like 2010, and, for the first time, it's gone down below a billion dollars. But we're consuming more and more oil every year, and it's a fixed fee of five cents a barrel. Tell me, why are we dipping below the cap right now? Why do you predict that it will be—it would be a net loss of 200 million a year?

Admiral COLLINS. Of course, the tax is no longer in effect. I think—I want to say—looking at Senator Lautenberg—I think it was 1994 or 1995 that was—that tax stopped. And so, there is that—incoming source isn't—doesn't—is not there. That tax is no longer in—that's no longer in existence.

And so, what we've had since—we've had since the mid-1990's is about 19 spill cases, where the spill exceeded, you know, the liabilities of the spiller, and so forth, and the spill had to be underwritten by the fund.

So our projection is that continuing negative drain on this fund is about 200—projected to be about 200 million.

Senator STEVENS. Admiral, I've got to tell you, the statute says no tax applies if the unobligated balance in the fund exceeds a billion dollars. But you're—you brought it down below a billion dollars last year. The tax should go back into effect. I want to make sure we find out what's going on here, because I don't want to see a request for money to be appropriated to go into that fund. It is a fund that is charged against both domestically produced and imported oil at the refinery. So, under the circumstances, it should be going back into effect if it has, in fact, dropped down. And I am told it did drop down below a billion dollars, in terms of the net in the fund as of the end of last year.

Admiral COLLINS. Let me consult with my fund center, National Pollution Fund Center, and my staff on the details of that. But my brief was that that source is no longer available.

Senator STEVENS. But the fund is still there. It does not exceed a billion dollars anymore. And, under the statute, it's supposed to go back into effect when the fund drops below a billion dollars. So I think you ought to have your people check it.

Admiral COLLINS. We will, sir. And, of course, there's categories within the fund for spill response, and there may be some relationship there. Let me consult with my experts on that. But, again, I've been repeatedly briefed——

Senator STEVENS. We'll consult with the Finance Committee, also. But it does seem to me—Madam Chairman, I do hope we'll look into the question of how the money is being used. We have

had an annual increase over your request for—and it has been for the Deepwater Program. But because of the circumstances of the Administration and the Department, they have taken, from the Deepwater Program, the moneys for operation and maintenance of your existing assets, as I understand it. Now, I think we'd better have some conversation about that with the Department as a whole, because I don't see that we can continue to increase, at the rate we're increasing right now and the period we're in—we have the same problem with airplanes in the military. We have the same problem with almost every single agency of the Federal Government because of 9/11.

Admiral COLLINS. Right.

Senator STEVENS. 9/11.

Admiral COLLINS. The point that Ms. Wrightson made, I think, is right on target. I mean, she said that it's—you've got to look at that money that we've called legacy sustainment. A good chunk of that portion, sir, is really an investment in Deepwater, because the—give you an example. The best example is the HH–65 re-engining. The HH–65 is not an asset that's going to be replaced by Deepwater. It's going to be one of the new Deepwater assets, because it's going to be transformed into new engines, new gearbox, and so forth. So it is, in fact——

Senator STEVENS. Well, let me close with this. I'm using too much of my—we fought putting the Coast Guard in Homeland Security for just this reason. The moneys have been taken for homeland security from the basic funding for the Coast Guard in Deepwater. Now, that's not homeland security out in Deepwater, necessarily. But what you're spending on, basically, is—40 percent increase in deterioration of your assets, is within the 50 miles offshore. We're talking about further than 50 miles offshore, as I understand it, in terms of Deepwater, right?

Admiral COLLINS. Sir, Deepwater goes from our ports and out, it's—they're very versatile assets, and they can cover that whole range. The other part—but, again, let me reiterate, without abusing this point—but the—a lot of that legacy sustainment category is, in fact, ultimate Deepwater assets. So it really is an investment in the replacement. Not only the helicopters, sir, but the part of—you'll see the new baseline report, coming up, and it will propose doing a service-life extension on the C–130's, doing a service-life extension on the H–60s——

Senator STEVENS. Thank you very much. I look forward to——

Senator SNOWE. Well, I agree with—and let me just say, to the Chairman's point, because it's a good one—we need to separate out. Because if 25 percent of the Deepwater recapitalization funds are being used for legacy sustainments, we have to make the distinction, in terms of what is going to be continuing ongoing equipment, as opposed to total replacement. So if we're investing in ongoing equipment, that's one thing. It's quite another if that equipment needs to be replaced. And so, we have to make those distinctions. And I'd appreciate it if you could submit to the Committee a cataloging of that by aircraft——

Admiral COLLINS. We would be——

Ms. WRIGHTSON. Actually, I was just——

Senator LAUTENBERG. Madam Chairman?

Senator SNOWE. Yes.

Senator LAUTENBERG. Before Senator Stevens leaves, it is my understanding that the tax is not reinstated once the trust fund balance falls below a billion dollars. That was an all-time cap; that, at a billion dollars, the tax would stop being collected. Is there any staff question about that? Do you know, Commandant?

Admiral COLLINS. Again, I've been briefed that that source is no longer available——

Senator LAUTENBERG. Yes.

Admiral COLLINS.—Senator, that the mechanism is no longer available to support——

Senator LAUTENBERG. Right.

Admiral COLLINS.—that spill fund.

Senator LAUTENBERG. Right. That's our understanding.

Senator STEVENS. We examined the statute before we came in. We've got it right here. You can look at it right here. It says it resumes when it drops below a billion dollars. Now, whether it has or not——

Senator LAUTENBERG. Well, it hasn't, but, OK, we'll—thank you.

Senator SNOWE. Yes, we need to clarify that.

Senator Cantwell?

Senator CANTWELL. Thank you, Madam Chairman. And, obviously, we're very interested—given the oil spill in Puget Sound for which liability has yet to be determined—we certainly want to continue the program. And so, we'll look for clear resolution of that issue and whether the fund automatically starts up again or not. It sounds like there is some confusion about that, but it is my understanding that it doesn't automatically startup again.

Senator LAUTENBERG. That it does?

Senator CANTWELL. That it doesn't. But hopefully we will get this resolved and get the commitment. I think we're at least all heading in the same direction, even if we don't have agreement yet on the current statute language.

I'd like to turn to the issue of the polar icebreakers. Part of the Administration proposal is that the Coast Guard no longer be responsible for the operation and maintenance of the three polar icebreakers. I don't know if you know why the Administration has made the proposal to transfer maintenance and operation responsibility to NFS, but I'm very interested. Don't you think that this creates a certain amount of uncertainty regarding the stream of funding, if responsibility is transferred to NSF? How can we be sure that the funding needed for the program is maintained if responsibility is transferred out of the Coast Guard? I think the Coast Guard's Ice Breaker Budget is something like 47.5 million, and I think estimates are that closer to 75 million is needed. So aren't we already, with this proposal, short-changing the operations and maintenance of this program?

Admiral COLLINS. Senator, the current thinking in that proposal in the 2006 was that the requirement owner—in this case, the National Science Foundation—as the customer for this service, should have the funding base for the icebreakers, the three icebreakers—the Healy, the Polar Sea, and the Polar Star—in their appropriation, and then allow them to articulate the requirement and justify the requirement to their approp's committees. And then they would

reimburse us for services provided. We would still operate and maintain. They would be the customer, justifying the money and providing the money to us. So that is the theory—that is the theory of it.

The problem here, of course, is that, not only—the 47 was the existing icebreaker base of funding, historical base of funding, for the three breakers. The issue is a funding problem relative to the short-term operation, the continued operation of those vessels, and then follow-on long term. Our engineers estimate that, from 2006 to—well, actually 2005 through 2008—that there is an additional requirement—and we keep those vessels running—of another $14 million per year above that $47 million base. And that has a lot to do with this legacy-system curve we talked about. It has to do with—they're approaching 30 years old, they have been running very hard. The last several years, we've had—except this year—the previous several years, we've had two icebreakers down in the ice because of the severity of the ice. They're older vessels, and they require money to keep them going.

So that's the fundamental dilemma. And then in the post-2009—if you could keep them going to 2009, how do you sustain the operation? How do you have a capability for this nation in the polar regions beyond that timeframe? How do you sustain this for the long haul?

So you've got a short-term problem of keeping the existing platforms alive, and you've got a longer-term problem of, How do you sustain the nation's ability to exert its influence in the Arctic and Antarctic from now into the future?

There is a——

Senator CANTWELL. Admiral, how can you maintain your operations of those facilities when someone who's determining what it takes to maintain those operations isn't even operating those facilities and is somewhere else?

Admiral COLLINS. We then—we have to communicate—it is—there's a communications challenge. We've got to communicate to them each year, as they prepare their budget, what the next year's requirement is. They have to put it in their budget. They have to justify it to their appropriations staff. Then they have to, again, reimburse us that amount so we can provide the operation.

Senator CANTWELL. Just so I can be clear: they're not involved in the operations and maintenance at all?

Admiral COLLINS. No. So it is—part of the direction was for us to develop a memorandum of agreement with NSF on the mechanics of this arrangement and how it would—how it would play out. I have to be candid with you that I have some level of anxiety about how efficient this process will be over time and the difficulties of being coordinated and having everyone on the same sheet of music. So, it will be a challenge.

In terms of the long-range planning for the—What is this nation going to do with polar icebreakers in the future?—we're responding to congressional direction to conduct a strategic study, in partnership with the National Academy of Sciences. And there is a deliverable that'll happen in September. It looks like it will be an interim report, and then a final report the following, I want to say, spring. But it will project the strategic requirement in the future for these.

So we've got, again, to make a long story short, a short-term problem about keeping these existing—Polar Sea, Polar Star alive and then a longer term problem, How are we going to maintain this capability for the nation? It's the only breakers that this nation has.

Senator CANTWELL. Are you concerned that this change will eliminate that capacity for the future?

Admiral COLLINS. Yes, I am. I think that—my personal opinion is, this nation—I think the ultimate study is going to say—we've done these studies before. We did one in—10 years or so ago that said this nation needs at least three polar icebreakers. And I think this—I would—I don't want to presume what this next study's going to say, but I would—if I was a betting man, I would bet some money that it would say, "This nation needs polar icebreakers. There is strategic importance to this nation to have an ability to exert a presence in the Arctic and the Antarctic." I think that's what it will—would say. And I—but we have to, of course, do the study. And we will.

But I am concerned that this very unique capability—there's only two—the Healy is an Arctic research vessel, really not a full-fledged powerful polar breaker. Only two. And they—at the end of their service life. We're at a very critical juncture of keeping them alive for the next couple of years, and then replacing them, ultimately—either extending their life or replacing them.

Senator CANTWELL. Admiral, before my time runs out in this first round, we've had a lot of discussion from my colleagues already about the Deepwater Program, in general. And one of the concerns that I have is how you maintain that expertise, from a workforce perspective, in shipbuilding. You mentioned something about the new level of manufacturing in shipbuilding relating to composites. That's near and dear to the Northwest, because composites are playing a larger role in airplane manufacturing. It already played a pretty large role in commercial boat-building, so we're glad to see it transfer to the Coast Guard side.

But one of the questions that I think would be important for Members to know is how many of these assets right now are being built by foreign companies?

Admiral COLLINS. How much of the Deepwater?

Senator CANTWELL. Yes.

Admiral COLLINS. Of course, all the Deepwater is consistent with Buy America and all the necessary constructs on that end of the business. There are portions of a given system that are foreign. For example, the two major cutters—the national-security cutter—the high-end cutter and the middle cutter—their engines are Mercedes engines that are going in. That was determined to be the best value and the best fit for the design of that ship. The whole ship is made in Pascagoula. But portions of it could be foreign.

The HH–65 engine replacement that we're proceeding with right now—replacing engines for almost 100 helicopters, a little less than 100 helicopters—that's a Turbomeca engine, and—but it's assembled in the United States and installed in Texas, and then installed at our air—our aircraft repair facility in North Carolina. And there's potential for a second line in Columbus, Mississippi.

So, Deepwater is an interesting thing. It's got contractors and subcontractors, systems and subsystems, and suppliers span—I think the latest count was 35 states. There are subcontractors, suppliers, and contractors in 35 states across the country that are supplying for Deepwater.

The one aircraft, fixed wing, the CASA, which is also a Deepwater asset, that is—EADS CASA is Spanish aircraft manufactured in Spain, final assembly and configuration in the United States. That's a Deepwater component. So, it's kind of mixed, consistent with acquisition rules and Buy America, and a lot of players involved.

Senator CANTWELL. Thank you, Madam Chairman. I see my time is expired.

Senator SNOWE. Thank you, Senator Cantwell.

Co–Chair Inouye?

Senator INOUYE. Thank you very much.

I'd like to change the pace. Most Americans, Admiral, would look up on the Coast Guard as an agency to guard the coastline of America—intercepting smugglers and rescuing fishermen. But we know that, all during World War II and every war since then, the Coast Guard has received assignments in war zones. What sort of assets are now in war-zone assignments?

Admiral COLLINS. Thank you for that question, Senator. And you're absolutely right, we've been in every major war or confrontation this country's had since 1790. And we played a role—at the height of Operation Iraqi Freedom, we had about 1200 men and women and 11 ships, some in the Eastern Med.—supporting Navy ops in the Eastern Med.—the bulk in the Northern Arabian Gulf, even including a buoy tender from Hawaii that supported operations in the approach to Umm Qasr, in terms of aids to navigation.

Currently, we have six patrol boats there. They're working in tandem with four Navy patrol boats in a unified squadron. The commodore of that squadron is a Coast Guard Captain working out of Bahrain. And their mission is marine intercept operations, intercepting ships going back, boarding them, and also providing security for the very valuable offshore oil platforms for Iraq.

The Master Chief and I just got back from a trip where we got out and—got offshore, got a little wet and sloppy and went out—staged off the Duluth, the Navy vessel Duluth, took an 11-meter RIB and visited all our patrol boats underway providing such security. And there, it's a year deployment for each one of those crews, Senator. So six vessels.

Senator INOUYE. Are your people also in the Philippine and China Seas?

Admiral COLLINS. There is a—periodically, Senator, we participate in—if you're familiar with CARAT, which is Cooperation Afloat for Readiness and Training. It's a PACOM engagement strategy in the Pacific Rim, mil-to-mil training and so forth. We, every other year, participate in that.

We had the MUNRO—Coast Guard Cutter MUNRO—that—a high-endurance cutter that was involved in the tsunami relief with the seventh—under the seventh—the PACOM in the 7th Fleet, and provided—worked in that theater, and now proceeded on—that's

another—quite another vessel—we have it working with the Navy in the Med.—excuse me, in the Arabian Gulf.

Senator INOUYE. And your ships were assigned to the tsunami relief effort, also, weren't they?

Admiral COLLINS. Yes. We had a 378 that moved thousands and thousands of pounds and tons of relief material, and we had two C–130s from Barber's Point that also provided relief, flying into Sri Lanka, the Maldives, Indonesia, with relief supplies. So we're a full-fledged armed-force partnership. We have transparent operations with our counterparts, the Department of Defense—transparent, meaning very highly coordinated, effective operations—to this day.

Senator INOUYE. So your assignments and your services are very similar to those of the Navy?

Admiral COLLINS. We are interoperable with the Navy, Senator. We've spent a lot of time working—Vern Clark and I engage a lot, plan a lot, and develop our fleets so they are simpatico. In other words, non-duplicative, but complementary capability built into our fleet.

Senator INOUYE. And may I now ask the Master Chief, How does your housing compare with naval housing?

Chief WELCH. Senator, I think the Coast Guard's government-owned housing is comparable to DoD housing, carte blanche, sir. We have done wonderful work for our people who reside on the economy by increasing significantly the basic allowances for housing that they receive. Those people, throughout the country, for the most part now have reduced their out-of-pocket housing expenses to zero. That's significant. Around a 20-percent increase over the course of the past 4 years.

Government-owned quarters, in the case of the Coast Guard, sir, faces the dilemma of deferred maintenance; in some cases, 10-year maintenance deferrals. And we, as the Coast Guard, have decided to pursue privatization, to the extent it makes sense and that it is possible.

But, categorically speaking, government quarters in the Coast Guard—Cordova, Alaska, being probably the worst of our worst—is in poor shape. And it is my opinion that we either privatize the housing or divest the housing altogether, particularly from a business case, sir.

Senator INOUYE. Are you suggesting to me that the quality-of-life programs that you have are just as good as those of the Navy or the Army or the Air Force?

Chief WELCH. I think the programs, Senator, are on par with the rest of the Department of Defense. Where the Coast Guard, however, has challenges is that most of our people are assigned far beyond the bounds of the facilities offered by the Department of Defense, and, in many cases, the facilities offered by our Coast Guard. We are typically in remote, high-cost, rural sorts of areas. So we have significant challenges to provide parity with respect to DoD quality-of-life programs, but we do our very best to see that that happens, Senator.

Senator INOUYE. Thank you, Master Chief.

Chief WELCH. Thank you, sir.

Senator INOUYE. Admiral, I will be submitting a question on the Coast Guard station on Maui, something we discussed earlier. And, if I may, I'd like to have a written response to that.

Admiral COLLINS. Yes, sir. We will be glad to. But that's the issue where we're looking at the adequacy of that boat to deal with the current weather conditions and operational profile of that station. And I think we've come to the conclusion we've got a mismatch between the operational conditions there and the size of the boat we have. And so, we will provide some options. We're working through some options to fix that, and we'll clearly communicate that to your staff.

Senator INOUYE. My last question, if I may, Madam Chair. District 14 has responsibility for the largest geographical area. That's correct, isn't it?

Admiral COLLINS. It sure is, sir.

Senator INOUYE. However, it has the smallest billet of personnel. Is that correct?

Admiral COLLINS. It's one of our smaller districts, absolutely.

Senator INOUYE. Smallest number of cutters?

Admiral COLLINS. Um——

Senator INOUYE. I think I'm correct.

Admiral COLLINS. You're probably correct.

Senator INOUYE. And the smallest number of aircraft. How do you explain the largest area having the smallest number of personnel and assets?

Admiral COLLINS. I think you've got to look beyond the numbers and look what the capability that we build into those ships that we—the ships that are there, as you know, are high-endurance cutters, they're very capable cutters. They have long legs, longer legs. And the C–130s have long legs. That's a reason C–130's are in—at Barber's Point and sustained there. So what we're trying to do is put—and we've got, of course, three brand-new buoy tenders that we've put in—so, in terms of the workload, the aids-to-navigation workload relative to buoy tenders, for—to give you an example—is a pretty good match. So we're trying to match capability and workload with the type of assets. And I think we—other than—and, of course, we've got a new coastal patrol boat there—other than Maui, I think we've got a pretty good match between workload, capability, and the type of assets.

Senator INOUYE. So you have sufficient assets to carry out your mission?

Admiral COLLINS. To optimize every mission, probably not. To be able to respond to, on a risk basis—allocate to the highest risk, that's what we do—I think we're—this budget clearly will help us continue to do that.

Senator INOUYE. I thank you very much, sir.

Admiral COLLINS. Thank you, Senator.

Senator INOUYE. Thank you, Madam Chairman.

Senator SNOWE. Thank you, Senator Inouye.

Senator Lautenberg?

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

Senator LAUTENBERG. Thanks, Madam Chairman.

And, first, I want to say to our two uniformed friends at the table that we're proud of your service, both individually and collectively. And I would also tell you that I don't remember seeing as many hash marks, Chief, as you've got there. I don't know whether they're putting lights on or what, but there are a lot of them. They signify a lot of service. And thank you for your excellent testimony. Admiral, you and I have known each other for some time. But hearing your report is really significant, and it was just a very good idea to make your statement here.

Madam Chairman, you said something before. You talked about reality—What's the reality here? When we look at the Coast Guard we realize, as you know, that the assignments have changed so radically. It's my view that the combat theater for the war on terror has moved from Iraq and Far East to the internal boundaries of the United States. As a consequence, you're on a lifesaving mission every day, whether—and I'm not just talking about search and rescue, I'm talking about this constant high-tempo, on-guard mode that you're in. I'm on the Hudson River, and—funny enough—you had not only bi-coastal representation here, to use the expression, but you also had—before my two colleagues left, you had 240 years of mankind. All three of——

[Laughter.]

Senator LAUTENBERG.—all three of us are veterans of World War II, and I think we're the only ones remaining in the Senate who were in the combat theater.

And so, when I looked at the assignment, Madam Chairman and colleagues on the Committee, it's extremely difficult and, Ms. Wrightson, you do a great job, and your report was excellent, but I take exception with it, not to the extent that we ought to correct what it is that we're not doing well, in terms of the Administration's effort but even farther, we ought to try to catch up. Without looking at this thing in its global context—and I'm not talking about the Earth—I'm talking about where Coast Guard used to be as a service and what the missions were and NAVAIDs and buoys and, you know—I was a bit of a sailor, and—all those things are important. We built a gigantic marine industry that only one country has in its entirety, and that's America. And the Coast Guard helped build this by being out there to help when mariners are in distress and by making sure that the navigation obstacles are identified, and so forth. But the list of assignments just kept getting bigger and bigger and bigger.

I would ask you, What was the maximum population of people in uniform, Admiral, at any time in the history—recent history of the Coast Guard?

Admiral COLLINS. Well, World War II, we had 240,000 people in the United States Coast Guard. That, of course—it was a wartime footing.

Senator LAUTENBERG. What would you say, post-World War II?

Admiral COLLINS. We're—we are starting to approach the level that we were at in the late 1960's—was probably the high point,

in terms of the population of the Coast Guard. I can give you—I can get you some historical data on that.

Senator LAUTENBERG. It's just general reference. Because I listen—and this is not just for Ms. Wrightson's benefit, but just anybody who might hear what we're discussing—and that is, not only has the personnel reduction been significant over the years, but the legacy equipment, all of that—my daughter had the privilege of swinging the bottle of whatever was in there at the—I think the cutter Mohawk, if I'm not mistaken. And that was thought to be new and—and when we talk about ships that are 60 years old, or 50 years old, or 40 years old, and just know what the maintenance requirements are like, we're not being realistic. So we have larger assignments, more assignments—and the question about oil spill came up with Senator Stevens. The oil spill that we recently had in the Delaware River is—it's going to cost substantially over $100 million. The liability limit for the carrier is $45 million. So, there it is. And we've had these massive spills. One of the biggest ones was probably Exxon Valdez. And we're still paying a price for that spill. We had someone down from Alaska who picked up a rock on the beach—no depth to it—inches—and there's still an oil pool below—just below the surface, or right at the surface, left over from 15 years ago.

So, I'm concerned about the breadth and the expansion of the Coast Guard's assignments, and the depth of their responsibilities. When I look out the Hudson River from where I live, and where I used to be able to see the World Trade Centers very clearly, the empty space now is a constant reminder of what happened on 9/11. And I see a couple of fellows out there—it looks like either rubber or fiber little tenders out there, with the blue light and the machine gun, and I see the Coast Guard is out there. That can't be very interesting duty, but they're out there doing it, and doing it diligently. Wherever we look, we always want to know that the Coast Guard is nearby. Maybe that comes from my "on-water" days as a recreational sailor, but it is still true for many Americans.

So, I start and end with a commendation of the Coast Guard, the services that you bring, and to say that we've got to face up to the lack of serious response by our government, in terms of maintaining a fleet that doesn't require so much of its energy, so much of its resource expended on keeping things going that should have been retired. Now, I look in the mirror sometimes, and I say the same thing about me. But——

[Laughter.]

Senator LAUTENBERG.—the fact of the matter is that it takes a fair amount of maintenance to keep these old——

[Laughter.]

Senator LAUTENBERG.—old ships afloat.

I forgot about—I'm reminded that Senator Warner and Akaka also served in uniform, World War II.

So, one thing I want to ask you before I close up here. The Coast Guard's report, Admiral, on the Oil Pollution Act of 1990, we're still waiting. What's the status of that report. Can you tell me?

Admiral COLLINS. We're looking at the—an April timeframe, no later than the end of April, to get that report. It's in the final

stages of review, and that's the timeframe we're looking at now, Senator.

Senator LAUTENBERG. It's really critical. And the debate that we had about whether or not the trust fund gets replenished is something we have to sort out, because we don't think that there is the provision that automatically kicks in to replenish the base.

Ms. Wrightson, do you have any knowledge of that?

Ms. WRIGHTSON. You know, while that discussion was going on, I was thinking to myself that, if it would be of assistance, we would ask our GAO lawyers to take a look at it and get the Committee——

Senator LAUTENBERG. Yes, that——

Ms. WRIGHTSON.—an answer.

Senator LAUTENBERG.—it would be very——

Ms. WRIGHTSON. Absolutely.

Senator LAUTENBERG.—very helpful.

And the—one of the things that concerns us is the fact that the IG has found major problems with port-security funding, because the funds, largely, are not based on security risk at the ports. Now, does the Coast Guard have a role in deciding which ports get special attention, particular attention? Do you have the liberty of assigning resources to these places? Or is that coming from the Secretary's office?

Admiral COLLINS. Sir, our—the extent of our involvement is, sort of, as a expert witness. We provide, both at the field level—our Captain of the Ports will review the grant applications, from a maritime-security perspective and their knowledge of the port and the port vulnerability assessment that has been conducted in the port, and so forth, and makes some comment about the merits of that particular application. And then that goes up at the national level, and there is another interagency body that reviews that. But the ultimate decision is at the Secretary level, sir.

Senator LAUTENBERG. And, Ms. Wrightson, will the GAO look at the problem about this——

Ms. WRIGHTSON. We actually have work ongoing for a different Committee on the Coast Guard's efforts, which I would—I don't want to be premature, but our, sort of, leading edge in using risk-based management in resource-allocation decisions——

Senator LAUTENBERG. But we——

Ms. WRIGHTSON.—the—we will, and it will probably be issued in the early summer. I'll make sure you get a copy.

Senator LAUTENBERG. All right. Because if we leave the Coast Guard out of it, the——

Ms. WRIGHTSON. Oh, we're——

Senator LAUTENBERG.—the generic question——

Ms. WRIGHTSON. Right. We're looking at it from the DHS perspective, as well.

Senator LAUTENBERG. Madam Chairman, thank you very much. And I commend you for having called this hearing——

Senator SNOWE. Thank you.

Senator LAUTENBERG.—and for your conduct of it. It really got—we got to the nub, I think, of things today.

Senator SNOWE. Thank you, Senator Lautenberg, and thank you for your contributions here this morning. They certainly are invalu-

able to the goal that we all share and want to accomplish as a result of this hearing.

I just have a couple of questions. And the remainder we will submit for your responses.

Admiral Collins, I wanted you to respond to Ms. Wrightson and the GAO with respect to the schedule slippages. I understand that it could be well exacerbated with the rebaselining. And I would like to have you address that question. Have you been able to resolve those issues for the future?

Admiral COLLINS. In terms of the GAO audit on the project and the project management, I think there was a—Ms. Wrightson, correct me if I've got the number wrong—I think it was 11 different issues that were cited. And we've been working collaboratively with GAO to address each and every one of those. And some have been a check next to them that they've been addressed, others are still work in progress, as Ms. Wrightson has noted. And we feel that they're very valuable contributions or recommendations that they've made, whether it's how we coordinate the project teams, how we ensure cost competitiveness, and the like, were the recommendations, and we take them very, very seriously, and we're working hard to put them into effect.

Some of the schedule slippage, you know, is a function—overall, in the project management perspective—is a function of what—when you get the dollars, you know, and what level of dollars you get, relative to the initial schedule implementation. You know, that—it required a certain amount of dollars, the implementation plan, as designed. We said, "We need X amount of dollars, adjusted for inflation on this timeline to keep this schedule." In the first several years of Deepwater, we did not get those levels. And so, that directly impacted the schedule.

Other cases, we've taken a breather on a system or subsystem because we thought we—we had some issues that had to be dealt with, and, before launching forward, we wanted a pause. An example is the conversion of the 110 to 123. It has some initial structural problems—the MATAGORDA is the name of the vessel—and we needed to totally evaluate that, make the appropriate adjustments, and do operational evaluation on it before we made an additional commitment for additional hulls. I think that was the right thing to do. And so, every one, I think, has been a prudent decision.

But the real driver on schedule, it all comes down to cash-flow. I mean, I—and hopefully there—we will minimize schedule slippage based on management problems. We want to minimize that. And with the help of GAO, we'll continue to refine and improve that, to eliminate that, or reduce that as a cause of this slip. But there's, again, certainly variables in there.

Senator SNOWE. Ms. Wrightson, do you have anything to add on that particular question?

Ms. WRIGHTSON. Well, I would concur that—you know, that we've had a constructive engagement with the Coast Guard in this. And in the next month or so, I plan to meet with Admiral Stillman and go over the list again.

I want to make one compliment to the Coast Guard, and one caution on this. We had an issue last year with the Coast Guard's not updating its master schedule. And in an acquisition of this kind,

it's very important for them to understand the relationship between the subcontracts the first year, and so on. They have done that now, and it should give them a much better visibility into where they are with each particular part of the acquisition, and that should help.

Other things, though, are well beyond their control. And just speeding up the dollars won't do it. HH–65, good example, doubled the money the Coast Guard wanted. The Coast Guard is probably not going to make a 24-month implementation schedule. If they try to do it, they could be at risk for paying premiums to the contractors who do the work. They could be at risk of taking too many assets out of service.

So, we want to be cautious. I appreciate the admonition to be kind to the Coast Guard, as Senator Lautenberg said. But I think our relationship with the Coast Guard is just right, and we're continuing to work the issue.

Thanks.

Senator SNOWE. Yes, that's certainly been my perception. And you work very well together, and I appreciate that, because it benefits everybody. So, it's a very constructive relationship, and a cooperative one, so it makes it work, and we thank you for that, and we applaud you, as well.

Would you be evaluating this rebaselining report, as well?

Ms. WRIGHTSON. Absolutely. We continue to monitor Deepwater——

Senator SNOWE. OK.

Ms. WRIGHTSON.—and provide our comments to the Committee and others and the Coast Guard.

Senator SNOWE. Thank you.

Master Chief Welch, I want to ask you a couple of questions. One is on a very high retention rate. What accounts for that? Do bonuses help? An 89.5 percent retention rate is amazing, I really applaud you, Admiral Collins, and all the men and women of the Coast Guard. I think that's astounding.

Chief WELCH. Yes, Madam Chair. As you know, there are many variables that impact retention, whether in the Coast Guard or externally. But I believe that, as a result of our Commandant's sincere and productive efforts to improve, not only the quality of life, but the quality of work for our work force, is probably the single-most important governing factor.

Never during the course of my career has there been a 3-year period in which so many people initiatives have been delivered to our work force. Tuition assistance has been significant, in terms of helping our people pursue their education. It's also a very effective retention tool. We have made significant investments to provide our people with other personal and professional-development opportunities, some of which I mentioned during my verbal statement. We have a senior enlisted command master-chief course. We have enlisted cadre in with the core cadets at the Coast Guard Academy. We've expanded our leadership school throughput. We've introduced an enlisted professional military education program. We've revised our Class A School training curriculum.

Our mission also drives high retention, because the whole notion of being a humanitarian service with full-time employment in

peace and at war and at the same time has a great deal of positive feel to it.

And, last, Madam Chair, I would like to say that also at no point during my 25-year career have I heard the word "patriotism" by the young men and women of our service as I have in the course of the past 3 years.

Thank you.

Senator SNOWE. That says it all. And we deeply appreciate that, and we're profoundly grateful. I know I've seen them on the front lines, and I just think they're extraordinary. Thank you.

Chief WELCH. Thank you.

Senator SNOWE. Thank you.

Senator Cantwell?

Senator CANTWELL. Thank you, Madam Chairman. And thank you, Master Chief, for that last comment. We had a celebration in Seattle at Maritime Days where we had members of the Coast Guard and various National Guard services back from Iraq who helped with the deployment of goods in Basra. It was exciting to see the interagency involvement and the success of that operation of both public- and private-sector individuals and various agencies working together to make that mission successful.

Admiral Collins, I had a question for you that is in regards to the security mission of the Coast Guard. And I know you have a list of over $100 million in additional funding requests for security on the unfunded priority list, for needs not in the budget. Does that mean we have serious gaps? That's an awfully big number for an unfunded list, and it leaves one questioning where that leaves us.

Admiral COLLINS. Right. This was the—as you may know, Senator, this is the first year that the Coast Guard has submitted such a list, that this was prior—this was a tradition for the other services to their committees to provide this type of mission and the information, and then the guidance last year in legislation called for me to do this.

Basically, this represents—you know, if you had the next dollar, beyond the President's budget, you know, where would it fall? What are your highest priorities beyond the President's budget? Clearly, the President's budget, as submitted, reflects the highest priorities of the United States Coast Guard. And this is if there was additional resources, where would you put it, and why? And it's listed in priority order, that list. And it's very consistent with our priorities in the 2006 budget, because the number-one item is Deepwater, over $600 million of that total. The next one is legacy asset sustainment, or current-day readiness. We're managing future readiness with Deepwater, and current readiness with legacy sustainment. Those are our two top priorities, and they absorb the vast percentage of that request. So I think it reads very consistent with the 2006 budget, very consistent with the dialog we've had in this Committee this morning. And it would help, obviously—we're the subject of macroeconomics and budget tradeoffs and all those things that happen, and we're thankful for the support in the 2006 budget from the Administration and the Secretary, and these just represent the next increment that would allow us to move out a little more sharply——

Senator CANTWELL. Well, Admiral, would you say that you have enough assets, particularly, say, at District 13 in the Northwest, to implement security protocols if the maritime threat level is elevated?

Admiral COLLINS. I think so. And we'll continue to refine and look at that—dynamic process, not a static one. We've added new patrol boats, we've added new—we've got a contract that would—with Safeboat, from up there—for—they're terrific boats, by the way, Senator—that are outfitting across the Coast Guard that—the perfect boat for coastal port security. And we've rolled those in.

We've created 13 new commands called Maritime Safety and Security Teams around the country, one of which is in Seattle—I believe, the first one is in Seattle that we put—and those are—that's—those are huge accomplishments. And in the 2006 budget, we have the enhanced Maritime Safety and Security Team, which even a—sort of, even a higher-end assault capability team that we have available now, as well.

So, we're building out at a pace that makes sense, I think, and we're building it out at a pace that we can manage, I think. And it would—so, I'm pleased where we are. I'm pleased where the 2006 budget supports continued progress in this area.

Senator CANTWELL. With the majority of the nation's car/passenger ferries in the Northwest, where do you think we are in implementing security requirements for that system? Since 9/11 this Committee has frequently discussed security implementation as it relates to air transportation, most recently in a security bill, and rail transportation, yet we have millions of Americans transported back and forth on this ferry system. Where do you think we are on implementing security plans with respect to Washington State ferries?

Admiral COLLINS. Our focus—it's subject to the Maritime Transportation Security Act and the regulation that we've promulgated. The ferry system is included in the MARSEC, Maritime Security, condition 1, 2, and 3, and some of the things we do in each phase of that. And Seattle is our—one of our primary focuses, Puget Sound, because our focus is on high-capacity ferries, ferries with—and those are—we define as people—over 500 passengers. And you—and Seattle, Puget Sound area, is the largest is the operator of high-capacity ferries, by far, in the country—22 of them, over 500 people.

And we—although there's no specific threat that says, "This is going to happen at this time," the general vulnerabilities and risks associated with that kind of transportation, with that kind of people carrying—in the particular case of Puget Sound, carrying vehicles—it is the vehicle-carrying ferry system. And, you know, the—one of the major tactics of terrorist organizations and terrorists is using vehicles to carry explosives. And so, that whole—all those variables together means we've really got to pay attention to this as a—from the state, local, and federal perspective.

What we've tried to do is collaborate—and we've had enumerable discussion with Washington State ferry folks—and how we put this together—that provides you the kind of deterrence you need and the transparency of potential threats, while not adversely impacting the flow of—which is commuter system—the flow, and not im-

pinging on anyone's rights. And so, we've—there's a careful balance to put that all together. And I think we're striking the—we've struck the right balance.

I refrain from talking about the actual screening levels, because they're—that's classified. But I'd—pleased to give you a classified brief on that. But I think we've set screening levels that are—we've done it collaboratively, and that make sense for the environment. We'll continue to tweak that.

Senator CANTWELL. So you're satisfied with the direction that we're going today, and you have no concerns about this unfunded priority list, as it relates to the ferry system?

Admiral COLLINS. No, I'm pleased where we're going with the ferry. If the question is—the ferries—I'm pleased where we're going with that. We're going to—again, it's a—again, continue to evaluate the risks, the threats, and the consequence type of an assessment of that. We have funded over—I want to say $1.6 million, as I recall, in R&D funding to look at the study of vehicle-borne explosives, relative to carriage in ferries and all that. We've looked at—tried to take a systems look, and look at what the technology of that—the vulnerabilities of that, and the threats of—the consequences of those kind of threats. And we'll continue to do that. And as—work with the stakeholders involved to make adjustments over time, as required.

But I'm really happy where we are. We just had, about, I want to say, a month ago, a meeting in Coast Guard headquarters of all the major ferry operators in the country, including the Washington State system, and it was—we were very successful in getting the right classification to all the private sector, so they had secret classification. We could talk very detailed classified information. I think that was the first time that we had private sector together to do that. I think we're leading the way, and have been collaborative, detailed conversations. And the whole construct of Maritime Transportation Security Act is a collaborative enterprise. You know, we've learned from—I think we've learned from the Oil Pollution Act of 1990 and that infrastructure we created, and we've created a similar type of thing with area maritime security committees, where all the stakeholders from port are—can participate and get their views on the table and get a common view, a collaborative view.

So, a lot more work to be done, but I'm happy with where we are. I'm appreciative of the support of this Committee. For instance, we've added over 500 billets in the 2004–2005 timeframe for—2005 mostly, to—additional capacity and force structure within our maritime security to implement the—force, maritime security force—to implement the Maritime Transportation Security Act. So——

Senator CANTWELL. Well, thank you. Thank you, Admiral.

And thank you, Chairwoman Snowe, for holding this hearing. I don't think there is an agency that has a bigger challenge in carrying out such a diverse set of missions than the Coast Guard under this new Homeland Security regime as well as continuing day-to-day security and non-security missions. This is particularly true in the Northwest, where you have a major port with major traffic, issues of oil spill, issues on the border relating to moving illegal drugs and trying to stop and intervene that traffic. We also

have the larger security mission of the ferry system and the complexity associated with agencies like NSF tied to the Coast Guard budget through the Polar Icebreaker. I can't imagine a more complex job. Maybe Admiral Collins would volunteer for an extension of his command to get us through this new period.

[Laughter.]

Senator CANTWELL. I certainly appreciate the hard work of the Coast Guard in these challenging times.

Admiral COLLINS. Thank you, Senator.

Senator SNOWE. I Couldn't agree more. I certainly share the sentiments expressed by Senator Cantwell. I concur. And having seen what the men and women do, and all of you who provide the extraordinary leadership, we thank you and we commend you.

I also wanted to followup on the Oil Spill Liability Fund. It was funded by five-dollar tax back in 1990. And if the fund fell below one billion prior to 1995, the tax would reactivate. After 1995, the tax can only be reinstated by legislation. Is that your understanding?

Admiral COLLINS. That's what—that's how I've been briefed, Senator, that it no longer is operative after the mid 1990's.

Senator SNOWE. OK.

Admiral COLLINS. Without legislation.

Senator SNOWE. Without legislation, exactly.

Well, thank you, again. Thank you for your patience. Thank you for your testimony. And we'll be following up on some of these key matters.

Thank you, again.

Admiral COLLINS. Thank you, Senator.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

# A P P E N D I X

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

Mr. Chairman, we often say that the world changed on September 11, 2001. And that is certainly true for the United States Coast Guard. The Coast Guard has always been a multi-mission agency with a broad and expanding range of responsibilities. Since 9/11, however, significant new Homeland Security demands have been placed on the Coast Guard. *Prior* to that tragic day, only *two percent* of the Coast Guard's operating budget was devoted to *security* activities.

This year's *budget request* for security activities represents *28 percent* of the Coast Guard's total budget—and an $81 million increase over last year. And that might not be enough. More than $100 million in additional security needs are included in the Coast Guard's list of "unfunded priorities." I take a great interest in the security mission of the Coast Guard, as I'm sure all my colleagues do. New Jersey lost 700 citizens on 9/11 . . . and since then, several warnings have indicated that we are at high risk for another attempted attack.

The security mission of the Coast Guard is critical . . . but we can't neglect the Guard's other responsibilities. Last fall, I offered an amendment to restore $100 million that was authorized by Congress for non-security operations, to ensure that the Coast Guard has the resources it needs to perform all of its missions.

I am particularly concerned with the Coast Guard's activities that protect our waterways from pollution. Just a few months ago we had an oil spill on the Delaware River that resulted in a single-hull ship dumping 265,000 gallons of crude oil into that important shipping channel and environmental habitat. Under the oil spill protection scheme established in 1990 the liability limit of the company that caused the spill was only $45 million. Now the cleanup cost has grown to more than $100 million, and the Federal Government has taken it over.

That spill alone will cost between $150–$200 million in the end. But the Oil Spill Liability Trust Fund only has about $800 million, and will be empty by 2010. I am interested in introducing legislation shortly to address some of these problems, including getting rid of single-hull vessels.

I look forward to hearing the views of our witnesses today.

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PREPARED STATEMENT JOSEPH L. BARNES, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION

**Certificate of non-receipt of federal funds**

Pursuant to the requirements of the House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

**Introduction**

Madame Chairman and distinguished Members of the Subcommittee, the Fleet Reserve Association (FRA) appreciates the opportunity to present its recommendations on the United States Coast Guard's FY 2006 Budget. Celebrating its 80th Anniversary, the Association is a Congressionally Chartered non-profit organization representing the interests of U.S. Coast Guard, Navy, and Marine Corps personnel with regard to compensation, health care, benefits, and quality of life programs.

Prior to addressing these issues, FRA wishes to thank Congress for the generous pay, health care and benefit enhancements enacted in recent years. Of special importance are the targeted pay increases for senior enlisted personnel, health care access improvements, higher housing allowances and additional benefits for Reserve personnel. The Association is also grateful for the passage of legislation authorizing the Commandant of the Coast Guard the authority to express his or her personal opinion, if asked, while testifying before Congress.

Coast Guard parity with DoD personnel programs remains a high priority for FRA with regard to the Coast Guard.

**Pay**

Congress has for the past few years improved compensation that, in turn, enhanced the recruitment and retention of quality personnel in an all-volunteer environment. Adequate and targeted pay increases for middle grade and senior petty and noncommissioned officers have contributed to improved morale and readiness. With a uniformed community that is more than 50 percent married, satisfactory compensation helps relieve much of the tension brought on by demanding operational and personal tempos.

For FY 2006, the Administration has recommended a 3.1 percent across the board basic pay increase for members of the Armed Forces. This is commensurate with the 1999 formula to provide increases of 0.5 percentage point greater than that of the previous year for the private sector. With the addition of targeted raises authorized by Congress in FY 2001, the formula has reduced the pay gap with the private sector from 13.5 percent to 5.2 percent following the January 1, 2005, pay hike.

FRA, however, is disappointed that no targeted pay increases are recommended for FY 2006, particularly for mid-grade and more senior enlisted personnel. FRA, the 9th Quadrennial Review of Military Compensation (9thQRMC), and even the Department of Defense have advocated the necessity for additional targeted pays. In spite of the targeted pay increases authorized in recent years, the pay of our noncommissioned and petty officers remains compressed, a situation that has existed since the advent of the all-volunteer force.

FRA has recommended the House and Senate Armed Services Personnel Subcommittees adopt a targeted pay table for FY 2006, at least proportionate to that of January 1, 2004, and urges this Subcommittee to support the initiative as it would greatly benefit Coast Guard personnel and their families.

**Health Care**

Due in large part to the unique range of geographic locations in which they are assigned, Coast Guard personnel and their families often struggle to find medical providers who accept the TRICARE Standard benefit. While implementation of TRICARE Prime Remote alleviated many of these problems, the standard benefit fee for service option's low reimbursement rates can still make finding health care providers a daunting task. Unfortunately, Coast Guard personnel who choose to receive care at Military Treatment Facilities (MTFs) may have to travel long distances to receive care. FRA is concerned that low reimbursement rates will continue to make health care access a challenge for Coast Guard personnel stationed in remote locations.

Dental costs and associated reimbursement rates are also challenging for Coast Guard personnel. For example, the orthodontic benefit is capped at $1,500 thereby causing substantially increased personal expenses to Coast Guard personnel, especially in high cost areas.

**Reserve Health Care**—FRA is grateful to Congress for including in the FY 2005 National Defense Authorization Act language allowing Reservists to continue receiving TRICARE coverage for up to 180 days following separation from active duty. While the new provision will aid many Reservists who experience a lapse in coverage following demobilization, more needs to be done. Some Reservists have coverage through private employers, others through the Federal Government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE "kicks in" at 30 days activation, many Reserve families prefer continuity of care through doctors and their own health insurance. Disenrollment from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and is a disincentive for Reservists to reenlist. FRA recommends that Congress authorize legislation granting permanent authority for cost-share access to TRICARE for all members of the Selected Reserve and their families in order to ensure medical readiness and provide continuity of health insurance coverage.

Like their active duty colleagues, many Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE Standard patients. In 2001, DoD recognized this problem and announced a policy change under which DoD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DoD Reservist-employees activated for extended periods. Since the current program only benefits about ten percent of the Selected Reserve Force, FRA urges expanding this program to include the authority for federal pay-

ment of civilian health care premiums (up to the TRICARE limit) for dependents of mobilized Coast Guard Reserve personnel.

**Housing Standards and Allowances**

FRA supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel are unaware of the standards for their respective pay grade and assume they are entitled to a higher standard than authorized. Enlisted members, for example, are not eligible to receive BAH for a three-bedroom single-family detached house until achieving the rank of E–9—representing only one percent of the enlisted force—yet many personnel in more junior pay grades do in fact reside in detached homes. As a minimum, the BAH standard (single-family detached house) should be extended over several years to qualifying service members beginning in grade E–8 and subsequently to grade E–7 and below as resources allow.

FRA is pleased that the Administration's FY 2006 budget request includes full funding for Coast Guard military pay and benefits. The Coast Guard also continues to receive strong support for benefit parity with DoD and is on par with DoD benefits including requirements to collect Hazardous Duty Incentive Pay (HDIP).

The Association appreciates Congressional support for increased BAH rates for Coast Guard personnel and enactment of a plan to eliminate average out of pocket housing costs over several years. The President's FY 2006 budget includes funding to support these improvements. BAH rates allow Coast Guard members and their families to maximize housing choices in communities where adequate housing exists, helping alleviate the need for government housing. That said, with a large number of Coast Guard personnel stationed in high cost areas, the issue of ensuring that average out of pocket costs housing expenses are eliminated needs to be tracked closely.

FRA also appreciates enactment of Coast Guard Housing Authorities legislation, to improve government housing. As a result of this legislation, the Coast Guard is proactively exploring the Public Privatization Venture (PPV) program with the hopes of replicating the successes DoD has experienced. It transferred 318 units in Red Hill, Hawaii to the U.S. Army, which subsequently transferred more than 7,000 units to Actus Land Leasing in October 2004. The Coast Guard has also entered into a similar venture with the Navy in New Orleans, and privatization feasibility studies are currently underway in Alaska and Cape May, New Jersey.

**Permanent Change of Station (PCS) Reform Initiatives**

FRA commends Congress for authorizing the Families First Program, which upon full implementation will usher in much needed reforms to the Permanent Change of Station (PCS) process including the full reimbursement of the cost of lost or damaged household goods. The Association strongly supports full funding for the program in FY 2006.

**Dislocation Allowance**—Relocating on government orders is costly and throughout a military career, service members undergo a number of permanent changes of station. Each move usually requires additional expenses for relocating to a new area far removed from the service members' current location.

Dislocation allowances are authorized for military-ordered moves. To aid service members in defraying these additional costs, Congress in 1955 adopted the payment of a special allowance—termed "dislocation allowance"—to recognize that duty station changes and resultant household relocations reflect personnel management decisions of the armed forces and are not subject to the control of individual members.

Odd as it may appear, service members preparing to retire from the Armed Services are not eligible for dislocation allowances, yet many are subject to the same additional expenses they experienced when effecting a permanent change of station during the 20 or more years of active duty spent earning the honor to retire. In either case, moving on orders to another duty station or to retire are both reflective of a management decision. Retiring military personnel after completing 20 years of service is advantageous to the Armed Services. It opens the ranks to much younger and healthier accessions.

FRA recommends amending 37 U.S.C. § 407, to authorize the payment of dislocation allowances to members of the armed forces retiring or transferring to an inactive duty status who perform a "final change of station" move of 50 or more miles, and urges the Subcommittee to support such an amendment.

**Weight Allowances**—FRA also recommends modifying PCS household goods weight allowance tables for personnel in pay grades E–7, E–8 and E–9 to coincide with allowances for officers in grades 0–4, 0–5, and 0–6, respectively. These allowances were recently increased for grades E–1 through E–4, but weight allowance in-

creases are also needed for service members in other grades, to more accurately reflect the normal accumulation of household goods over the course of a career.

**Shipment of Privately Owned Vehicles**—Expanding the number of privately owned vehicles a military family can ship during a PCS from one to two for personnel assigned to Alaska and Hawaii is another FRA supported initiative which falls into the category of family readiness as well as PCS reform. This is an issue of particular concern to Coast Guard personnel stationed in these locations as it is becoming increasingly difficult to commute to the workplace of the now common, two working adults, and would greatly benefit from the Subcommittee's support.

**Family Readiness**

It is often said that the military recruits the service member, but retains a family. As our nation asks its all-volunteer force, at least 50 percent of whom are married, to deploy into harms way, family readiness has never been more important.

FRA wholeheartedly supports initiatives to enhance survivor benefits to include increasing the death gratuity to $100,000 and the amount of Service members Group Life Insurance (SGLI) coverage from $250,000 to $400,000 at no additional cost to the service member. The Association also maintains that eligibility for death benefit enhancements should include dependents of any service member who dies in the line of duty regardless of whether or not the death was combat related.

Another effective method of maintaining a high level of family readiness is through the effective and consistent communication of existing programs and resources available to active and Reserve personnel and their families. The increased use of Reserve units to serve along side active duty components has caused considerable challenges for certain individual Reservists. Not only has their mobilization placed a strain on employment and income, but on the family as well.

Benefits information, spouse employment assistance, options for child care and guidance on utilizing the TRICARE benefit are just a few issues that are constantly being updated, creating a need for easily accessible and current information. DoD services have worked to enhance the lines of communication via its Military One Source web sites, and the Coast Guard provides family members with a multitude of resources on its Personnel Service Center's web site (*http://www.uscg.mil/hq/psc/*). Online resources combined with a strengthened Ombudsman program will help Coast Guard family members stay up to date on their benefits.

**Availability and Affordability of Child Care**—The availability and accessibility of affordable childcare is a very important quality of life issue for Coast Guard personnel and their families. There are approximately 700 children in Coast Guard childcare facilities and the program operates under the same standards for care as that of DoD.

High cost childcare can often be attributed to the fact that most of the unit locations preclude access to DoD and Coast Guard child development centers. As in the past, FRA stresses the importance of adequately funding this important program.

The Coast Guard continues to explore ways to defer childcare costs to members in remote, high cost areas. This includes exploring possible partnerships with GSA and private industry. FRA strongly supports these initiatives and encourages timely research and implementation for the benefit of personnel and their families.

**Education Benefits**

Increased funding for personnel benefits in the President's FY 2006 budget will enable the Coast Guard to adequately support its education programs, specifically the Tuition Assistance Program. This enables the service to maintain parity with DoD. Tuition Assistance is a high priority for the active and Reserve forces and is a key element associated with successful recruiting initiatives. Enhancements to this program and Montgomery GI Bill (MGIB) have significantly impacted recruiting and retention efforts.

FRA advocates the creation of a benchmark for the MGIB so its benefits will keep pace with the cost of an average four year college education. Even with the October 1, 2004 increases in basic rates, the MGIB only covers about 60 percent of current tuition expenses.

Coast Guard personnel are among the 61,000 senior enlisted personnel who entered service during the Veterans Education Assistance Program (VEAP) era (1977–1985), and have not had the opportunity to sign up for the MGIB. FRA urges authorization of an open enrollment period giving enlisted leaders the opportunity to sign up for increased educational benefits provided by the GI Bill.

The Montgomery GI Bill is often characterized as a form of compensation or as a "recruiting tool." However, FRA would argue that it would be more appropriate to consider the benefit an investment in our nation's future. Military personnel can use the MGIB on active duty to aid in their professional development, giving them

the tools to become better leaders, mentors and representatives of their respective service. Many veterans who leave the military and use the GI bill to further their education have become more productive members of our society. From the offensive backfield of the Denver Broncos to the halls of Congress to several Fortune 500 Companies to small businesses in Main Street, America, there are college graduates who used the MGIB stipend to help pay for their education. These veterans pay taxes, returning more in revenue to the Treasury than what they might have contributed without a degree. (*Persons with Bachelor Degrees earn 70 percent more on average than those with a high school diploma.*)

Our nation has a responsibility to ensure the MGIB investment remains a relevant supplement to completing one's education. We must give our veterans the tools to excel in an academic environment.

**MGIB–SR**—The Selected Reserve MGIB has failed to maintain a creditable rate of benefits with those authorized in Title 38, Chapter 30. Other than cost-of-living increases, only two improvements in benefits have been approved since 1985. In that year MGIB rates were established at 47 percent of active duty benefits. This past October 1, the rate fell to 27 percent of the Chapter 30 benefits. While the allowance has inched up by only 7 percent since its inception, the average cost of tuition at a 4-year university increased by 10.5 percent in the 2004–2005 school year alone.

FRA stands four square in support of the Nation's Reservists. To provide an incentive for young citizens to enlist and remain in the Reserves, FRA recommends that Congress enhance the MGIB–SR rates to the intended level for those who choose to participate in the program.

**Academic Protection for Reservists**—There are cases where Reservists, attending higher institutions of learning, called to active duty in the defense of the Nation and its citizens, lose credits or prepaid tuition costs because they did not complete the course of instruction. FRA believes Congress should adopt legislation requiring colleges and universities to retain and reactivate the credits and prepaid costs for the Reservists upon demobilization.

**Other Reserve Initiatives**

**Eliminate BAH II**—To ensure Reservists' compensation reflects the duties our Nation has asked them to perform, FRA recommends a policy change authorizing Reservists activated 30 days or more to become eligible for locality based Basic Allowance for Housing (BAH). Current policy requires Reservists serving less than 140 days to receive "BAH–II," which is generally a flat-rate amount based on pay grade and marital status rather than the market-influenced, geographically driven allowance that active duty personnel receive.

**Training and End Strengths**

FRA fully supports the Coast Guard's professional development enhancements including the placement of a senior enlisted cadre within the U.S. Coast Guard Academy Corps of Cadets for the purpose of providing an enlisted perspective, mentorship and experienced physical guidance. Other initiatives include the successful launch of an Enlisted Professional Military Education Program, increased participation in the Coast Guard's Leadership and Management School for mid grade enlisted personnel, and the development of a comprehensive Unit Leadership Development Program (ULDP) for unit-level training.

The Coast Guard's focus on developing opportunities for, and encouraging participation in, professional development is a clear indicator of the service's commitment to retaining quality personnel. Not only does it better prepare enlisted and commissioned leaders for negotiating an oftentimes rigorous operations tempo, but it helps the Coast Guard continue to define itself as an "employer of choice" for prospective recruits.

**Recruiting and Retention**

FRA is pleased that the President's FY 2006 budget fully supports all Coast Guard recruiting initiatives and incentives. The Coast Guard exceeded its active duty recruiting mission and the current retention rate within its enlisted workforce is at impressive 89.6 percent. Increased visibility and a robust recruiting system coupled with enlistment bonuses is enabling the Coast Guard to maintain a steady flow of new recruits.

The Coast Guard has also opened new recruiting offices to target diversity rich communities. Increased opportunities for advancement, improved sea pay and selected reenlistment bonuses contributed to the aforementioned retention rates.

Recent officer continuation legislation as well as steadily increased promotion selection opportunities for mid-grade officers has also helped contribute to a better of-

ficer retention rate. The Coast Guard continues the always-difficult recruiting challenge to meet the diversity and skill sets required to best fill the future workforce.

**USSBP Reform**

With an average age of 68 on its membership roll, reform of the Uniformed Services Survivor Benefit Plan (USSBP) remains a legislative priority for the Association. The FRA commends Congress for passing legislation to eliminate the social security offset, ending an unfair policy that adversely affected nearly 1.7 military retirees and survivors alike, and views changing the effective date for paid-up coverage from 2008 to 2005 as the next step in reforming the plan.

There are three compelling reasons to amend the Plan. One, the cost of participating in USSBP has increased from 60 percent for the military retiree to more than 80 percent allowing the Department of Defense to renege on its original charge to provide 40 percent of the cost. Two, the USSBP was fashioned from the survivor program for retired federal employees, yet the military retiree on the average will pay more for participating in his or her Plan. Three, the military retiree on the average will pay into the USSBP over a longer period than the federal retiree. Although Congress has adopted a time for USSBP participants to halt payments of premiums (when payments of premiums equal 30 years and the military retiree is 70 years of age) the date is more than three years away. Military retirees enrolling on the initial enrollment date (1972) will this September be paying premiums for 33 years, by 2008, thirty-six years. FRA recommends and urges Congress to restore the value of participating in the program by adopting legislation to change the date 2008 to 2005.

**Exchange/MWR Programs**

The Coast Guard relies heavily on vital non-pay compensation programs to provide for the health and well-being of its personnel and their dependents, and to ensure good morale as well as mission readiness.

The Coast Guard's Morale, Welfare, and Recreation (MWR) program and the Coast Guard Exchange System (CGES) provide important services to members and their families. Proceeds from CGES sales generate funds for MWR programs including retail stores, fitness centers, gymnasiums, libraries, and child development centers. All indirectly support the Coast Guard's mission while helping ease the challenges and rigors of often demanding duty assignments.

FRA is closely tracking the development of DoD's Unified Exchange Task Force's proposal for shared services among military exchanges, and asks that Congress provide appropriate funding support for CGES and MWR programs to ensure the well-being and morale of all Coast Guard personnel and their families.

**Conclusion**

Madame Chairman, FRA appreciates the opportunity to submit its views for the record on pay, health care and other programs important to Coast Guard personnel. The Association salutes you and Members of your distinguished Subcommittee for effective oversight of our Nation's all-important fifth Armed Service, and for your untiring commitment to the men and women serving so proudly in our United States Coast Guard.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. OLYMPIA J. SNOWE TO ADMIRAL THOMAS H. COLLINS

**Mission Balance**

*Question.* What checks and performance goals have you established to ensure the Coast Guard effectively maintains its traditional missions as well as its expanded homeland security role? Of particular concern to myself and several Members of this Committee as you know is fisheries enforcement and also commercial fishing vessel safety (the recent tragedies in New England alone has cost the lives of 10 fishermen in recent months).

Answer. The Coast Guard continues to implement the President's Management Agenda (PMA).

Consistent with the PMA and PART, the Coast Guard has established performance targets and long-term goals for each of the 11 Coast Guard missions, as defined in Section 888 of the Homeland Security Act of 2002. The Coast Guard monitors and tracks performance within each of these missions, and documents results in an annual report. The Coast Guard continues to strive toward meeting performance targets across the entire spectrum of Coast Guard missions. In Fiscal Year 2004 the Coast Guard met or exceeded Fiscal Year 2001 performance levels in five of its six non-homeland security missions and met 2004 performance targets for

Search and Rescue, Migrant Interdiction, Aids-to-Navigation, and Marine Environmental Protection. Specifically, in Fiscal Year 2004 the Coast Guard:

- Rescued 86.8 percent of all mariners in imminent danger, exceeding the performance goal of 85 percent.
- Prevented illegal entry into the U.S. of 10,899 illegal migrants—the highest level in 10 years—meeting the performance target to interdict or deter at least 87 percent of illegal migrants entering the U.S. through maritime means.
- Continued to safely and efficiently manage America's waterways, meeting Aids to Navigation mission performance targets, reducing the number of distinct collisions (down to 218 from 280), allisions (down to 616 from 738), and grounding events (down 709 from 802) by 15 percent from 1,820 in FY03 to 1,543 in FY04.
- Protected the marine environment by reducing the five-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped to 22.1 from 29.4 in Fiscal Year 2003 and well below the Marine Environmental Protection mission performance target of 41.
- Continued to focus on improving maritime safety, reducing the number of maritime worker and passenger injuries and deaths from 597 in 2003 to 582 in 2004, well below the program sub-target of 771. (Full calculation of program performance includes recreational boating fatalities, which depends on state data which will not be available until later this Spring).
- Broke previous counter drug seizure records, seizing 241,713 pounds (previous record was 138,393 pounds) of cocaine and removing over 350,000 pounds of cocaine from the marketplace. (Full calculation of the Coast Guard's counter drug performance (Removal Rate) depends on flow rate data which will be provided by the Interagency Assessment of Cocaine Movement later this Spring).
- Continued to achieve high Ice Operations and Living Marine Resources mission performance levels, despite just missing performance targets. Efforts in connection with the Ice Operations mission-program resulted in four days of waterways closures (target was two days or less). The Living Marine Resources mission achieved a compliance rate of 96.3 percent vice a goal of 97 percent—although the total number of fisheries boardings soared to 4,560, the highest total since Fiscal Year 2001.

The Coast Guard also employs several readiness standards to ensure mission performance. For example, all units with primary Search and Rescue responsibility (most notably, multi-mission small boat stations and rotary wing air stations) are required to be able to respond within a set time frame to a distress call. Compliance with these types of readiness standards helps to ensure desired performance outcomes (e.g. save 85 percent of mariners in distress) are achieved.

The President's Fiscal Year 2006 budget requests an increase of $570 million over Fiscal Year 2005 funding levels, ensuring the Coast Guard is adequately funded and prepared to meet its mission demands, reduce maritime risk and improve performance across all missions.

In addition to sustaining current levels of operational funding, the Coast Guard's Fiscal Year 2006 budget funds several recapitalizing initiatives (e.g. Deepwater, Rescue 21, Response Boat-Medium, High Frequency Communications Recapitalization), critical to restoring readiness to Coast Guard operational assets and subsystems—the very foundation of Coast Guard operational capability and capacity. The enhanced capabilities delivered through these major acquisition projects will ensure readiness and contribute to improved performance in all Coast Guard missions and activities, including fisheries enforcement and commercial fishing vessel safety.

The Fiscal Year 2006 budget continues aggressive implementation of Maritime Security Strategy to increase Maritime Domain Awareness (MDA), operational presence, and response posture with the ultimate goal of reducing maritime risk. Fiscal year 2006 initiatives include implementing the Common Operational Picture, continuing the nationwide deployment of the Automatic Identification System, increasing maritime patrol aircraft flight hours, enhancing radiological and nuclear detection capabilities, equipping organic helicopters with Airborne Use of Force capability, replacing obsolete cutter small boats with more capable Cutter Boats—Over the Horizon, and providing additional Response Boat-Small allowances. These initiatives will enhance MDA and operational presence—improving maritime security and the Coast Guard's ability to perform all Coast Guard missions.

**Future Port Security Grants**

*Question.* How would port and facility operators be assured that port security funds would be available to carry out the federally-mandated security plan requirements if a single grant program was established?

Answer. The Office of State and Local Government Coordination and Preparedness (SLGCP) and the Coast Guard are currently working together to design a coordinated risk management planning process that builds on and compliments work already accomplished under the Maritime Transportation Security Act (MTSA). The port-wide planning process will be prototyped during Fiscal Year (FY) 2005 and implemented as a program requirement during FY 2006. Development of this process will ensure that the security needs of our ports are documented and addressed through a risk-based framework consistent with the decision information needs of the Targeted Infrastructure Protection Program (TIPP) program.

DHS is committed to providing the resources needed to secure our Nation's critical infrastructure, including seaports and port facilities. The TIPP proposed in the President's FY 2006 budget would consolidate grants to protect critical infrastructures such as seaports, mass transit, railways and energy facilities into a single, comprehensive program based on risk. The President's FY 2006 budget request for TIPP also represents an increase of approximately $235 million above the FY 2005 appropriated level for all infrastructure protection, including port security, mass transit security, and buffer zone protection efforts among others.

**Proposal of RDT&E Consolidation**

*Question.* The budget request proposes to consolidate the Coast Guard's research and development efforts within the Department of Homeland Security's (DHS) Science and Technology Directorate. Section 888 of the Homeland Security Act requires the Coast Guard to remain intact within DHS, and Congress rejected this proposal last year. Could you inform the Committee as to why the Department once again makes this proposal when it is contrary to Section 888 of the Homeland Security Act and it was rejected by the Congress last year?

Answer. The intent of this proposal is not to consolidate or eliminate Coast Guard Research and Development (R&D) functions. Rather, it is focused on consolidating R&D funding to maximize efficiencies and effective use of R&D funding across the entire Department while eliminating redundant R&D efforts. The Coast Guard and the Department of Homeland Security's Science and Technology Directorate (S&T) are proposing to continue a productive collaborative relationship in 2006 through reimbursable agreements. As presented in the budget, the Coast Guard anticipates receiving $24 million from the S&T directorate in FY 2006 as reimbursement for the R&D projects it will execute.

The Coast Guard will work in close coordination with DHS S&T to ensure R&D programs address known capability gaps and scarce resources are most effectively leveraged to the Nation's best advantage.

**Availability of RDT&E Funding**

*Question.* Under the budget proposal, it is estimated that the Service's Research and Development Center could receive up to $24 million in Fiscal Year 2006 for the research and development efforts of the center. Is it also possible that the Coast Guard could receive no funds under this consolidation scenario?

Answer. No. The Coast Guard and the Department of Homeland Security's Directorate of Science and Technology (DHS S&T) will continue a productive and collaborative relationship. The Coast Guard anticipates receiving $24 million in Research and Development (R&D) reimbursable funds from DHS S&T, including funding to operate the Coast Guard R&D Center. Throughout the remainder of the year the Coast Guard can also compete for additional Departmental R&D in accordance with DHS S&T prioritization protocols.

**Communications Interoperability**

*Question.* What efforts is the Coast Guard taking to insure the full communications interoperability among its own assets, and between those assets and other federal, state and local emergency responders that allows for information within the maritime domain to be shared?

Answer. The Coast Guard currently has communications interoperability between its assets; primarily with voice communications and some data communications capabilities. The Deepwater and Rescue 21 acquisitions will provide enhanced voice and data communications interoperability among Coast Guard assets. In addition, the Coast Guard is working closely with the DHS Wireless Management Office (WMO) and the Office of Interoperability and Compatibility (OIC) to develop seamless communications interoperability between the Coast Guard, DHS, and other federal, state, and local emergency responders to allow information within the maritime domain to be shared. Through the DHS Wireless Management Office, DHS is coordinating all wireless initiatives (e.g. Rescue 21, Project SAFECOM, Integrated Wireless Network) to ensure interoperability with Federal, State, and local emergency responders.

The Coast Guard remains focused on technology to integrate or make communications more interoperable. The Coast Guard recently revised the Integrated Deepwater System (IDS) Mission Need Statement (MNS) to outline the C4ISR Architecture Framework and provide uniform methods for describing information systems and their performance in context with mission and functional effectiveness. The C4ISR suite on each IDS asset will collect and transmit raw data to an operations center that uses the data to produce a Common Operational Picture which in turn is sent back to assets for their use. The Common Operational Picture is being designed to ensure seamless interoperability with Coast Guard units, DHS, DoD, Navy, and other agencies—a true force multiplier in the fullest sense. When Deepwater is fully implemented, Coast Guard cutters and aircraft will have improved capabilities to receive information from a wide array of mission-capable platforms and sensors—enabling them to share a Common Operating Picture as part of a network-centric force operating in tandem with other cutters, boats, and both manned aircraft and unmanned aerial vehicles.

The Coast Guard is also updating our short-range communications systems through the Rescue 21 acquisition to be compatible with the Association of Public Safety Communications Officials (APCO P25) standard. For example, Rescue 21 provides the capability to "patch" our communications systems to other responders' communications infrastructure so that our mobile assets will be able to exchange sensitive but unclassified (SBU) information with non-Coast Guard mobile assets. This standard was established to improve interoperability between federal, state, and local emergency responders. Rescue 21 is updating the shore-based National Distress System and numerous small vessel types.

**Rescue 21 Status**

*Question.* Could you please update the Committee as to where the Rescue 21 program stands now? What level of funding would you anticipate needing in the out years to complete full implementation of Rescue 21?

Answer. Rescue 21 completed Operational Testing and Evaluation (OT&E) on February 25, 2005. The results have been evaluated and the Coast Guard is developing a plan to address OT&E issues in order to achieve Initial Operating Capability (IOC) as soon as possible. Approval of Key Decision Point (KDP) 3, currently scheduled for May 2005, will allow the project to complete installation within the first 21 regions and design for an additional 11 regions. The FY06 budget request of $101 million is critical to keep the project on track to complete installation at the next 11 regions and complete design of the final 14 regions.

The Coast Guard's Capital Investment Plan (CIP) includes $100M in FY 2007 to complete the project.

**Coast Guard and DoD BRAC**

*Question.* What role is the USCG playing in the DoD's BRAC process?

Answer. The United States Coast Guard (CG) does not have a formal role in the Department of Defense (DoD) Base Realignment and Closure (BRAC) process. The CG is potentially impacted, however, due to co-locations, shared resources and support agreements. In locations where the Coast Guard is potentially impacted, the DoD services have afforded the CG to provide input into their process.

The CG has and will continue to share concerns with DoD regarding sites where CG operations and/or facilities are co-located and where CG/DoD service agreements exist.

The CG will work with DoD to develop mitigation strategies for impacted units and services.

**Pay Gap**

*Question.* Do you believe there is more progress to be made [in] the area concerning pay gaps? Is the gap still too large in your opinion for comparable civilian occupations?

Answer. Military compensation has improved significantly in the areas of Basic Pay, Basic Allowance for Housing (BAH), and Basic Allowance for Subsistence (BAS). As a result, Military Basic Pay raises have greatly contributed to the reduction of the gap between equivalent military and civilian compensation levels. According to DoD—including the proposed 2006 Basic Pay increase, military compensation is within an estimated 93 percent overall comparability with similar civilian compensation levels. BAH is now a market-based allowance that provides an allowance to offset the cost of median rental housing for Coast Guard members. BAS benefits all enlisted personnel and is appropriately indexed to the actual cost of food (as measured by USDA market basket indices). For enlisted ranks, I believe more attention is needed at the mid-grade (E5) and lower senior grade (E7) levels.

**Educating Members on Non-Pay Benefits**

*Question.* What efforts does the Coast Guard undertake to educate its members on the value of the other, non-pay compensation benefits of serving?

Answer. Non-pay benefits are a critical part of the overall compensation of Coast Guard members. Recognizing the impact non-pay benefits have on member morale and retention, the Coast guard strives to take advantage of every opportunity to educate its members of those benefits—beginning with initial indoctrination during the recruiting process and continually throughout a member's career to ensure they are kept abreast of any changes to the benefits.

Recruiters explain non-pay benefits to potential recruits and their families. Below is a list of the non-pay benefits covered during recruiting activities:

- Available Work-Life services (e.g., divorce, marital, & bereavement counseling, etc.)
- Morale, Welfare and Recreation (MWR) benefits
- Commissary and exchange privileges (Non-Tax)
- Coast Guard owned housing opportunities
- Medical and dental benefits
- Legal assistance
- Tuition assistance
- Mutual assistance
- Veterans Administration benefits (home buying, educational, retirement)
- Coast Guard spouses clubs

During a member's career, the Coast Guard employs various communication mediums through which current benefits and any new changes are explained. Examples of some of the main communication vehicles are as follows:

- ALCOAST messages (sent to all Coast Guard units)
- Navy Times/Coast Guard Magazine/Reservist Magazine articles
- Flag Voices (notifications from the Assistant Commandant for Human Resources Coast Guard field units)

**CG Biggest Challenge**

*Question.* If you had to pick just one item, what would you say is the biggest concern facing your men and women? What is their biggest challenge?

Answer. The biggest challenge facing our Coast Guard men and women is having the resources and time to do their best work, and balancing that work with family and life goals. Data shows that our people see that we have made progress in providing the resources they need and the time necessary to do their best work, but we still have more to do in these areas. Those with families have the challenge of how best to balance their duties to their country and family. Those looking to start a family are concerned about how they will deal with this challenge.

The Coast Guard uses the U.S. Office of Personnel Management's Organizational Assessment Survey (OAS) to gauge the perceptions of the Active Duty, Selected Reserve, and Civilian workforces. Coast Guard OAS results are used by leadership to gain a better understanding of the issues and concerns affecting members/employees and to determine the Coast Guard's success in addressing these issues and concerns.

**Denied Privileges from Other Services Installations**

*Question.* Have there been any instances where members of the Coast Guard have been denied privileges from other services or their respective military installations?

Answer. To the Coast Guard's knowledge, no Coast Guard personnel have been denied privileges from other services or their respective military installations.

**Military Families Military Health Care System Concerns**

*Question.* Is the military health care system broke in your opinion? I understand that many military families experience extreme difficulties with simple tasks like making routine appointments or scheduling well-baby checks . . . is this true?

Answer. The Military Healthcare System, while it needs improvement, is not broken. Based on current customer survey results, the overall satisfaction rate with TRICARE is good. While some individuals may experience difficulties making appointments, most of these problems are resolved expeditiously when the customer contacts either a TRICARE Service Center or a Coast Guard Health Benefits Advisor. The Coast Guard has not received reports of individuals experiencing extreme difficulties. Reported difficulties are relatively minor in nature and are due, in part, to the recent change in TRICARE Regional Contractors along with revised operating guidelines under the new contracts. As beneficiaries, providers, and the TRICARE Regional Contractors gain more experience, the frequency of even minor difficulties

is expected to decline. Military Treatment Facilities (MTFs) and the TRICARE contractors monitor their performance in making appointments and arranging referrals. TRICARE has access-to-care standards that must be adhered to by the MTFs and civilian providers. Alternate health care source referrals are made when these standards can not be met. Military families experiencing extreme difficulties may contact a TRICARE Service Center (usually co-located with a military clinic) or contact the Health Benefits Advisor assigned to the military clinic. In addition, the Coast Guard Maintenance and Logistics Commands, located on both the East and West coasts, operate a toll-free Health Benefits Advisor call line (1–800–9HBA–HBA) to assist our members and their families who are unable to resolve their health care problems locally.

**Benefits of Having a Reserve Force**

*Question.* Can you share some of the benefits of having a reserve force and the challenges you experienced in attempting to integrate reserve and active forces?

Answer. The U.S. Coast Guard (CG) must be prepared to respond to a wide range of contingencies at home and abroad in accordance with the authorities and responsibilities vested in the Service by law. The proper training and use of the CG Reserve component is vital to accomplishing the CG's contingency missions. The CG Reserve is fully organized and integrated within the CG's Active Duty component force structure.

Benefits of the CG Reserve:

- The CG Reserve component exists for contingency mobilization, while providing a cost-effective peacetime augmentation force.
- The CG Reserve component is available to dramatically expand the CG's active duty force at an annual cost of less than 2 percent of the Service's budget.
- The Reserve forces provide a critical "flex" factor in the CG's ability to respond immediately to contingency requirements.
- Reservists can be called up on short notice to respond to natural disasters/national emergencies, and then stood down as conditions stabilize.
- Augmentation (on-the-job) training supports CG operational missions and requirements, thereby adding substance to the total force and supporting day-to-day operations. Mobilization readiness, however, is always the paramount consideration when implementing a mobilization training program during normal drills and two-week annual active duty periods.
- The CG continues its effective mission performance by leveraging technology and optimizing the employment of all its human resources.
- CG Reserve forces provide a visible and exercised relationship between the CG and DoD, as well serve as a link to the public.
- These benefits have a tremendous impact on the CG's ability to perform its missions. Most recently, they have been exercised extensively in the implementation of the Maritime Transportation Security Act (MTSA) as well as contributing to operations in support of the Global War on Terrorism. Without its Reserve component, it would have been impossible for the CG to implement MTSA on schedule, support overseas operations or the domestic military outloads in support of those operations.

Challenges facing the CG Reserve:

- Identifying the highest priority use of the Reserve Force in a post-September 11th environment, given the vast amount of contingency requirements.
- Ensuring augmentation performed by Reservists directly relates to their mobilization assignments.
- Educating the Active Duty component regarding the nuances, unique polices, and employer issues specific to the CG Reserve.
- Assuring that a strong focus remains on the Reserve force so that Reservists are fully ready to mobilize to respond to a wide variety of contingencies on short notice.
- Sustaining an effective Reserve recruiting effort to meet the needs of the service.
- Maintaining the specialty skill sets needed to meet Reserve component workforce requirements.

**Administrative and Processing Nightmares**

*Question.* What measures have been put into place to ensure that Coast Guard members do not suffer from the administrative and processing nightmares that we continue to read and hear about with members from other services?

Answer. The Coast Guard has made it a priority to minimize pay and personnel issues resulting from reserve mobilization/demobilization while cumulatively recalling 6,813 Reservists since September 11th, representing 84 percent of the 8,100 member reserve workforce, the highest percentage of any of the military services.

Coast Guard efforts to quickly address pay and personnel issues focused on execution of a very aggressive plan that mobilized teams of senior-level pay and personnel experts to regions where the largest recall processing requirements existed.

In conjunction with lessons learned since September 11th, the Coast Guard chartered the Reserve Strategic Assessment Team (RSAT) to conduct a review of the Reserve program. The RSAT review identified 84 corrective actions that address administrative and procedural problems experienced by Reservists and their families during mobilization and demobilization. An action plan was developed to correct these problems over the next three years.

**Morale or Retention Negative Effects of CG Assets**

*Question.* Do you believe the condition of the Coast Guard's assets is having a negative effect on the morale or retention of enlisted personnel?

Answer. The Coast Guard does not have data that indicates a relationship between the condition of its assets and morale or retention.

**Enlisted Personnel Safety Concerns**

*Question.* Have enlisted personnel ever expressed concerns to you about their safety while they are on Coast Guard assets?

Answer. Among the military services, the Coast Guard has an enviable safety record. There has not been a Coast Guard fatality resulting from an operational accident in over four years. Through the adoption and use of operational risk management programs, a web-based accident reporting system, and other web-based, standalone safety risk management systems, the Coast Guard has been able to dramatically reduce risk to personnel and equipment.

Both formal and informal processes are in place within the Coast Guard for individuals to address safety questions and concerns. Specific figures regarding the perception of safety among Coast Guard enlisted service members were provided in the 2004 Organizational Assessment Survey (OAS). Unit-specific OAS results were provided to unit commanding officers, enabling them to focus their leadership efforts on any areas that needed attention and/or improvement. Seventy-two percent of enlisted respondents to the OAS agreed with the statement that they are "protected from health and safety hazards on the job," while only 10 percent disagreed.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUYE TO ADMIRAL THOMAS H. COLLINS

**Is the Coast Guard's Budget Adequate**

*Question.* It is unclear whether the budget request for security missions is adequate. Over $100 million in additional funding for security is included in the Coast Guard's "unfunded priorities" list. This includes $31 million for maritime domain awareness, and $70 million for enhanced maritime safety and security teams. The Coast Guard has indicated that it does not have sufficient assets to implement its own security protocols at District 14 and elsewhere when the maritime security level is elevated due to threats.

Is the budget request for security missions adequate? Why is over $100 million additional funding for security included in the Coast Guard's "unfunded priorities" list, and not in the budget?

Answer. Increased resources provided by the Congress over the past several years have significantly enhanced the Coast Guard's ability to continue performing traditional missions while considerably improving maritime security. For example, the Fiscal Year 2005 enacted budget represents 51 percent growth in funding authority since September 11, 2001. This increased funding by enabling the Coast Guard to establish 13 Maritime Safety and Security Teams across the nation, deploy over 80 new small boats and accompanying crews, expand our intelligence capabilities, and implement the 2002 Maritime Transportation Security Act (MTSA). Each of these initiatives, among many others, have been critical to allowing the Coast Guard to meet post 9/11 mission demands, while ensuring no degradation in other performance areas.

The President's Fiscal Year 2006 budget request represents an 11 percent increase over the comparable Fiscal Year 2005 discretionary funding levels, and demonstrates extremely strong commitment by the Administration to ensure the Coast Guard is adequately funded. The resources contained in the budget continue to aggressively implement the core elements of the Department's Maritime Security Strategy.

For the Fiscal Year 2006 budget, more specifically, robust implementation of organic Airborne Use of Force capability, replacement of obsolete cutter small boats with more capable Cutter Boats—Over the Horizon, additional Response Boat-Small allowances, and continued replacement of aging 41-foot utility boats with the more capable Response Boat-Medium will greatly improve the Department's maritime operational presence and response posture. The President's budget also includes several maritime domain awareness initiatives; such as implementing the Common Operational Picture, continuing the nationwide deployment of the Automatic Identification System, increasing maritime patrol aircraft flight hours, and enhancing radiological and nuclear detection capabilities. Finally, the Fiscal Year 2006 budget requests $966 million in Deepwater funding (a $242 million increase over Fiscal Year 2005) to recapitalize the Coast Guard's aging fleet of cutters and aircraft, delivering new/modernized assets equipped with post-9/11 capabilities critical to reducing maritime security risk and enhancing the Coast Guard's ability to execute all its missions.

The initiatives contained in the Fiscal Year 2006 budget represent the Coast Guard's highest priorities and are the necessary next steps in the Coast Guard's multi-year plan to implement its Maritime Security Strategy.

**Insufficient Assets for Security Protocols in the 14th District**

*Question.* The Coast Guard has indicated that it does not have sufficient assets to implement its own security protocols at District 14 and elsewhere when the maritime security level is elevated due to threats. How does the budget request address these gaps?

Answer. The 2006 Budget continues to improve the Coast Guard's maritime homeland security capabilities and reduce maritime risk. Specifically, it provides for critical Maritime Domain Awareness (MDA) initiatives and increased or enhanced Coast Guard operational presence, both critical components of the Coast Guard's maritime security strategy and posture.

The 2006 Budget furthers efforts to improve MDA by:

- Continuing deployment of a nationwide Automatic Identification System (AIS) infrastructure throughout regional Coast Guard command centers;
- Providing additional Maritime Patrol Aircraft (MPA) resources to fill documented flight hour gaps in support of detection, surveillance, and tracking activities;
- Deploying a Common Operational Picture (COP) through Coast Guard command centers nationwide. The COP will help fuse surveillance and tracking information from systems such as AIS, Rescue 21, and the Ports and Waterways Safety System (PAWSS);
- Increasing the capability of Coast Guard cutters and Maritime Safety and Security Teams (MSSTs) to detect Rad/Nuc materials, intercept suspect ships, and respond to incidents involving the release of Rad/Nuc substances.

In addition, the 2006 Budget further increases and enhances the Coast Guard's operational presence by:

- Accelerating deployment organic Airborne Use of Force (AUF) capability to five Coast Guard Air Stations, increasing the ability to respond to maritime security threats;
- Replacing existing obsolete and unstable cutter boats on the High Endurance Cutter (WHEC) and Medium Endurance Cutter (WMEC) fleet with the more capable Cutter Boat—Over the Horizon (CB–OTH). This platform nearly doubles the speed of the existing cutter boat, increases secure communication capabilities, and when used in conjunction with AUF capability has a 98 percent success rate in stopping suspicious vessels;
- Providing 14 additional Response Boat-Smalls (RB–S) and associated crews to provide vessel escorts, and enforce security zones near critical infrastructure including enhancing the LNG tanker and waterside security;
- Reallocating existing Coast Guard resources to immediately fill an existing gap in national maritime Law Enforcement and Counter-Terrorism (LE/CT) capability. The permanent establishment of the Coast Guard's Enhanced MSST (E–

MSST) will provide an offensive DHS force able to operate across the full spectrum of LE and CT response in support of homeland security and homeland defense objectives, including CT response capability for scheduled security events out to 50 nautical miles from shore and augments interagency assets in high visibility venues such as National Special Security Events (NSSEs).

**IDS Implementation Plan**

*Question.* The budget requests $996 million for the Coast Guard's Deepwater recapitalization program, yet $240 million of this is for legacy assets. It is unclear whether the budget request is adequate. Quite telling is the fact that the Coast Guard's "unfunded priorities" list includes an additional $637 million of money for Deepwater, and an additional $63 million for maintaining existing "legacy" assets. However, it is difficult to evaluate the budget request or this statement of additional needs because the Coast Guard has not provided Congress with its revised Deepwater plan—requested by Congress last year. Moreover, it is unclear that the Coast Guard is adequately planning for its shore-based infrastructure needs as Deepwater assets are delivered.

We have been expecting a revised plan for the Coast Guard's Deepwater program, but have not received such a plan. Given the increasing costs and the post-9/11 environment, is the amount requested adequate? When do you anticipate providing us with the plan?

Answer. The Deepwater Revised Implementation Plan was delivered to Congress on March 25, 2005. Further information requested by Congress is under development and will be submitted shortly.

**Deepwater Unfunded Priorities**

*Question.* The "unfunded priorities" list includes an additional $637 million of money for Deepwater, plus another $63 million for maintaining existing "legacy" assets. Is that, plus the $966 million the amount Coast Guard thinks is needed as part of the new plan?

Answer. The Coast Guard's Fiscal Year 2006 budget requests $966 million for the Integrated Deepwater System to fund the Coast Guard's highest priority Deepwater recapitalization and modernization initiatives:

- Production of the third National Security Cutter,
- Design and long lead materials for the first Offshore Patrol Cutter,
- Six legacy Medium Endurance Cutter mission effectiveness projects,
- Acquisition of the third Vertical Take Off and Landing Unmanned Aerial Vehicle,
- Design and demonstration of the first Fast Response Cutter,
- Re-engining the operational fleet of 84 HH–65 helicopters to eliminate safety and reliability issues and restore operational effectiveness of these critical aircraft,
- Enhanced legacy fixed and rotary wing aircraft capabilities through recapitalization of avionics and radar systems,
- Continued development of the command and control system, common operating picture, and integrated logistics system.

As discussed in the transmittal letter that accompanied the Coast Guard's list of "unfunded priorities," to the extent that provisions of the Act requiring the list (Public Law 108–334), including section 514, called for submission of legislative recommendations to the Congress, the executive branch construed such provisions in a manner consistent with the President's constitutional authority to supervise the unitary executive branch and to recommend for the consideration of the Congress such measures as the President judged as necessary and expedient. However, the Commandant of the Coast Guard provided the "unfunded priorities" list to Congress as a matter of comity.

Coast Guard staff and managers are available to discuss the contents of the "unfunded priorities" list.

**Foreign Fishing Vessel Incursions**

*Question.* During Fiscal Year 2000 to Fiscal Year 2004, the Coast Guard reported a total of 216 suspected illegal incursions of foreign fishing vessels within the Western/Central Pacific Exclusive Economic Zone. Coast Guard assets detected only three of these incursions. All other incursions during this five-year time period were reported from other national or industry sources. None of the 24 incursions detected in 2004 were interdicted, and it is unclear whether any of the incursions in previous years were interdicted.

Over the past five years, only 3 of 216 suspected illegal foreign fishing incursions into the Western/Central Pacific Exclusive Economic Zone were observed by the Coast Guard during the Fiscal Years 2000 through 2004. Isn't this part of Coast Guard's responsibility? Why aren't the C130s or cutters spotting these incidents?

Answer. The Coast Guard is responsible for patrolling the 1.3 million square nautical miles of ocean comprising the Western/Central Pacific (WCP) Exclusive Economic Zones (EEZ). Recognizing the surveillance challenges for such a vast ocean area, in 1993 the Coast Guard entered into a MOU with the Secretaries of Defense and Commerce for the use of all source intelligence assets to monitor, collect and report vessels that may be in violation of U.S. and international fisheries law. This federal agency partnership has improved U.S. fisheries surveillance capability in the WCP.

From 2000 to 2004, the Coast Guard dedicated over 6,900 cutter hours and 908 aircraft hours to patrol the WCP EEZ. The vastness of the WCP EEZ, combined with the limited number of Coast Guard assets with long-range capabilities to patrol this area, makes detecting illegal fishing activity solely by Coast Guard assets difficult. For example, a 10 hr C–130 surveillance patrol may result in only 2 hrs of on scene EEZ patrol time due to the lengthy transit time and involves forward deployment of a C–130 to Guam to patrol the EEZs of Guam, Wake and the Commonwealth of the Northern Marianas Islands. It takes 1-week for a high endurance cutter to transit to the scene of suspected illegal activity; by then the suspect vessel has usually departed. The Coast Guard relies on federal agency and fishing industry partnerships to overcome these gaps in capability and capacity to monitor this vast ocean area. Improved maritime domain awareness and asset capability, such as unmanned aerial vehicles acquired through the Coast Guard's Fiscal Year 2006 Integrated Deepwater System budget request, will improve surveillance and monitoring of not only the WCP but all high threat EEZ areas. The Coast Guard's Fiscal Year 2006 budget also includes funding for additional C–130H and C–130J flight hours, a portion of which will help increase patrols in Coast Guard District 14, which includes the WCP EEZ.

**Successfully Interdicted Incursions**

*Question.* How many of the 216 incursions detected were successfully interdicted?

Answer. None of the 216 detected incursions from 2000 to 2004 were interdicted. The vastness of the 1.3 million square nautical miles of ocean comprising the Western/Central Pacific (WCP) Exclusive Economic Zones (EEZ), combined with the limited number of Coast Guard assets with long-range capabilities to patrol this area, makes intercepting illegal fishing activity difficult. For example, it takes approximately 1 week for a high endurance cutter to transit to the scene of suspected illegal activity. For a C–130 to respond to suspected illegal activity in the EEZs of Guam, Wake and the Commonwealth of the Northern Marianas Islands, it requires a long-range flight to Guam to re-fuel, then another flight to the location of suspected activity. If the suspect vessel departs the U.S. EEZ before a Coast Guard unit arrives on scene to establish hot pursuit or document the violation for flag state enforcement, the Coast Guard lacks legal authority under international law to interdict the vessel.

**District 14 Maritime Patrol Aircraft**

*Question.* There is approximately $34 million being requested for improvements and expansion of the use of maritime patrol aircraft (MPA). How much of the new resources, both in terms of actual aircraft and flight time, are being allocated to District 14?

Answer. The referenced MPA budget request reflects a collation of multiple requests focused on the build up and support of the Coast Guard's MPA capabilities. Initiatives included are:

(1) C–130H maintenance and sensor personnel, flight hour augments;
(2) C–130J flight hours and missionization;
(3) Contract logistics flight services to free up existing MPA airframes;
(4) Personnel and logistics support for the stand-up of the first three EADS CASA C–235Ms due for initial delivery in Fiscal Year 2007.

Within these requests, at least one 100-hour C–130H augment is planned for Air Station Barbers Point, including funding for operating expenses and 3 additional enlisted aviation personnel for maintenance.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO ADMIRAL THOMAS H. COLLINS

**Operations and Maintenance Cost Responsibility for Polar Ice Breakers**

*Question.* Admiral Collins, why is the Administration proposing that the Coast Guard no longer be responsible for the operations and maintenance costs of the three polar icebreakers?

Answer. The Budget proposes to transfer funding for the Polar Icebreaking Program to the National Science Foundation to better align resources with those who benefit from the program. While the Coast Guard will continue to operate the polar icebreaking fleet on a reimbursable basis in FY 2006, the National Science Foundation will ultimately be responsible for the long-range planning required to refurbish or replace the ships, as necessary, which are nearing the end of their serviceable lives.

**Funding Uncertainties for Polar Ice Breaking Capability**

*Question* Admiral Collins, won't this approach lead to significant uncertainty in funding streams needed to maintain these vessels? Are any other Coast Guard assets maintained solely through funding from other agencies? How likely is it that this move could eliminate our nation's polar icebreaker capacity?

Answer. The Coast Guard is working closely with the NSF to address maintenance of the nation's polar icebreakers and pay for the Coast Guard personnel who operate them. The agencies are developing a new Memorandum of Understanding (MOU) that will detail the responsibilities of both parties.

The Coast Guard does not operate any other assets solely through reimbursement from other agencies. The intent of this arrangement is to align funding responsibilities with the benefiting agency in the short-term in order to maintain existing polar icebreaker capabilities. With several studies planned and/or ongoing, including a National Academies of Sciences study, we anticipate further policy decisions will be forthcoming regarding our nation's future polar icebreaker capacity.

**NSF Contracting for Ice Breaking Services**

*Question* Admiral Collins, does anything prevent NSF from contracting with icebreakers from other countries, such as Russia, which they did this year while the Polar Sea was undergoing repairs?

Answer. There are no restrictions stated explicitly; however this approach is inconsistent with existing policy decisions such as the 1990 Presidential Decision on U.S. polar icebreaker requirements and the 1996 Presidential Decision (PDD/NSC–26) on U.S. Antarctic Policy. These documents envision only U.S. owned and operated ice breakers for the Arctic and Antarctic missions.

**American Interest for Polar Ice Breaking**

*Question.* Admiral Collins, how would the loss of our nation's only polar icebreaking fleet affect American interests in the Arctic and Antarctica?

Answer. In general terms, the loss of our nation's polar icebreaker fleet would severely limit our nation's ability to project sovereignty and influence in the polar regions. The specific long-term affects on American interests will be addressed by the ongoing National Academies of Sciences polar icebreaker study, which is on schedule to provide an interim report by September 2005 and a final report by July 2006.

**Resource Hours on Non-Homeland Security Missions**

*Question.* Admiral Collins, are resource hours that Coast Guard spends on non-security missions still lower than their pre-9/11 levels?

Answer. Coast Guard operational efforts will continue to be focused to meet the performance targets of all our eleven mission-programs. Adherence to specific target-levels of activity for particular mission areas is detrimental to achieving performance targets in a multi-mission service. We must allocate resources based on the greatest need as dictated by the changing risk picture within the maritime domain. This risk-based decision-making by local commanders will continue to be the driving factor in how the Coast Guard manages towards an effective mission balance, not striving toward historical resource-hour totals that don't fully reflect effort or the current threat environment.

Total Non-Security mission hours in 2004 were 297,106.
Total Non-Security mission hours in 2001 were 344,113.

Per Section 888 of the Homeland Security Act of 2002 (Pub.L. 107–296), the Coast Guard's activities are categorized within eleven missions. As summarized below, five of these missions are considered homeland security, while the other six are considered non-homeland security missions.

| Homeland Security Missions | Non-Homeland Security Missions |
|---|---|
| Ports, Waterways & Coastal Security | Marine Safety |
| Drug Interdiction | Search and Rescue |
| Migrant Interdiction | Aids to Navigation |
| Defense Readiness | Living Marine Resources |
| Other law enforcement | Marine Environmental Protection |
| | Ice Operations |

In Fiscal Year 2004, the Coast Guard met its performance targets for six of the ten mission-programs that have performance measures. In particular, the Coast Guard met performance targets for four of its six non-homeland security mission-programs: Search and Rescue, Marine Safety, Aids to Navigation, and Marine Environmental Protection.

The remaining two non-homeland security missions nearly met their performance targets for Fiscal Year 2004. Efforts in connection with the Ice Operations mission-program resulted in four days of waterways closures while the target was two days or less. The Living Marine Resources mission achieved a compliance rate of 96.3 percent vice a goal of 97 percent—although the total number of fisheries boardings soared to 4,560, the highest total since Fiscal Year 2001.

Furthermore, it is important to understand that several of our mission-programs such as Marine Safety and Marine Environmental Protection are performed with very little use of the boats, ships or aircraft that figure into resource hour summaries. This is another reason the Coast Guard focuses on the outcomes represented by our performance targets rather than the outputs of resource hours.

**District 13 Resource Hours on Non-Homeland Security Missions**

*Question.* Is this also the case in District 13 (Washington State/Oregon/Idaho/Montana)? Please provide specific examples.

Answer. The Coast Guard manages performance on a nationwide level by empowering local Coast Guard operational commanders from the District Commander down to the local Station Commanding Officer to use their specialized knowledge and understanding of regional conditions as additional factors in making risk-based decisions regarding employment of operational assets to effectively balance mission activities.

Through local management of operations, the Coast Guard is able to target use of personnel and operational assets to best respond to local threats. For example, in areas where there is a large volume of oil cargo traffic and/or commercial fishing activity (e.g. District 13, District 17), local operational commanders are able to allocate the appropriate amount of resources to perform Marine Environmental Protection and Living Marine Fisheries activities to meet these regional threats and meet mission performance goals.

Coast Guard operational efforts will continue to be focused upon simultaneously meeting the performance targets of all our eleven mission-programs at the national level. Adherence to specific target-levels of activity for particular mission areas is detrimental to achieving performance targets in a multi-mission service. The Coast Guard will continue to allocate resources based on the greatest need as dictated by the changing risk picture within the maritime domain. This risk-based decision-making by local commanders will continue to be the driving factor in how the Coast Guard manages towards an effective mission balance, not striving toward historical resource-hour totals that don't fully reflect effort.

In Fiscal Year 2004, the Coast Guard met its performance targets for six of the ten mission-programs that have performance measures. In particular, the Coast Guard met performance targets for four of its six non-homeland security mission-programs: Search and Rescue, Marine Safety, Aids to Navigation, and Marine Environmental Protection.

**Non-Homeland Security Missions and Fewer Resource Hours**

*Question.* Although the Coast Guard claims that it can do "more with less," it seems that only the non-homeland security missions are suffering from fewer resources. Is that a fair statement?

Answer. The Coast Guard continues to strive toward meeting performance targets across the entire spectrum of Coast Guard missions. In Fiscal Year 2004 the Coast Guard met or exceeded Fiscal Year 2001 performance levels in five of its six non-homeland security missions and met 2004 performance targets for Search and Rescue, Migrant Interdiction, Aids-to-Navigation, and Marine Environmental Protection. Specifically, in Fiscal Year 2004 the Coast Guard:

- Rescued 86.8 percent of all mariners in imminent danger, exceeding the performance goal of 85 percent.
- Continued to safely and efficiently manage America's waterways, meeting Aids to Navigation mission performance targets, reducing the number of distinct collisions (down to 218 from 280), allisions (down to 616 from 738), and grounding events (down 709 from 802) by 15 percent from 1,820 in Fiscal Year 2003 to 1,543 in Fiscal Year 2004.
- Protected the marine environment by reducing the five-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped to 22.1 from 29.4 in Fiscal Year 2003 and well below the Marine Environmental Protection mission performance target of 41.
- Continued to focus on improving maritime safety, reducing the number of maritime worker and passenger injuries and deaths from 597 in 2003 to 582 in 2004, well below the program sub-target of 771. (Full calculation of program performance includes recreational boating fatalities, which depends on state data which will not be available until later this Spring).

Efforts in connection with the Ice Operations mission-program resulted in four days of waterways closures while the target was two days or less. The Living Marine Resources mission achieved a compliance rate of 96.3 percent vice a goal of 97 percent—although the total number of fisheries boardings soared to 4,560, the highest total since Fiscal Year 2001.

The President's Fiscal Year 2006 budget requests an increase of $570 million over Fiscal Year 2005 funding levels, ensuring the Coast Guard is adequately funded and prepared to meet its mission demands, reduce maritime risk and improve performance across all missions.

**Insufficient Assets for Security Patrols in the 13th District**

*Question 1.* The Coast Guard has indicated in staff briefings that it does not have sufficient assets to implement its own security protocols at District 13 and elsewhere when the maritime security level is elevated due to threats. How does the President's Fiscal Year 2006 budget request address these gaps?

Answer. The 2006 Budget continues to improve the Coast Guard's maritime homeland security capabilities and reduce maritime risk. Specifically, it provides for critical Maritime Domain Awareness (MDA) initiatives and increased or enhanced Coast Guard operational presence, both critical components of the Coast Guard's maritime security strategy and posture.

The 2006 Budget furthers efforts to improve MDA by:

- Continuing deployment of a nationwide Automatic Identification System (AIS) infrastructure throughout regional Coast Guard command centers;
- Providing additional Maritime Patrol Aircraft (MPA) resources to fill documented flight hour gaps in support of detection, surveillance, and tracking activities;
- Deploying a Common Operational Picture (COP) through Coast Guard command centers nationwide. The COP will help fuse surveillance and tracking information from systems such as AIS, Rescue 21, and the Ports and Waterways Safety System (PAWSS);
- Increasing the capability of Coast Guard cutters and Maritime Safety and Security Teams (MSSTs) to detect Rad/Nuc materials, intercept suspect ships, and respond to incidents involving the release of Rad/Nuc substances.

In addition, the 2006 Budget further increases and enhances the Coast Guard's operational presence by:

- Accelerating deployment of organic Airborne Use of Force (AUF) capability to five Coast Guard Air Stations, increasing the ability to respond to maritime security threats;
- Replacing existing obsolete and unstable cutter boats on the High Endurance Cutter (WHEC) and Medium Endurance Cutter (WMEC) fleet with the more capable Cutter Boat—Over the Horizon (CB–OTH). This platform nearly doubles the speed of the existing cutter boat, increases secure communication capabilities, and when used in conjunction with AUF capability has a 98 percent success rate in stopping suspicious vessels;
- Providing 14 additional Response Boat-Smalls (RB–S) and associated crews to provide vessel escorts, and enforce security zones near critical infrastructure including enhancing liquefied natural gas and waterside security;

- Reallocating existing Coast Guard resources to immediately fill an existing gap in national maritime Law Enforcement and Counter-Terrorism (LE/CT) capability. The permanent establishment of the Coast Guard's Enhanced MSST (E–MSST) will provide an offensive DHS force able to operate across the full spectrum of LE and CT response in support of homeland security and homeland defense objectives, including CT response capability for scheduled security events out to 50 nautical miles from shore and augmenting interagency assets in high visibility venues such as National Special Security Events (NSSEs).

*Question 2.* Admiral Collins, what is the Coast Guard's role in protecting sensitive facilities, such as the Bangor Naval Submarine Station in Silverdale, Washington? Does the Coast Guard have adequate resources to fully implement this responsibility at all such facilities nationwide?

Answer. In accordance with Homeland Security Presidential Directive-7 (HSPD–7)—Critical Infrastructure Identification, Prioritization and Protection, each federal department and agency is responsible for the protection of its own physical and cyber critical infrastructure and key resources, including sensitive facilities. Primary protection responsibility for the Bangor Naval Submarine Station in Silverdale, Washington rests with the U.S. Navy (Department of Defense). The Coast Guard works with DoD to supplement security in those areas where the Coast Guard is better situated to provide the necessary expertise or resources. The Coast Guard's most direct role in supporting security for sensitive DoD assets is to provide armed escort for certain high-value Navy and DoD vessels such as submarines, aircraft carriers, and military supply vessels while transiting U.S. ports and waterways, and providing waterside security during military outload operations at commercial port terminals. Generally, the Coast Guard relies upon its Reserve Forces to bolster security operations in support of military outloads. The Coast Guard has not been called upon to implement similar measures at all sensitive DoD facilities, but applies resources as needed to address the greatest risks.

**Resources Needed to Protect LNG Terminals**

*Question.* Interest in building Liquid Natural Gas (LNG) facilities is increasing around the country. The Coast Guard is familiar with the risks to such facilities as well as the transportation infrastructure for LNG delivery. How is the Coast Guard addressing these risks as LNG development expands? What new resources will the Coast Guard need to protect any new LNG terminals?

Answer. Recognizing the surging interest in LNG importation in the U.S. over the past 24 months, the Coast Guard entered into an Interagency Agreement with the Federal Energy Regulatory Commission (FERC) in February 2004. The FERC is the federal agency that authorizes the construction of shore side LNG terminals. Under this agreement, the Coast Guard works with the FERC to ensure that both land and marine security issues are addressed in a coordinated and comprehensive manner. In particular, the interagency agreement requires the FERC to address maritime security related issues in the Environmental Impact Statement (EIS) process required under the National Environmental Policy Act (NEPA), and disclose this information to the public to the extent permitted by law.

The FERC is processing 13 applications for new shore side LNG terminals in the U.S., and there are an additional 10 potential sites being contemplated. The Coast Guard is now in the process of finalizing policy guidance on the scope of waterway security assessments that need to be conducted as part of the FERC's EIS process, as well as timelines to be met. This comprehensive guidance will be based in part on the consequence distances and risk mitigation measures discussed in the December 2004 Sandia National Labs report, and will provide a nationally uniform risk assessment process that yields port specific security recommendations. The Coast Guard's Fiscal Year 2006 budget request resources for additional Response Boat-Smalls and screening personnel to provide increased security for LNG facilities in Cove Point, MD and Everett, MA. Once the port specific waterway security assessments have been completed for subsequent LNG facilities, precise Coast Guard resource requirements can then be determined based upon the specific security measures that have been recommended.

**DW Budget Adequacy/Asset Mix/Plan Submission Date**

*Question.* Admiral Collins, the Coast Guard has not provided Congress with a revised Deepwater plan that reflects its needs for capital improvements in the post-9/11 environment, despite direction from this Committee and the Appropriations Committee to do so. Thus, it is unclear whether the budget request of $966 million for Fiscal Year 2006 is adequate, or if the mix of assets covered by this amount are appropriate. When can we expect this plan?

Answer. The Deepwater Revised Implementation Plan was delivered to Congress on March 25, 2005. Further information requested by Congress is under development and will be submitted shortly.

**Why is the Revised Deepwater Plan Only Five Years Long?**

*Question.* The Coast Guard presented its original Deepwater plan covering all of the 20 years of the program; why is a revised plan covering all of the future years of Deepwater not forthcoming, particularly when Congress, in asking for such a plan in the Coast Guard Authorization Act of 2004, and in the DHS Appropriations bill for Fiscal Year 2005, did not limit its request to the next five year term of the program?

Answer. Further information covering all years of the program is under development and will be submitted shortly.

**Long-Term Revised Plan for Deepwater**

*Question.* How can Congress scrutinize the Fiscal Year 2006 budget request and understand what it will cover, and whether it is sufficient, if we are not provided with the long-term plans for Deepwater?

Answer. The Deepwater Revised Implementation Plan was delivered to Congress on March 25, 2005. Further information requested by Congress is under development and will be submitted shortly.

**Additional Funding for DW on Unfunded Priorities List**

*Question.* The "unfunded priorities" list that the Coast Guard provided to Congress includes an additional $637 million of money for Deepwater and an additional $63 million for legacy assets. Do these amounts bring Deepwater in line with the Coast Guard's post-9/11 plan?

Answer. The revised Deepwater implementation plan delivered on March 25, 2005 articulates the Coast Guard's post-9/11 plan for the Deepwater program. Consistent with the revised Deepwater implementation plan, the Coast Guard's Fiscal Year 2006 budget requests $966 million for the Integrated Deepwater System to fund the Coast Guard's highest priority Deepwater recapitalization and modernization initiatives:

- Production of the Third National Security Cutter,
- Design and long lead materials for the first Offshore Patrol Cutter,
- Six legacy Medium Endurance Cutter mission effectiveness projects,
- Acquisition of the third Vertical Take Off and Landing Unmanned Aerial Vehicle,
- Design and demonstration of the first Fast Response Cutter,
- Re-engining the operational fleet of 84 HH–65 helicopters to eliminate safety and reliability issues and restore operational effectiveness of these critical aircraft,
- Enhanced legacy fixed and rotary wing aircraft capabilities through recapitalization of avionics and radar systems,
- Continued development of the command and control system, common operating picture, and integrated logistics system.

As discussed in the transmittal letter that accompanied the Coast Guard's list of "unfunded priorities," to the extent that provisions of the Act requiring the list (Public Law 108–334), including section 514, called for submission of legislative recommendations to the Congress, the executive branch construed such provisions in a manner consistent with the President's constitutional authority to supervise the unitary executive branch and to recommend for the consideration of the Congress such measures as the President judged as necessary and expedient. However, the Commandant of the Coast Guard provided the "unfunded priorities" list to Congress as a matter of comity. Coast Guard is available to discuss the contents of the "unfunded priorities list."

**GAO Audit Management Concerns—CG Response**

*Question.* Last year, GAO provided a report that was critical of the Coast Guard's management and oversight of the Deepwater program. How have these concerns been addressed?

Answer. Since its March 2004 report was issued, we have updated GAO regularly on the implementation of these improvements through four detailed reports and a day-long conference in January 2005. We have taken specific actions to improve program management efforts to measure and evaluate cost, schedule, and performance;

improve communications, and to encourage future cost control through rigorous competition.

In short, the Coast Guard has aggressively implemented the GAO report recommendation. Its 11 recommendations were grouped by three categories: program management, contractor accountability, and cost controls through competition. Action has been taken by the Coast Guard on all of these recommendations, GAO has closed 2 of the 11 recommendations as completed by the Coast Guard, and we anticipate further closures shortly.

**Response Boat-Medium Contract**

*Question.* When do you expect the contract for the Response Boat-Medium to be awarded?

Answer. The Coast Guard anticipates awarding the limited rate production contract in the 4th Quarter of Fiscal Year 2005. Should the proposal evaluation require discussion with the offerors, contract award may not occur until early Fiscal Year 2006.

**The OSLTF Balance is Declining**

*Question.* The Coast Guard testified that the Oil Spill Liability Trust Fund (OSTLF) will run out of funding by 2010. Does the Fiscal Year 2006 budget address this issue? Describe steps that the Administration is planning to address this projected decline.

Answer. The Fiscal Year (FY) 2006 Budget does not address this issue. The Coast Guard and Maritime Transportation Act of 2004 requires the Coast Guard to submit a report on the health of the Oil Spill Liability Trust Fund (OSLTF), which was provided to Congress in April.

The OSLTF has now assumed full financial responsibility for the T/V Athos I spill response in Philadelphia, PA. Due to projected expenses from this and other spills exceeding revenues by approximately $250 million per year over the next two years, the Coast Guard now anticipates that the OSLTF to be exhausted by the start of FY 2008. Additional major oil spills like that involving the ATHOS I will only accelerate exacerbate the rate of decline of the Fund.

Based on the findings contained in the OSLTF report to Congress discussed above, the Coast Guard is working with the Department of Homeland Security and the Administration to develop a plan to address the projected decline in OSLTF balances.

**Changing OPA Liability Limits**

*Question.* Why has the Administration not raised the liability caps for responsible parties, as it is required to do under the Oil Pollution Act of 1990?

Answer. The Coast Guard is currently seeking the authority under the provisions in Oil Pollution Act of 1990 (OPA 90) to increase liability limits to reflect significant increases to the Consumer Price Index (CPI). The President delegated that authority in section 4 of Executive Order 12777 to various agency heads (Administrator, Environmental Protection Agency, Secretary of the Interior, Secretary of Transportation) in respect to various classes of facilities and vessels. Certain authorities transferred from the Secretary of Transportation to the Secretary of Homeland Security when the Department of Homeland Security was created and we are currently requesting this authority be delegated further to the Coast Guard.

In anticipation of the Secretary of Homeland Security further delegating this authority to the Coast Guard, the Coast Guard is proceeding with a rulemaking project to make CPI based adjustments for vessels through regulation. The Coast Guard anticipates that with notice and comment and required reviews it may take more than a year to finalize the required rulemaking.

**Polar Texas Spill in Puget Sound**

*Question.* According to a March 23, 2005 article in the Seattle Post Intelligencer, "the Coast Guard said a ConocoPhillips ship, the POLAR TEXAS, was the likeliest culprit in a crude oil spill in Puget Sound." Please provide the context and analysis that resulted in this determination by the Coast Guard. Do you feel that under the status quo a Puget Sound oil spill is likely in the next decade? What can be done to further minimize this risk?

Answer. The oil analysis conducted by the Coast Guard for the October 2004 Dalco Passage oil spill is part of an ongoing investigation and is currently not releasable. However, this analysis, performed by the Coast Guard's Marine Safety Laboratory (MSL), indicates that the oil spilled matches with oil from the tank vessel POLAR TEXAS. The MSL, a forensic laboratory for oil pollution, draws upon four analytical methods to measure different chemical properties of an oil to match spilled oil to source oil.

It is impossible to predict with any degree of certainty the likelihood of an oil spill occurring in any particular location. However, prevention measures, especially those measures enacted as part of the Oil Pollution Act of 1990 have greatly reduced the number and size of marine oil spills in the United States.

Active continuation of existing prevention measures provides a significant protection against potential future marine oil spills. Such prevention measures, however, can not provide complete protection from incidents that may involve terrorism, severe weather, human error, and/or mechanical failure.

**Coast Guard R&D Funding With New DHS Process**

*Question.* Admiral Collins, the budget proposes no money directly to the Coast Guard for research and development, which in the past has funded a variety of important initiatives for both security and non-security missions. Is the Coast Guard assured of getting this money within the proposed new Department process?

Answer. As presented in the budget, the Coast Guard anticipates receiving $24 million in Research and Development (R&D) reimbursable funds from the DHS Science and Technology directorate (S&T) in FY 2006. The Coast Guard and the Department of Homeland Security's Directorate of Science and Technology (DHS S&T) have established and will continue a productive and collaborative relationship wherein S&T ensures that Department-wide R&D priorities are being met and the Coast Guard Research and Development program proposes and executes R&D programs that are important for the Coast Guard. Throughout the fiscal year the Coast Guard can also compete for additional Departmental R&D funding in accordance with DHS S&T prioritization protocols.

**Strait of Juan de Fuca Vulnerabilities to Spills**

*Question.* Admiral Collins, the outer coast of Washington and the western Strait of Juan de Fuca are vulnerable to oil spills from the high volume of marine traffic carrying large quantities of oil as cargo and fuel. As you may know, since the late 1990s a dedicated rescue tug has been established in Neah Bay, WA to be able to respond to emergency maritime situations. Please describe the Coast Guard historic involvement and use of resources towards this effort.

Answer. The Coast Guard provided limited support for a dedicated rescue tug in Neah Bay in 1999.

A Coast Guard sponsored regulatory assessment considered a dedicated rescue tug alternative alongside 200 other potential risk reducing measures as a part of the "Use of Tugs to Protect Against Oil Spills in the Puget Sound Area" assessment conducted in 1999. This analysis supported the use of the International, private-sector Tug of Opportunity System (ITOS) as the most cost effective risk reducing measure. This system employs the use of transponders on a fleet of voluntary tugs of opportunity that are monitored by both U.S. Coast Guard and Canadian Vessel Traffic Services. This provides trans-boundary decision makers with the awareness essential to direct a tug that is closest to a potential threat.

The low probability of drift groundings compared to other types of accident limits the cost effectiveness of rescue tugs. In fact, a substantial portion of the potential pollution averted by the rescue tug is attributable to its use as an escort for laden tank vessels. While the use of pre-positioned rescue tugs would reduce the risk of drift groundings in specific high traffic areas, the ITOS provides a more cost effective means to prevent pollution throughout the Strait of Juan de Fuca.

**Federal Funding for Tug Boats in WA State**

*Question.* Admiral Collins, the State of Washington maintains that the Federal Government should provide funding for future tug deployments based upon the following premises:

- The Federal Government is a trustee of natural resources in the area including the Olympic National Marine Sanctuary, Olympic National Park, and the coastal national wildlife refuges;
- The Federal Government has designated certain species found in the area as threatened and endangered. These species and their habitats would be affected by major oil spills;
- The Federal Government has a responsibility to protect the treaty rights of Puget Sound tribes in their usual and accustomed fishing areas;
- Washington is meeting a regional energy supply need. The north Puget Sound marine transportation corridor contains a regional crude oil refining center and is a conduit of refined petroleum products to other western states;
- The Strait of Juan de Fuca conveys more tonnage of cargo to and from Pacific Rim ports than any other west coast waterway;

- Puget Sound is homeport for a large portion of the nation's strategic naval fleet which also poses a risk of major spills; and
- There is potential for international tension with Canada should a major transboundary oil spill occur in this waterway.

I would appreciate hearing your response to each of these potential federal obligations and what role you feel the Coast Guard should play in meeting these responsibilities.

Answer. The Coast Guard recognizes the federal responsibilities outlined above, but does not agree that a rescue tug is required to meet those responsibilities. The Coast Guard has a vigorous program in place to prevent oil spills in the Strait of Juan de Fuca. This program includes:

Northwest Area Contingency Plan.

International Tug of Opportunity System, paid for by industry fees collected through Puget Sound Marine Exchange,

- Participating tugs have transponders to make them readily identifiable by Vessel Traffic Services Puget Sound radar and the Marine Exchange.
- Allows for quicker identification & dispatch of tugs.

The US-Canadian Joint Coordination Group established a 3-5 year strategic plan to formally link our radar and communications networks across the border, synchronize training, and jointly embed our operational processes.

- Annual exercise of CANUSPAC Spill Response Plan involves deployment of equipment and joint training on behalf of both countries; including annual exercise of joint emergency procedures

The Cooperative Vessel Traffic Service (CVTS), established in 1979 by international agreement between U.S. and Canada and

- Partnership between the United States and Canada to manage vessel traffic in the shared waters of the Strait of Juan de Fuca and the connecting waterways.
- The CVTS assists in preventing collisions, groundings, and other maritime casualties, dividing the region into several zones each managed from one of several vessel traffic centers (Tofino, Victoria, and Seattle.)

A Traffic Separation Scheme, adopted by the International Maritime Organization.

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The low probability of drift groundings compared to other types of accident limits the cost effectiveness of rescue tugs. In fact, a substantial portion of the potential pollution averted by the rescue tug is attributable to its use as an escort for laden tank vessels. While the use of pre-positioned rescue tugs would reduce the risk of drift groundings in specific high traffic areas, the ITOS provides a more cost effective means to prevent pollution throughout the Straight of Juan de Fuca.

**Moving Coast Guard Headquarters to St. Elizabeth Hospital**

*Question.* Admiral Collins, why is the Administration requesting $38 million with a view to moving the Coast Guard headquarters to the St. Elizabeth Hospital West Campus in DC, when no studies have apparently been done on the costs to the Coast Guard of such a move, or of alternative locations? Are such studies forthcoming?

Answer. The Coast Guard submitted its requirements for a Coast Guard Headquarters facility to the General Services Administration (GSA) last year.

In the GSA Public Buildings Service Federal Buildings Fund for Fiscal Year 2006, GSA requested $24.9 million for Coast Guard Consolidation in response to the Coast Guard requirements and $13 million to redevelop the St Elizabeth's West Campus Infrastructure.

GSA is the project lead for the Coast Guard headquarters move and would also be the lead for any studies.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN F. KERRY TO ADMIRAL THOMAS H. COLLINS

**Northern Edge Marine Casualty Investigation**

*Question.* Five crew members of the Northern Edge fishing vessel died after their boat capsized off the coast of Nantucket in December 2004. While the Coast Guard personnel acted bravely in their Search and Rescue (SAR) effort, the operation faced difficulties including equipment failure. This incident, while hopefully isolated, highlighted concerns that I and others have expressed over funding for Coast Guard SAR operations and its aging infrastructure. On January 26, I sent you a letter outlining these concerns. I have your responses, however several questions still remain.

In my letter I asked the Coast Guard to investigate the incident. Your letter states that you have investigated the cause of the mechanical failures and that the Coast Guard will conduct a Marine Casualty Investigation, which is not a formal internal investigation.

Will the informal Marine Casualty Investigation be released to the public after it is completed?

Answer. Yes, the Marine Casualty Investigation will be available to the public as soon as it is completed.

**Formal Investigation of Northern Edge SAR Case**

*Question.* Will the Coast Guard conduct a formal investigation into the Northern Edge incident in addition to the Marine Casualty Investigation? If not, why?

Answer. The Coast Guard is using the informal rather than the formal investigation process in this case. By using a single officer, the investigation will proceed more efficiently, and enable the Coast Guard to share findings with the public more quickly. Given the findings from the preliminary investigation, the existence of only one survivor, and the inability to complete an extensive post-casualty vessel examination, we believe that in this case, a formal investigation would not reveal any more information than would a comprehensive informal investigation.

**Coast Guard Overall Preparedness**

*Question.* You recently presented Congress with a list of the Coast Guard's unfunded priorities totaling nearly $1 billion. If the Congress does not provide the needed funding, what will you do to maintain overall preparedness, including in SAR?

Answer. The Coast Guard continues to maintain high overall preparedness as evidenced by consistently strong performance in all mission areas. The Coast Guard met its 2004 performance targets for Search and Rescue, Migrant Interdiction, Aids-to-Navigation, and Marine Environmental Protection. Specifically, in Fiscal Year 2004 the Coast Guard:

- Rescued 86.8 percent of all mariners in imminent danger, exceeding the performance goal of 85 percent.
- Prevented illegal entry into the U.S. of 10,899 illegal migrants—the highest level in 10 years—meeting the performance target to interdict or deter at least 87 percent of illegal migrants entering the U.S. through maritime means.
- Continued to safely and efficiently manage America's waterways, meeting Aids to Navigation mission performance targets, reducing the number of distinct collisions (down to 218 from 280), allisions (down to 616 from 738), and grounding events (down 709 from 802) by 15 percent from 1,820 in Fiscal Year 2003 to 1,543 in Fiscal Year 2004.
- Protected the marine environment by reducing the five-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped to 22.1 from 29.4 in Fiscal Year 2003 and well below the Marine Environmental Protection mission performance target of 41.
- Continued to focus on improving maritime safety, reducing the number of maritime worker and passenger injuries and deaths from 597 in 2003 to 582 in 2004, well below the program sub-target of 771. (Full calculation of program performance includes recreational boating fatalities which depend on state data which will not be available until later this Spring).
- Broke previous counter drug seizure records, seizing 241,713 pounds (previous record was 138,393 pounds) of cocaine and removing over 350,000 pounds of cocaine from the marketplace. (Full calculation of the Coast Guard's counter drug performance (Removal Rate) depends on flow rate data which will be provided by the Interagency Assessment of Cocaine Movement later this Spring).

The President's Fiscal Year 2006 budget requests an increase of $570 million over Fiscal Year 2005 funding levels, demonstrating extremely strong commitment by the Administration to ensure the Coast Guard is adequately funded and prepared to meet its mission demands and improve operational performance.

In addition to sustaining current levels of operational funding, the Coast Guard's Fiscal Year 2006 budget funds several recapitalizing initiatives (e.g. Deepwater, Rescue 21, Response Boat-Medium, High Frequency Communications Recapitalization), critical to restoring readiness to Coast Guard operational assets and subsystems—the very foundation of Coast Guard operational capability and capacity.

The Fiscal Year 2006 budget continues aggressive implementation of Maritime Security Strategy to increase Maritime Domain Awareness, operational presence, and response posture with the ultimate goal of reducing maritime risk. Fiscal year 2006 initiatives include implementing the Common Operational Picture, continuing the nationwide deployment of the Automatic Identification System, increasing maritime patrol aircraft flight hours, enhancing radiological and nuclear detection capabilities, equipping organic helicopters with Airborne Use of Force capability, replacing obsolete cutter small boats with more capable Cutter Boats—Over the Horizon, and providing additional Response Boat-Small allowances.

The Coast Guard's Fiscal Year 2006 budget also provides operation and maintenance funding for the new Great Lakes Icebreaker, scheduled to be commissioned in 2006. This cutter will replace the less capable Coast Guard Cutters ACACIA and MACKINAW resulting in improved Aids-to-Navigation and Ice Operations performance on the Great Lakes.

The funding provided in the Coast Guard's Fiscal Year 2006 budget funds the Coast Guard's highest priority initiatives and represents the resources necessary to meet Fiscal Year 2006 performance goals.

**SAR Aircraft in Ready Status for Northern Edge SAR Case**

*Question.* In my January 26 letter, I also expressed concern that Coast Guard protocol in District 1 requires only one rescue helicopter to be in Bravo (ready) status. Your letter provides the readiness rate for the H–60 helicopters based in Cape Cod but does not respond to this specific concern that a single helicopter in Bravo state is inadequate to respond to fishing, commerce, recreation, and security needs. Will the Coast Guard increase the number of aircraft required to be in ready status for SAR in District 1? If not, explain the Coast Guard readiness strategy.

Answer. The Coast Guard maintains one Bravo–0 (B–0) HH–60J and one B–0 HU–25A at Air Station Cape Cod. Additionally, the southern portion of the First District is also supported by a B–0 HH–65A maintained at Air Station Atlantic City. These aircraft are on search and rescue (SAR) standby. This response posture has been steady for several decades, and was not altered after September 2001.

The SAR case load and SAR resource hours for Air Station Cape Cod (Both HH–60 and HU–25 aircraft) are listed in the table below. The figures reflect a relatively consistent workload in the SAR program for the Air Station over the past four years.

| | FY01 | FY02 | FY03 | FY04 |
|---|---|---|---|---|
| # SAR Cases | 248 | 318 | 262 | 271 |
| SAR Resource Hours | 688 | 808 | 768 | 770 |

As outlined in the Coast Guard's March 11, 2005 letter, the problems with the aircraft response to the fishing vessel NORTHERN EDGE incident were mechanical in nature. They were not related to the availability of aircraft or B–0 response crews. All four HH–60J's at Air Station Cape Cod were available, and the helicopter ready crew responded through the four of them.

The SAR readiness requirements for the First District are met with the existing number of B–0 aircraft. Barring extensive mechanical failures, this posture has been sufficient to provide a search and rescue response even in the most severe weather and sea conditions encountered in the North Atlantic.

**Search and Rescue and Traditional Mission Preparedness**

*Question.* In your response to my inquiry, you point out that the Coast Guard met its SAR program goals as they relate to the 2004 Government Accountability Office report. However, that same report found that resources allocated to traditional missions such as foreign fishing enforcement and SAR are still down considerably from pre-9/11 levels. Please outline for the Committee the Coast Guard's preparedness for SAR and other traditional missions. Explain any shortcomings in the Coast Guard's preparedness related to funding or any other issue.

Answer. While the Coast Guard recognizes the difference between the baseline resource hours and the actual Search and Rescue (SAR) activity level, we emphasize that performance is our primary concern, and in Fiscal Year 2004, the Coast Guard rescued 86.8 percent of all mariners in imminent danger, exceeding our performance goal of 85 percent. SAR will continue to receive all of the resource hours required to meet mission demand and there has been no reduction in the SAR readiness posture at any Coast Guard units.

Baseline resource hours for all cutters, aircraft and boats represent estimated mission employment based on historical information. SAR by its very nature is an "on demand" mission. Due to the complexity of maritime distress cases and their varied resource requirements, it is difficult to precisely predict SAR activity levels beyond our baseline estimates.

While mission performance remains our primary concern, the decrease in SAR hours can be attributed to a myriad of factors. Some of these factors include: improvements in technology for system reporting and vessel identification, success from recreational boating safety efforts, and a rise in commercial towing and salvage enterprises.

In broader terms, the Coast Guard continues to strive toward meeting performance targets across the entire spectrum of Coast Guard missions. In Fiscal Year 2004 the Coast Guard met or exceeded Fiscal Year 2001 performance levels in five of its six non-homeland security missions (as defined in Section 888 of the Homeland Security Act of 2002) and met 2004 performance targets for several of these non-homeland security missions (e.g. Search and Rescue, Migrant Interdiction, Aids-to-Navigation, and Marine Environmental Protection) while continuing to successfully prosecute homeland security missions. Specifically, in Fiscal Year 2004 the Coast Guard:

- Rescued 86.8 percent of all mariners in imminent danger, exceeding the performance goal of 85 percent.
- Continued to safely and efficiently manage America's waterways, meeting Aids to Navigation mission performance targets, reducing the number of distinct collisions (down to 218 from 280), allisions (down to 616 from 738), and grounding events (down 709 from 802) by 15 percent from 1,820 in Fiscal Year 2003 to 1,543 in Fiscal Year 2004.
- Protected the marine environment by reducing the five-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped to 22.1 from 29.4 in Fiscal Year 2003 and well below the Marine Environmental Protection mission performance target of 41.
- Continued to focus on improving maritime safety, reducing the number of maritime worker and passenger injuries and deaths from 597 in 2003 to 582 in 2004, well below the program sub-target of 771. (Full calculation of program performance includes recreational boating fatalities which depend on state data which will not be available until later this Spring).
- Broke previous counter drug seizure records, seizing 241,713 pounds (previous record was 138,393 pounds) of cocaine and removing over 350,000 pounds of cocaine from the marketplace. (Full calculation of the Coast Guard's counter drug performance (Removal Rate) depends on flow rate data which will be provided by the Interagency Assessment of Cocaine Movement later this Spring).
- Prevented illegal entry into the U.S. of 10,899 illegal migrants—the highest level in 10 years—meeting the performance target to interdict or deter at least 87 percent of illegal migrants entering the U.S. through maritime means.
- Although the Coast Guard did not meet target levels for its Ice Operations and Living Marine Resources missions, performance remained high. Efforts in connection with the Ice Operations mission-program resulted in four days of waterways closures while the target was two days or less. The Living Marine Resources mission achieved a compliance rate of 96.3 percent vice a goal of 97 percent—although the total number of fisheries boardings soared to 4,560, the highest total since Fiscal Year 2001.

The Coast Guard will continue seeking the appropriate balance among all its mission-programs while relentlessly pursuing stated performance goals. In so doing, the Coast Guard will continue to focus not only on activity levels (hours), but most importantly on achieving the desired outcomes from those levels. The ability to achieve desired outcomes and performance goals has been significantly enhanced through improved technology, tactics and procedures. Risk-based decision-making by local commanders will continue to be the primary driving factor behind the specific activity levels (hours) accrued in the course of Coast Guard operations.

**Increased Costs of Deepwater Program**

*Question.* The Coast Guard operates an aging fleet of cutters and helicopters, and the costs of the Deepwater program have been higher than anticipated. Why are the costs higher than predicted?

Answer. The original Deepwater Integrated Coast Guard System (ICGS) implementation plan was developed around a set of assumptions about the service life and materiel condition of the Coast Guard's legacy assets. This plan includes investment in legacy sustainment during the recapitalization effort to maintain capability until the assets could be recapitalized. It has become very apparent that our legacy fleet was in even worse shape than we understood. Compounding this, increased operating tempo required to meet homeland security mission demands has resulted in accelerated degradation of the Coast Guard's legacy assets.

**Revised DW Implementation Plan**

*Question.* When will the Coast Guard issue a revised plan of the Deepwater program's projected mix of assets and their costs?

Answer. The Deepwater Revised Implementation Plan was delivered to Congress on March 25, 2005. Further information requested by Congress is under development and will be submitted shortly.

**Coast Guard Loran**

*Question.* What is the Administration's or the Coast Guard's official policy regarding the Loran system? When will the Loran-C modernization process be accomplished?

Answer. Consistent with the 2001 Federal Radionavigation Plan and an April 2003 Memorandum of Agreement between the Coast Guard, the Federal Aviation Administration and Department of Transportation, the Coast Guard will plan to disestablish the Loran system by the end of Fiscal Year 2008, with appropriate public notice, if a national policy is not established that requires Loran-C as a multi-modal backup to the Global Positioning System (GPS).

As part of the Loran-C modernization, the FAA transfers funds (which were not requested by the Coast Guard) from its budget to the Coast Guard. At the current rate of transfer, the modernization of the 20 continental U.S. Loran facilities will be completed by August 2005. If funds continue to be transferred from the FAA, the Alaskan Loran facility modernization would extend beyond 2008. Those facilities would be modernized at the rate of one a year, starting with LORSTA Kodiak this year and finishing with LORSTA Port Clarence in 2010.

*Question.* The Coast Guard is one of several federal agencies that have jurisdiction over port security. Port Authorities, shippers, ocean carriers, and other maritime interests are looking to the government for a contingency plan in the event of a terrorist incident at a U.S. port. What is the status of the contingency planning?

Answer. The Coast Guard has developed the National Response Options Matrix (NROM) for use by Coast Guard senior leadership following a Transportation Security Incident (TSI) or when credible intelligence information indicates that a TSI is imminent. The emphasis of the NROM is to provide pre-planned and pre-agreed upon options to focus the maritime industry's Maritime Security level posture and the Coast Guard's Ports, Waterways and Coastal Security activities in the nation's non-affected ports to help prevent further attacks and to protect the remaining U. S. Marine Transportation System, maritime critical infrastructures and key assets, and population centers. Recognizing the utility of making NROM an inter-agency tool; Customs and Boarder Patrol has joined the Coast Guard in development of a DHS inter-agency NROM to include initial short-term response and recovery options, protocols and priorities for re-opening ports, while facilitating the continued flow of legitimate maritime commerce and use of the marine environment.

In addition, the President has signed a maritime security policy directive outlining his vision for a fully coordinated U.S. Government effort to protect U.S. interests in the maritime domain. This document, the Maritime Security Policy National Security/Homeland Security Presidential Directive (NSPD/HSPD), reiterates the President's commitment to maritime security and aims to integrate and align all U.S. Government maritime security programs and initiatives into a comprehensive and cohesive national effort involving appropriate Federal, State, local and private sector entities. One of several specific actions, the NSPD/HSPD directs the development, in consultation with key industry stakeholders, of recommended minimum Federal standards for maritime recovery operations, and a comprehensive national maritime infrastructure recovery standards and a plan, complementary to the national preparedness goals and standards required by HSPD–8.

**Criteria Used to Re-Open Ports After an Attack**

*Question.* What criteria will be used to re-open a port after a terrorist incident?

Answer. Due to the wide range of threats, conveyances, cargo and infrastructure in the Maritime Transportation System, a list of specific criteria universally applicable to any incident can not be established. Instead, the Coast Guard, in close cooperation with other government agencies and the private sector, has developed decision making processes that guide decision makers through the factors applicable to each incident.

The Coast Guard has developed the National Response Options Matrix (NROM) for use by Coast Guard senior leadership following a Transportation Security Incident (TSI) or when credible intelligence information indicates that a TSI is imminent. The emphasis of the NROM is to provide pre-planned and pre-agreed upon options to focus the maritime industry's Maritime Security level posture and the Coast Guard's Ports, Waterways and Coastal Security activities in the nation's non-affected ports to help prevent further attacks and to protect the remaining U.S. Marine Transportation System, maritime critical infrastructures and key assets, and population centers. Recognizing the utility of making NROM an inter-agency tool, Customs and Border Protection has joined the Coast Guard in development of a DHS inter-agency NROM to include initial short-term response and recovery options, protocols and priorities for re-opening ports, while facilitating the continued flow of legitimate maritime commerce and use of the marine environment.

The National Maritime Security Plan (NMSP) will function as the capstone of the three-tiered system of domestic maritime security plans required by MTSA: The National Maritime Security Plan; Area Maritime Security Plans prepared by Federal Maritime Security Coordinators; and Vessel and Facility Security Plans prepared by owners and operators. The NMSP will establish processes for: setting incident specific national priorities, restoration of cargo flow and recovery of maritime infrastructure.

Area Maritime Security Plans outline priorities and procedures for re-opening the port at the local port level. Generally the Captain of the Port/Federal Maritime Security Coordinator (FMSC) will work with Area Maritime Security Committee (AMSC) members and other appropriate stakeholders to develop an incident specific strategy for re-opening the port. The AMSC advises the FMSC on potential priorities or conflicts with respect to re-opening strategies. The FMSC retains final decision making authority with respect to re-opening all or a section of the port.

**Who's in Charge After an Attack?**

*Question.* Who will be in charge at our major ports in the event of a terrorist attack?

Answer. The National Response Plan (NRP) and its directed implementation of the National Incident Management System (NIMS) serves as standing guidance for the coordination and execution of interagency responses at the federal, state, and local level. The Coast Guard is the lead federal agency for maritime security. The Coast Guard will work closely with the Transportation Security Administration (TSA), as other modes of transport are also involved in the routine operations of ports, including pipelines, trucking, and rail. The Coast Guard Captain of the Port (COTP), who is also designated as the Federal Maritime Security Coordinator (FMSC) for their zone of responsibility, is in charge of ensuring the safety and security of port operations, and for coordinating protective, mitigation, and recovery activities within the port following a terrorist incident. To successfully carry out this mission, the COTP/FMSC works in a unified command setting with other federal, state, and local agencies with authority, responsibility and jurisdiction to respond to the event. These officials, under the leadership of the COTP/FMSC, execute pre-planned strategies developed in the Area Maritime Security Plans or develop and execute incident specific strategies and action plans in response to the incident. The COTP/FMSC also oversees the maritime industry response actions outlined in vessel and facility security plans to protect individual vessels and facilities within the port. Since the Federal Bureau of Investigation (FBI) is the lead agency with respect to investigating and responding to the actual terrorist event, port level protection and mitigation actions are also coordinated with the FBI's response and investigation activities. These protocols and actions are also coordinated with the Special Agent in Charge of the local ICE Office of Investigations, as ICE is the largest investigative body of the Department of Homeland Security, and our partner in the war on terrorism.

**Expectations on Industry and Foreign Governments**

*Question.* What, in general, will be expected from the commercial maritime industry and from foreign governments in the event of a terrorist attack at a major port?

Answer. The United States commercial maritime industry facility and vessel owners and operators will be expected to implement the transportation security incident response measures as indicated in their Coast Guard approved security plans as mandated by the Maritime Transportation Security Act (MTSA) of 2002. Maritime industry security plan holders are also expected to respond to changes in the Maritime Security (MARSEC) level by implementing measures outlined in their plans. Additionally, members of industry would be called upon to assist senior Coast Guard decision makers at the national level with strategies and priorities to restore cargo flow. Foreign governments that are party to the International Maritime Organization would be expected to implement measures outlined in their maritime security plans under the International Ship and Port Facility Security (ISPS) Code to help secure global commerce systems. Foreign governments might also be called upon to assist in restoring cargo flow, such as implementing screening or inspection procedures deemed necessary to mitigate the identified threat vectors for cargo bound for the United States. Foreign flagged and owned entities in U.S. territorial waters must also abide by the declared MARSEC conditions.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO ADMIRAL THOMAS H. COLLINS

**The OSLTF Balance is Declining**

*Question.* The Oil Spill Liability Trust Fund is running out of money. Under current projections, when will it be bankrupt? Will the Administration ask Congress for general appropriations to pay for oil spill cleanup costs if the trust fund is depleted?

Answer. The balance of the Oil Spill Liability Trust Fund (OSLTF) at the end of Fiscal Year (FY) 2004 was approximately $842 million. Due to projected expenses exceeding revenues by approximately $250 million per year over the next two years, the Coast Guard expects the OSLTF to be exhausted by the start of FY 2008. This projection takes into account that the OSLTF assumed full financial responsibility for the T/V Athos I spill response in Philadelphia, PA. Additional major oil spills like the ATHOS I will only accelerate the rate of decline of the OSLTF.

The Coast Guard and Maritime Transportation Act of 2004 requires the Coast Guard to prepare a report on the health of the OSLTF. That report was submitted to the Congress on May 12, 2005.

Based on the findings contained in the OSLTF report to Congress discussed above, the Coast Guard is working with the Department of Homeland Security and the Administration to develop a plan to address the projected decline in OSLTF balances.

**Inspector General Findings: Port Security Grant Program**

*Question.* The Inspector General found major problems with the port security grant program, mainly that funds are not being distributed on the basis of security risk. Please describe the Coast Guard's role in deciding which projects should get funded at which ports?

Answer. Within the risk management framework of the National Infrastructure Protection Plan (NIPP), the Coast Guard is an active partner in the Port Security Grant program conducting field level reviews of applications to make risk-based recommendations to the multi-agency national review board. The Coast Guard also sends two representatives to the National Review Board which makes final recommendations to the Executive Review Board. The Office of State and Local Government Coordination and Preparedness (SLGCP), as the Port Security Grant program administrator, is working with the Coast Guard, Transportation Security Administration, Customs and Border Protection, Information Analysis and Infrastructure Protection, and the Maritime Administration to reevaluate aspects of the program to ensure that funds are allocated to the highest port security priorities based on risk factors, ensuring the majority of grants are directed to the Nation's highest risk ports. Other objectives include: identifying specific risk-based factors to guide funding distribution and identifying a limited set of high-risk ports based on the Coast Guard's listing of militarily and economically strategic ports and other port criticality and threat data.

In support of the proposed Targeted Infrastructure Protection Program (TIPP), the process will be further refined in Fiscal Year 2006 to create a port-wide risk management plan by combining elements of existing security models used by SLGCP and the Coast Guard. Future plans involve requiring recipients of funding to participate in a port-wide security planning process through each Area Maritime Security Committee (AMSC's are chaired by Coast Guard Captains of the Port). As

part of this approach, emphasis will be placed on port-wide security enhancements based on risk reduction. To achieve this strategy, each AMSC will be required to develop a port-wide risk management plan based on previously completed Coast Guard and AMSC risk assessments and security plans as well as risk methodologies used by SLGCP. The AMSC will inform the office of Information Analysis and Infrastructure Protection on the results of this port-wide risk management plan.

**Balance Between Homeland Security and Non-Homeland Security Missions**

*Question.* It's been well-documented that since 9/11, the Coast Guard's security effort has increased massively, at the expense of resource hours for traditional missions. Do you have specific plans to restore some balance to the homeland security and non-homeland security missions of the Coast Guard?

Answer. The Coast Guard continues to achieve consistently strong performance in all mission areas. The Coast Guard met its 2004 performance targets for several non-homeland security missions (e.g. Search and Rescue, Migrant Interdiction, Aids-to-Navigation, and Marine Environmental Protection) while continuing to achieve high performance in several homeland security missions. Specifically, in Fiscal Year 2004 the Coast Guard:

- Rescued 86.8 percent of all mariners in imminent danger, exceeding the performance goal of 85 percent.
- Prevented illegal entry into the U.S. of 10,899 illegal migrants—the highest level in 10 years—meeting the performance target to interdict or deter at least 87 percent of illegal migrants entering the U.S. through maritime means.
- Continued to safely and efficiently manage America's waterways, meeting Aids to Navigation mission performance targets, reducing the number of distinct collisions (down to 218 from 280), allisions (down to 616 from 738), and grounding events (down 709 from 802) by 15 percent from 1,820 in Fiscal Year 2003 to 1,543 in Fiscal Year 2004.
- Protected the marine environment by reducing the five-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped to 22.1 from 29.4 in Fiscal Year 2003 and well below the Marine Environmental Protection mission performance target of 41.
- Continued to focus on improving maritime safety, reducing the number of maritime worker and passenger injuries and deaths from 597 in 2003 to 582 in 2004, well below the program sub-target of 771. (Full calculation of program performance includes recreational boating fatalities which depend on state data which will not be available until later this spring).
- Broke previous counter drug seizure records, seizing 241,713 pounds (previous record was 138,393 pounds) of cocaine and removing over 350,000 pounds of cocaine from the marketplace. (Full calculation of the Coast Guard's counter drug performance (Removal Rate) depends on flow rate data which will be provided by the Interagency Assessment of Cocaine Movement later this Spring).

The President's Fiscal Year 2006 budget requests an increase of $570 million over Fiscal Year 2005 funding levels, demonstrating extremely strong commitment by the Administration to ensure the Coast Guard is adequately funded and prepared to meet its mission demands and improve operational performance.

In addition to sustaining current levels of operational funding, the Coast Guard's Fiscal Year 2006 budget funds several recapitalizing initiatives (e.g. Deepwater, Rescue 21, Response Boat-Medium, High Frequency Communications Recapitalization), critical to restoring readiness to Coast Guard operational assets and subsystems—the very foundation of Coast Guard operational capability and capacity.

The Fiscal Year 2006 budget continues aggressive implementation of Maritime Security Strategy to increase Maritime Domain Awareness, operational presence, and response posture with the ultimate goal of reducing maritime risk. Fiscal year 2006 initiatives include implementing the Common Operational Picture, continuing the nationwide deployment of the Automatic Identification System, increasing maritime patrol aircraft flight hours, enhancing radiological and nuclear detection capabilities, equipping organic helicopters with Airborne Use of Force capability, replacing obsolete cutter small boats with more capable Cutter Boats—Over the Horizon, and providing additional Response Boat-Small allowances.

The Coast Guard's Fiscal Year 2006 budget also provides operation and maintenance funding for the new Great Lakes Icebreaker, scheduled to be commissioned in 2006. This cutter will replace the less capable Coast Guard Cutters ACACIA and MACKINAW resulting in improved Aids-to-Navigation and Ice Operations performance on the Great Lakes.

**Additional Funding Needed to Conduct MTSA Assessments**

*Question.* How much of the additional funding for the homeland security mission in the President's request will be needed to conduct the vulnerability assessments required by the Maritime Transportation Security Act? When will these assessments be completed?

Answer. There is no additional Coast Guard funding requested in the 2006 Budget for vulnerability or port security assessments. The Coast Guard has completed port security assessments at the 55 U.S. ports previously identified as militarily and economically strategic. While efforts are underway to augment these assessments with specialized needs such as assessments of specific infrastructure as well as analyses of specific vulnerabilities, no additional funding beyond that currently available is being requested at this time.

**Intelligence Operations**

*Question.* It is frequently overlooked that the Coast Guard and Customs Service have intelligence operations. They have had some operational experience working together on the war on drugs. Are there plans to integrate these two intelligence operations? Was their cooperation in counter-drug operations generally successful?

Answer. The Department of Homeland Security (DHS) is currently examining all of its intelligence activities to ensure alignment and also assess whether certain intelligence support and other functions should be integrated. However, there are no current plans to integrate the operations of the Coast Guard Intelligence Program (CGIP), which is a designated member of the Intelligence Community, with the intelligence activity that is part of U.S. Customs and Border Protection (CBP). The CGIP does however, work closely with CBP intelligence and U.S. Immigration and Customs Enforcement (ICE) intelligence program.

Wherever law enforcement intelligence requirements are similar and where ICE and other-agency analysts are located, the CGIP works collaboratively with the other federal agencies involved. The CGIP has military requirements that go beyond law enforcement because the Coast Guard is not only a law enforcement agency, but one of the five branches of the Armed Forces. Additionally, The Coast Guard operates in many places—in domestic ports and coastal waters, offshore regions, and even in foreign ports—where other U.S. Government agencies, including CBP and ICE, typically are not present. This access affords Coast Guard personnel the opportunity to collect intelligence that supports not only Coast Guard missions, but other important national security objectives as well. Coast Guard collectors and analysts also have significant expertise in the maritime regions and functions that is acquired through performing Coast Guard missions. Finally, Coast Guard intelligence specialists are best able to understand, prioritize and support the myriad of Coast Guard operational commanders' intelligence requirements.

While full integration of the Coast Guard and CBP intelligence operations is not desirable, the Coast Guard routinely *coordinates* intelligence efforts with DHS and DHS components, including CBP and ICE, as well as with the other Intelligence Community members. These coordination efforts are designed to develop new sources, improve analytical processes, and provide actionable (timely and accurate) intelligence to operational and tactical units.

Coast Guard staff can provide Congress with specific examples of counterdrug intelligence efforts in an appropriate setting, since that information is classified.

**CG Analysis of Maintenance Costs by Accelerating DW Program**

*Question.* Has the Coast Guard performed an analysis on how much in maintenance costs could be saved by accelerating the Deepwater program?

Answer. The Coast Guard has conducted some informal assessments as to the potential cost savings and cost avoidance if the Deepwater assets were provided sooner. To date, our assessments have identified the following potential savings:

- *Contract Performance Management:* If Deepwater were to be completed sooner, total project cost of system integrator and government contract management personnel could be reduced. Additionally, a shorter contract term will lessen the number of performance award fee determinations paid out contributing to further future years savings. These award fees typically average approximately $5M.
- *Legacy Cutter Maintenance Costs:* Legacy cutters could be retired much sooner. Due to increasing age and continued high op tempo, legacy cutter maintenance costs have been increasing at an increasing rate, much faster than estimated in our Deepwater pre-9/11 baseline planning. The early retirement of these assets will stop these increasing costs sooner. It will also reverse the disturbing

trend of increasing lost days due to unscheduled maintenance to repair casualties.

However, as GAO has recently testified, acceleration of a program as complex as Deepwater carries with it significant inherent risks of concurrent cost acceleration and schedule disruptions. In total, the Administration believes the best approach for the Deepwater program is to implement the Revised Deepwater Plan, as proposed in the FY 2006 budget.

**Increasing Funding for Port Security**

*Question.* There is a great need for increasing funding for port security. In the ports of New Jersey and New York, three million containers are moved annually, and the Coast Guard estimates we need more than seven billion dollars to improve port security. Given the President's budget cuts and fiscal restraints, how are we going to effectively protect our ports?

Answer. Protecting our ports requires a continued emphasis on executing a broad range of strategies to implement a system of layered defenses. Port security cannot start and end within the confines of any particular port. A goal line defense is no defense at all and thus public and private investments must be balanced across all appropriate layers and prioritized on the basis of risk. Port security plans and strategies also acknowledge that protecting the foundations of American's free society requires the recognition that risk cannot be totally eliminated. A transportation system as vital and thriving as the marine transportation system cannot become hermetically sealed. As a result the Coast Guard, as the lead DHS agency for maritime security, will continue refining its understanding of maritime and port risks and champion the flow of private resources (e.g., grants) and public capabilities (Coast Guard Cutters, aircraft, boarding teams, etc) toward the highest risks; recognizing also that resources will always be finite.

The Department of Homeland Security (DHS) has awarded over $560 million in grants for port security, funding more than 1,100 security enhancement projects in some of the Nation's most critical port facilities. These funds have been used for projects like lighting, fencing and surveillance systems to name a few. In Fiscal Year 2005 an additional $150 million will be targeted by DHS to enhance the security of the nation's ports. For Fiscal Year 2006, port security will continue to be addressed as part of the $600 million requested by the President as part of the Targeted Infrastructure Protection program. As the program owner, the Department's Office of State and Local Government Coordination and Preparedness (SLGCP), in coordination with the Coast Guard and the Information Analysis and Infrastructure Protection Directorate (IAIP) will continue to ensure that port security priorities are set, needs identified and resources brought to bear to effectively secure our ports.

The 2006 budget also continues to improve the Coast Guard's maritime homeland security capabilities and reduce maritime risk. Specifically, it provides for critical Maritime Domain Awareness (MDA) initiatives and increased or enhanced Coast Guard operational presence, both critical components of the Coast Guard's maritime security strategy and posture.

The 2006 budget furthers efforts to improve MDA by:

- Continuing deployment of a nationwide Nationwide Automatic Identification System (AIS) infrastructure throughout regional Coast Guard command centers;
- Providing additional Maritime Patrol Aircraft (MPA) resources to fill documented flight hour gaps in support of detection, surveillance, and tracking activities;
- Deploying a Common Operational Picture (COP) through Coast Guard command centers nationwide. The COP will help fuse surveillance and tracking information from systems such as AIS, Rescue 21, and the Ports and Waterways Safety System (PAWSS);
- Increasing the capability of Coast Guard cutters and Maritime Safety and Security Teams (MSSTs) to detect Rad/Nuc materials, intercept suspect ships, and respond to incidents involving the release of Rad/Nuc substances.

In addition, the 2006 budget further increases and enhances the Coast Guard's operational presence by:

- Accelerating deployment of organic Airborne Use of Force (AUF) capability to five Coast Guard Air Stations, increasing the ability to respond to maritime security threats;
- Replacing existing obsolete and unstable cutter boats on the High Endurance Cutter (WHEC) and Medium Endurance Cutter (WMEC) fleet with the more capable Cutter Boat—Over the Horizon (CB–OTH). This platform nearly doubles

the speed of the existing cutter boat, increases secure communication capabilities, and when used in conjunction with AUF capability has a 98 percent success rate in stopping suspicious vessels;

- Providing 14 additional Response Boat-Smalls (RB-S) and associated crews to provide vessel escorts, and enforce security zones near critical infrastructure including enhancing liquefied natural gas and waterside security;
- Reallocating existing Coast Guard resources to immediately fill an existing gap in national maritime Law Enforcement and Counter-Terrorism (LE/CT) capability. The permanent establishment of the Coast Guard's Enhanced MSST (E–MSST) will provide an offensive DHS force able to operate across the full spectrum of LE and CT response in support of homeland security and homeland defense objectives, including CT response capability for scheduled security events out to 50 nautical miles from shore and augmenting interagency assets in high visibility venues such as National Special Security Events (NSSEs).

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. OLYMPIA J. SNOWE TO MARGARET T. WRIGHTSON

*Question 1.* What troubles me about the current time frame for the Deepwater program is by the time we have finished the program twenty something years down the road we will most likely have to immediately embark on another wholesale replacement of Coast Guard assets. What has the Coast Guard done to project how long the Deepwater assets will continue to be useful before another acquisition program is required?

Answer. We have not reviewed the Coast Guard's strategy for determining how long the replacement Deepwater assets will last before they themselves would need to be replaced. However, information about the expected useful life of any asset that the government may wish to purchase is a critical piece of information for effective and efficient acquisition management, so this is a reasonable question for the Coast Guard to answer.

*Question 2.* In your opinion, would the Coast Guard be able to manage Deepwater if it was accelerated? If not, what does the Coast Guard have to do in order to successfully manage it?

Answer. My answer here is not a simple one. Although the Coast Guard is making progress on our recommendations, the recommendations have yet to be fully addressed. Moreover, over the past year we have seen schedule slippages, growing unobligated balances, and at least one instance of performance problems. The Coast Guard has just started using the Integrated Master Schedule that we recommended last year so it remains to be seen whether this will translate into better Coast Guard visibility into the program. Finally, the revised mission needs statement (MNS) and new implementation plan add to these uncertainties. However, I will say this. If the Coast Guard successfully implements our recommendations, we would be a lot more comfortable than we are today with a more aggressive schedule. I would also add that we would look more favorably on acceleration for assets after they are proven, that is after they have been built, fielded and tested so that identified improvements can be made in follow-on assets. Accelerating the production of proven replacement assets is a lot less risky than accelerating unproven assets. In saying this, I would also add the caveat that in making a determination about the advisability of accelerating a particular asset, one would also need to consider potential industrial base, manpower, and training implications as part of the decision.

*Question 3.* Have you looked at the feasibility of accelerating Deepwater to either a 15 year or 10 year implementation plan? Are you aware of any costs involved in accelerating Deepwater? How much would it cost each year to accelerate it to 15 years? 10 years?

Answer. We have not looked at the feasibility of accelerating Deepwater. This past year we worked with the Coast Guard in an effort to ascertain the relative costs of replacement versus sustainment, but the Coast Guard was unable to provide the data we required for an accurate analysis.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO MARGARET T. WRIGHTSON

*Question.* Will GAO be studying the problems with the port security grant program identified by the Inspector General and the Administration's efforts to address them?

Answer. GAO is studying the port security grant program. Our examination of the grant program involves determining the extent to which risk management approaches are used to compare and prioritize grant applications across port locations. It is part of a broader effort that is looking at risk management practices at the Coast Guard as well as the role that the Information Analysis and Infrastructure Protection (IAIP) Directorate of the Department of Homeland Security is playing in setting uniform policies and guidelines on risk management so that it can compare and prioritize critical infrastructure across various sectors, such as transportation and energy. We are doing this work in response to a request from Representative Henry A. Waxman, Ranking Minority Member, Government Reform Committee, House of Representatives; and Representatives C.A. Dutch Ruppersberger and George Miller. We plan to issue our report this summer.

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