

# U.S. COAST GUARD BUDGET AND OVERSIGHT

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## HEARING

BEFORE THE

SUBCOMMITTEE ON OCEANS, ATMOSPHERE,  
FISHERIES, AND COAST GUARD

OF THE

COMMITTEE ON COMMERCE,  
SCIENCE, AND TRANSPORTATION  
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

APRIL 18, 2007

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ONE HUNDRED TENTH CONGRESS

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## **U.S. COAST GUARD BUDGET AND OVERSIGHT**

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**WEDNESDAY, APRIL 18, 2007**

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

The Subcommittee met at 2:30 p.m., in room SR-253, Russell Senate Office Building, Hon. Maria Cantwell, Chairman of the Subcommittee, presiding.

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

Senator CANTWELL. This Senate Committee on Commerce, Science, and Transportation, Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard will come to order. This afternoon we are having a hearing on the U.S Coast Guard budget and oversight of the budget proposal.

We welcome Admiral Thad Allen, Commandant of the U.S. Coast Guard, to be before the Committee today. I will point out to my colleagues and staff that we also have written testimony submitted by Steven Caldwell from the GAO and we'll have that available and obviously the hearing, like all hearings, we'll make the record open for two weeks post the hearing for additional questions that we might propose to Commandant Allen and to Mr. Caldwell. Before we get to you Admiral, if I could make some remarks and then I am sure my colleague, Senator Snowe, if she arrives in time, will want to make some comments and then we'll turn it over to you.

I'd like to thank everyone for joining us here today because I do believe that this important hearing on the Coast Guard and its Fiscal Year 2008 budget request is critically important.

Admiral Allen, I think you have been now before this Committee numerous times even though your tenure as Commandant has been brief.

But as you know from those time periods in your previous service that America expects a lot out of the Coast Guard. You are constantly being asked to balance the increased demands of an evolving homeland security mission while ensuring that the traditional missions are not cast aside.

When confronting the challenges facing the Coast Guard and as we look at your budget, we must keep in mind that enormous challenge of mission balance and the fact that security is a critical component of that and probably no place knows that better than Washington State where we have one of the busiest and most complex

waterways in the world—that is combined with Seattle and Tacoma, we're the nation's third busiest port. Last year more than 4 million cargo containers moved through our ports. Seattle is also one of our busiest ports as we move almost 26 million people and 11 million vehicles annually on our ferry system around Puget Sound.

So when we talk about securing our borders and screening our communities, it isn't an afterthought, it's a critical component of the day-to-day lives and business operations in the Northwest as it is in many ports around the country.

So we need to be sure that the Coast Guard has adequate resources to protect our ports and commerce from the threat of attack. While we depend on the Coast Guard for security, we also depend heavily on the Coast Guard to meet its traditional safety and stewardship missions.

In Washington State, our crowded waterways make the threat of an oil spill particularly high. The Coast Guard plays a critical role in preventing and responding to oil spills, and I'm obviously concerned that we need to do more in this area to increase our safety net.

I want to make sure that when we get to the Q&A that we talk about the Oil Pollution Act of 1990 and ways that we need to make sure that the increased salvage and oil spill response equipment is there for our Nation's coastline.

Admiral no organization, as I said earlier does more with fewer resources than the United States Coast Guard, and I want to commend you for those efforts. Having said that though, I am concerned that the funding request for the Coast Guard's Fiscal Year 2008 budget—whether it is sufficient to meet all of the needs that we have outlined.

Our request of \$8.7 billion is a flat line increase, only \$100 million over the Fiscal Year 2007 enacted levels and with those resources, we will want to be very detailed about exactly how missions, critical missions, of the Coast Guard are going to be met.

In particular, there are a number of areas in this year's budget request that concern me and I hope that you will be able to shed some light on these in your testimony.

First of all, Deepwater and Rescue 21. Of course the single most, largest acquisition in the Coast Guard's \$8.7 billion 2008 request, is the \$836 million request for the Deepwater Program. This Subcommittee has already had one hearing, where my colleagues and I have voiced grave concerns about Deepwater, its oversight and the impact to the U.S. taxpayer. I know Senator Snowe will have her own comments and thoughts on that, but she has co-sponsored S. 924 to reform the Deepwater Program because I believe that it is absolutely essential that we ensure the greatest competition and transparency in the Deepwater Program and the Coast Guard has the personnel and tools to manage a contract of this size. The Coast Guard needs to complete its mission safely and effectively and the taxpayers need to get what they are paying for.

Additionally, we need to apply a similar dose of transparency and oversight to Rescue 21. This critical upgrade of the Coast Guard's communication system is vital to locating and rescuing stranded mariners. Unfortunately though, the program has suffered from

cost overruns and program delays. It is now scheduled for completion in 2011 instead of 2006. The Coast Guard cost estimate is now \$730 million above the original plan. In addition, I hear that the outstanding contract negotiations may cause the cost of Rescue 21 to climb even higher.

I'm also concerned and disappointed to see that once again, there is not a request for the funding of the Polar Icebreaker Fleet. I see the Coast Guard plans to rely on the National Science Foundation for reimbursement of the operation and maintenance cost of these vessels even though the Memorandum of Agreement that ensures this reimbursement might not even be signed this year. We consider this a huge problem and I think that is why we wrote into language in Maritime Transportation Act of 2006, a requirement that the Coast Guard provide to Congress with a long-term recapitalization plan for those Polar Icebreakers.

The SAFE Port Act required the Coast Guard to establish inter-agency operation command centers at our highest risk ports within 3 years. I see little to no progress in this year's budget to attempt to meet this goal and this concerns me greatly.

Finally, the Coast Guard's 2008 budget recommends realigning its five deployable Special Forces units into a Deployable Operations Group requiring a base reallocation under the Coast Guard's operating budget. Well, I can see that the reorganization may help streamline operations. I also want to make sure that there are no unintended or negative consequences to this redeployment. I am looking forward to hearing your reasoning for this reorganization and how we monitor its effectiveness and the potential hurdles that we may face.

Before I turn things over to Senator Snowe, let me close by just thanking Senator Snowe for attending today and Admiral, for your presence here at today's hearing.

The Coast Guard is a critical resource issue for our Nation and it's imperative that the budget of the Coast Guard and the Coast Guard itself deliver on these priorities for our Nation. We must provide both the oversight to prevent costly and dangerous delays in the procurement of assets but also ensuring that the American taxpayer gets the resources it needs for the mission of the Coast Guard.

With that, I will turn it over to my colleague Senator Snowe.

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

Senator SNOWE. Thank you very much, Madam Chair and I appreciate the fact that you've called for this oversight hearing on the Coast Guard budget request for Fiscal Year 2008. Obviously this is a very important hearing to address the funding requirements for the Coast Guard, and I look forward to that critical review here today with the Commandant.

Let me also say it's difficult if not impossible, under current circumstances, to deliberate on a blueprint for spending for the Coast Guard without recalling the flaws in the Deepwater Acquisition Program. Back in February, we met in this room to discuss the immense challenges the Coast Guard confronts in effectively exe-

cutting what I still believe to be one of the Nation's most vital modernization efforts.

So today provides us with an additional critical opportunity to ensure that we as a Committee leave no stone unturned in ensuring the mismanagement of the past is addressed for the future.

We also recognize the significance of a properly executed Deepwater Program for the continued viability of the Coast Guard. There is no question that we must move from point A, which is the Coast Guard with woefully outdated, outmoded assets to a point B, with the outstanding men and women of the service have the ships and helicopters and equipment commensurate with not only the increased duties but also with their admirable skill and professionalism.

As we meet here today, clearly the Coast Guard still finds itself in desperate need of those assets. The fact remains that the men and women of your service, Commandant, continue to serve our Nation aboard ships that comprise the third oldest naval fleet in the world. We've already invested more than \$2.3 billion in this recapitalization effort.

As you stated yesterday, Admiral Allen, the Coast Guard must redefine its responsibilities, its industry relationships and frankly, its performance in managing this monumental program.

I appreciate the fact that as Commandant, you have accepted responsibility even though all the decisions that resulted in the serious flaws in the Deepwater Program—all of the deficiencies—pre-date your tenure as Commandant. I am aware of the recent steps that you've taken to place Deepwater back on track.

Your announcement yesterday that the Coast Guard will assume the lead systems integrator role is an appropriate, if long overdue step toward ridding the Coast Guard and the government of the self-serving practices of the contractors.

But this is just the beginning of the process and if there is continued vigorous scrutiny and skepticism from this Ranking Member and the Chair of this Committee, I hope you understand it's with good reason.

I know you respect the spirit in which I say that until I see proud new and fully functional ships displaying the Coast Guard's racing stripe as they patrol our shores, I will do everything in my power not just to watch your service pursue these assets but to guide your hands.

To bolster your efforts to gain control of Deepwater, as the Chair indicated, she and I have introduced legislation that will eliminate the contractors' ability to certify their own work, mandate independent third party assessments of the Coast Guard's decisions, and provide regular reports to Congress specifically outlining how Deepwater funds are being spent, when assets will be delivered, and how those assets will facilitate completion of the Coast Guard's missions.

The Coast Guard has requested over \$836 million to extend the Deepwater Program into the Fiscal Year 2008. This funding must be accompanied by legislation that we have introduced that ensures the Coast Guard will adhere to the highest standards of oversight without deviation.

Today we also must increase the scope of our discussion to review the ongoing challenges and budget needs facing the military service as a whole. As we all well know, the Coast Guard is tasked with protecting our shores from threats, natural and manmade, intentional and accidental, foreign and domestic. This military service is the cornerstone of our national security and we would be remiss if we failed to provide the Coast Guard with the adequate assets and resources to carry out the multitude of missions we have assigned to it and that it has accomplished so admirably over the years.

The Fiscal Year 2008 budget request contains other items that raise considerable concern as well. For the third year in a row, the Administration request reduces funding for domestic fisheries enforcement, this year by more than \$50 million. For the third consecutive year as well, the observed rate of compliance with fishery regulations during at-sea boardings was below the Coast Guard's goal of 97 percent.

I would suggest that this is no coincidence. To improve stock status, help prevent overfishing and maintain a level playing field for fishermen, we must ensure enforcement teams have the funding they require. I do not see that taking place under the current budget structure and we cannot reasonably expect the Coast Guard to continue to do more while we perpetually provide them with less.

Our Committee must ensure the Coast Guard is well positioned and prepared to meet our future maritime challenges and threats head on and to successfully fulfill its diverse yet critical missions. While the Coast Guard desperately requires additional resources, the job of this oversight Committee is to maintain a proper balance between equipping the service in a way that it can carry out its vital missions while protecting the investment of the American taxpayer.

At today's hearing, I expect to learn how best to facilitate that goal. Again, Admiral Allen, I'd like to thank you for testifying here today. I have been impressed by your leadership, your increased focus on transparency and your candid and forthright assessment of the issues confronting the Coast Guard and I look forward to hearing your testimony on the roles and missions of this critical service and your plans to better align the Coast Guard's disparate missions and assets under a streamlined command structure.

I want to thank the Chair as well, for her leadership on this issue and of course, on the legislation that she introduced and I joined that will help to streamline the approach and address the fundamental issues with Deepwater for now and for the future.

Thank you, Madam Chair.

Senator CANTWELL. Thank you, Senator Snowe.

Senator Stevens, would you like to make an opening statement?

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

Senator STEVENS. Yes, thank you, Madam Chairman. As many of you know, Alaska has half the coastline in the United States and the Coast Guard has a very daunting role of patrolling that area and particularly taking it out to the 200 mile limit—over three and a half million square miles.

Whether it is rescuing fisherman in the icy waters of the Bering Sea or flying Medivac missions in the Southeast, the Coast Guard has played a critical role in saving many lives in Alaska. As a matter of fact, we used to call them midwives of Alaska because they delivered so many babies there for a while. The Coast Guard Station at Kodiak, the old former navy base, is the largest Coast Guard station in the United States now.

On February 8, just 2 months before this hearing, the Coast Guard decommissioned its oldest ship, the Coast Guard Cutter STORIS, which I had the honor of traveling on for a while. It was home ported in Kodiak, Alaska and it was over 64 years of age. It was a wonderful vessel.

Taking its place now as the “queen of the fleet” is the ACUSHNET. The ACUSHNET which is home ported in Ketchikan celebrated its 63<sup>rd</sup> birthday on February 5. We look forward to the day when the ACUSHNET will be replaced by one of the state-of-the-art National Security Cutters that have been developed under the Deepwater Program.

But I am concerned about the recent reports of cost overruns and delays in that program. Many of the Coast Guard’s existing fleet of vessels and aircraft are nearing or have reached the end of their useful service lives. Modernizing the Coast Guard and replacing these vessels and particularly the aircraft should remain a top priority.

Admiral Allen, I think it’s critical to get the program back on the right track and I look forward to trying to work with you to do so. Thank you very much for appearing today, sir.

Senator CANTWELL. Thank you, Senator Stevens. Admiral Allen, again welcome. We’re glad that you are here this afternoon to give testimony about the budget and I think you’ve heard my colleague’s concerns specifically about Deepwater, which I am sure will be part of your testimony but welcome and thank you for attending today’s hearing.

**STATEMENT OF ADMIRAL THAD W. ALLEN, COMMANDANT,  
DEPARTMENT OF HOMELAND SECURITY, U.S. COAST GUARD**

Admiral ALLEN. Thank you, Madam Chairman, Ranking Member Snowe and Senator Stevens. I have a statement for the record and I’ll make a short oral statement to open with if that’s OK.

I was telling my staff before I got here today, I didn’t know if I should prepare an opening statement for an authorization hearing, a budget hearing, or a Deepwater hearing and I think you’ve told me we need to talk about everything and I think that’s very appropriate, given the external environment, what’s going on with the Coast Guard right now.

I’d like to start with a little context piece if I could, about what we are trying to do in the Coast Guard right now because it not only involves Deepwater, it involves mission balance, the budget and all the issues you’ve raised in your opening statements.

When I became the Commandant less than a year ago, there were five things I thought I needed to do to position the Coast Guard to be successful moving forward in a very, very challenging environment with increased mission emphasis following 9/11 and following Katrina and the all hazards threat environment that we

live in. I thought it was most important to focus on mission execution.

After Katrina and the enormous pride that the Nation had in the Coast Guard, I thought it was very, very important that we not take our eye off the ball and that we have an organization out there that could keep up with the expectations of the American public and our own expectations of what we expect of ourselves as a service. But in order to do that, we need the right force structure, we need to be able to effectively command and control those forces, we need to have a mission support organization that makes sure that those assets are ready when you need them in the hands of the people and properly trained. We also have to have them supported by business processes that make sense.

In a lot of those areas, over the last few years in the Coast Guard, while we have made progress, there are areas where we are not as well positioned to move forward as we should have been. In February, in my State of the Coast Guard speech, I told our men and women the external environment is changing and the Coast Guard has to change. In fact, a number of changes were initiated right after I took command last May that impact what is going on with Deepwater, mission balance, and so forth and I will make that point in just a second.

The bottom line from where I sit as the Commandant of Coast Guard is to make sure that we have a competent organization from top to bottom that is organized correctly in terms of force structure and how we do things to be able to sustain the mission execution the American public expects of us.

To start with, we need to know where we're going in the Coast Guard and I remember at a hearing almost a year ago, we talked about strategy and whether or not incremental changes after 9/11 or after Katrina are the right way to manage the maritime environment, a maritime security regime for this country. We recently put out a maritime strategy that is intended to be the capstone document during my tenure as Commandant about what is important for safety, stewardship and security. They all have to be in balance. They are three legs of a stool. One cannot predominate and I agree with you, mission balance is very important. We can't focus on security at the exclusion of our other missions.

Once we have the strategy set, we need a source to the strategy and that means budget, rulemaking, international agendas at IMO, legislation that needs to be focused on what it is we are trying to accomplish in terms of buying down risk, increasing safety and to be more effective stewards.

So what I have tried to do in my first year as Commandant is take a pause, if you will and take a look, get the strategy right and then see how those pieces come together.

When you do that, you need to make sure that legislation is cued up, that it will be able to result in rulemaking that we'll be able to buy down risk in ports but that the budget that you are submitting supports that also. If you are successful legislatively but you don't have the resources, you're not going to be effective.

So what I've tried to do is put all that together in a comprehensive plan. That was not possible walking in the door, so what you have before you today is a current services budget. I will make no

argument against that. That budget was almost in place when I took over. I didn't think it was appropriate to try and jam a lot of things into the budget without having given it proper thought.

So Fiscal Year 2008 is somewhat of a contemplative reorganization focus year for the Coast Guard, get the strategy right, come to you all, have the policy discussions that we need to and then move forward having legislation, rulemaking and budget proposals linked together. There are places where there are no funds requested this year. We surely expect in future years to be requesting budgets, especially for command centers and things like that.

There had been several comments made about Deepwater. Yesterday, I held a press conference and made an announcement regarding six strategic decisions that I had made in consultation with the CEO's of Northrop Grumman and Lockheed Martin.

I have met and communicated frequently with Bob Stevens and Ron Sugar and these are decisions that we collectively came to because there is an essential part of Deepwater that needs to be understood as we move ahead with the conversation and that's that there was work in progress that if stopped, would cause cost and schedule implications that would not allow us to have assets online when some of these older ships start getting to the point where they cannot be operated and we may face a gap in coverage even more significant than we have right now. To that end, we all agreed that the Coast Guard had to play the major role in leading systems integrations.

The reason we had to do that is that while ostensibly when the contract was awarded, the Integrated Coast Guard System will be systems integrator for the systems of systems related to cutters, aircraft and sensors.

There is a larger Coast Guard out there. We have command centers, we have small boats, we have polar icebreakers, we have buoy tenders and the issue of who integrates the Deepwater System into the larger Coast Guard System with a capital S, was always silent.

I think for the reasons listed in the reports from the oversight groups, from you all as we've had this discussion and in addition to the fact that we need to integrate Deepwater into the rest of the Coast Guard, nobody can do that except the Coast Guard.

We will move forward as the systems integrator. We will use the contractor where it is appropriate but the Coast Guard will have the lead in making those decisions. Second, logistics support. An assumption was made going in that we would consider integrated logistic support provided through Integrated Coast Guard Systems as a logistics provider.

Again, understanding that these platforms have to be transitioned into a larger Coast Guard maintenance and logistics system, the Coast Guard must be the lead logistics integrator, the second point we agreed to.

Third point, external verification of construction and work. You mentioned this earlier in your statements. We are moving forward with a Fast Response Cutter B solicitation next month in May. We will class that by American Bureau shipping as needed. We will have an external certification as we move forward.

Fourth, the National Security Cutter. We hope to have the final design details for the structural changes that needed to exceed—

to meet the fatigue life standards that we need to operate that cutter for 30 years done next month. Once we get the third NSC baseline on what changes are needed, we then can go back and see what changes need to be made to the first and second hulls. We are prepared to move forward as fast as we can. We have the commitment to resolve these issues with our industry partners.

Fifth, for all assets that are in production right now, we have agreed at some point when we demonstrated first article performance—in other words, the asset is performing as it was intended to specification. We need to question then whether or not there is added value to execute that contract through Integrated Coast Guard Systems and maybe it should be placed directly with the original equipment manufacturer. In other words, we are moving ICGS as the middleman with the additional layer and the cost associated with that.

So we will look at every platform that's in production and see whether or not that needs to be placed directly with the manufacturer at a certain point in production. But we need to get through the first initial items and make sure we have performance demonstrated with each one of those assets.

Finally, we cannot be effective moving forward, meeting the responsibilities that I have in the Coast Guard, the responsibilities we have to you, the oversight committees, the Inspector General, the Government Accountability Office, unless I am personally involved in this. I have the commitment of both CEOs of Lockheed Martin and Northrop Grumman moving forward as long as we have a contractual relationship that we will meet at least quarterly as a Senior Executive Group and provide personal oversight to how we move forward on this.

The challenges associated with Deepwater, the challenges associated with strategy and authorization and the challenges associated with the budget all come against the backdrop of what I call the tyranny of the present in Washington. That is the day-to-day leadership and management of the Coast Guard and this first year has not been without its challenges.

We were devastated by the loss of our shipmates on the HEALY. You've held an oversight hearing on that. We are tackling the problems associated with that. We lost a crewman of our MSST in Seattle. There was a deploy to Seattle not long ago—we need to look into that.

We need to understand where we have vulnerabilities inside the organization because maybe we have grown fast and maybe we have young people out there operating in environments they've never operated before and it's my responsibility as Commandant to keep them safe.

We just finished the top to bottom review of the Coast Guard Academy, where we laid out a comprehensive plan to move forward and redirect some of the energy that has been expended to the Academy more to character development and getting all assets of the Academy—the athletic programs, the faculty and the cadet barracks involved and everybody understanding what it takes to produce an officer.

We have over 100 line items that came out of that study. We have placed that study online and it is open to the American pub-

lic. We are being completely transparent about it. I've charged the Board of Trustees of the Coast Guard Academy to move out and give us an execution plan on how to tackle the recommendations that were made.

I would have one request of the Committee. There is a legislative requirement for a Board of Congressional Visitors at the Coast Guard Academy and I would like to work with your staff to see if we can't re-energize that and get that back up and operating. I think that it is very, very important that the Congressional Board of Visitors play an active role moving forward with the Coast Guard Academy.

So against that backdrop, thank you for having me here today. I'd be glad to answer any questions you may have of me.

[The prepared statement of Admiral Allen follows:]

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

### Introduction

Madam Chairman and distinguished members of the subcommittee: Good morning, I am pleased to appear before the Subcommittee today to discuss the President's Fiscal Year 2008 budget request for the Coast Guard.

Before I begin, I would like to take this opportunity to explain how I view the roles and missions of the Coast Guard, as well as the direction in which I am taking the Service.

### *Roles and Missions*

The Coast Guard is the principal Federal service charged with maritime *safety, security, and stewardship*. The Coast Guard protects the Nation's vital interests—the safety and security of the Nation's citizenry, its natural and economic resources, and the territorial integrity of its maritime borders; it operates wherever those interests may be at risk—the navigable waters of the United States, along the Nation's coasts, and in international waters. These roles and missions have accrued to the Coast Guard over two centuries of service because they serve a collective good and, significantly, a single Federal maritime force can most efficiently and effectively accomplish them. More importantly, these roles and missions are converging. The Nation's response to increasing pressures on the Nation's waterways and maritime resources and expanding external security threats is having a profound impact on the development of new management regimes for the U.S. maritime domain and borders. In this time of dynamic change, the Coast Guard's multi-mission nature, which has always been a strong value proposition to the Nation, is taking on new dimensions and significance. For example:

- The Coast Guard's work in marine safety is closely coupled with, and reinforces new initiatives and standards for, vessel and facility security.
- Its waterways management capacity and expertise are essential to maritime preparedness and port resilience (*i.e.*, the ability to restore rapidly commerce and economic stability after massive damage, intentional or natural).
- Its Combating Maritime Terrorism missions and operations contribute to the layered defense of the Nation.
- The mission to protect marine environment and resources complements the safety and security missions and ensures that uses of the Nation's waters and resources are balanced and sustainable.
- The sovereignty enforced by the Coast Guard secures the Nation's maritime borders from drug and alien smuggling, contraband, illegal migrants, and robbery of the Nation's natural resources.
- All Coast Guard forces can respond to natural disasters and emergencies, scaling up to a Katrina-level response when communities are in danger, regardless of the cause.

In addition to these well known missions, in moments of international crisis, the Coast Guard can flow non-redundant and unique war fighting capabilities to the Department of Defense. During Operation Iraqi Freedom, the Coast Guard, along with U.S. Navy and coalition naval forces, participated in maritime interception oper-

ations, port security and defense operations, coastal security patrols. As well, the Coast Guard enforced U.N. sanctions prior to hostilities and prevented the movement of Iraqi military forces during and following hostilities. Since the cessation of major combat operations, Coast Guard forces, along with coalition allies, have maintained the integrity of Iraqi territorial seas from foreign encroachment, have provided security of vital Iraqi maritime infrastructure from insurgent threats, and have conducted training of Iraqi maritime security forces while ensuring the uninterrupted flow of the sea line of communications to coalition forces deployed in the Central Commands area of operations.

The maritime border is unique and complex. It is a system that is at once an international border, an international highway, a coastal beltway, a playground for boating, and a site for a variety of economic enterprises. It requires that the Nation understand that its national maritime interests cannot be pursued in isolation from one another. As such, there are eleven specific statutorily-mandated Coast Guard mission-programs.<sup>1</sup> Each directly supports the roles of *safety, security, and stewardship*. Table 1 shows the primary alignment of Coast Guard mission-programs to these roles.

Safety Saving lives & Protecting Property	Security Establishing & Maintaining a secure maritime system while facilitating its use for the national good	Stewardship Managing the sustainable & effective use of its inland, coastal and ocean waters & resources for the future
Search and Rescue Marine Safety	Drug Interdiction Migrant Interdiction Ports, Waterways & Coastal Security Other Law Enforcement Defense readiness	Marine Environmental Protection Aids to Navigation Living Marine Resources  Ice Operations

Table 1

*“Strategic Trident”—Coast Guard Force Structure*

An important first step in aligning Coast Guard operational forces involves the development of a layered security posture in the maritime domain to meet all hazards and all threats.

*Multi-mission Shore Based Forces.* The Coast Guard has aligned its shore-based operations in the establishment of interagency-enabled Sectors, unifying operations in the Nation’s ports. This consolidation of these shore-based forces at the port level into Sector commands provides a single point of accountability for operations, unifies resource allocation, and enables risk-based decisionmaking tools, thus focusing Coast Guard capabilities and competencies to identify and mitigate threats.

*Maritime Patrol and Interdiction Forces.* The centerpiece of the Coast Guard’s future capabilities is the Integrated Deepwater System, revised to reflect post-9/11 mission requirements such as enhanced intelligence gathering and handling capabilities. The Integrated Deepwater System concept was designed to secure the Nation’s maritime borders. This acquisition will integrate the Coast Guard maritime presence and patrol capability, especially with respect to extended offshore security operations, thereby allowing the Coast Guard to meet and defeat threats at the greatest distance from the Nation’s shores.

*Deployable Specialized Forces.* The final piece to the Coast Guard force structure is the effective employment of deployable forces. Deployable units will face increased threat levels, respond to incidents of national significance, and form into adaptive force packages within the Department of Homeland Security. The Coast Guard has long maintained teams and detachments that are deployable, but “stovepiped” among different mission areas. In the future, these teams will be placed under one command, a force structure designed to integrate with the Department of Homeland Security and other Federal and state agencies, to create a more agile, flexible force that can deploy in advance of or after an event to mitigate any threats or hazards. This new force structure will be a more efficient and effective means of deployment in a post-Katrina environment. Additionally, it will offer the much needed opportunity to develop departmental doctrine to support adaptive force packaging for incident response or surge operations.

<sup>1</sup>The term “mission-program” is used by the Coast Guard to identify one of its 11 statutorily mandated missions that guide Coast Guard budget presentations as well as strategic planning, programming and performance.

### *Organizational Alignment*

Past events have revealed the critical role the Coast Guard plays in providing *safety, security, and stewardship* of national maritime interests. The sinking of the TITANIC laid the foundation for the Coast Guard's premier role in maritime safety. The EXXON VALDEZ oil spill was the catalyst to the Coast Guard's much improved and highly visible maritime stewardship responsibilities. The response to the terrorist attacks of September 11th and subsequent participation in the Global War on Terrorism have clearly showcased the Coast Guard's key role in providing vital maritime security.

The Coast Guard's transfer to the Department of Homeland Security was a significant step forward in providing for a capability that can respond to the evolving demand to protect the homeland. Thus, the Coast Guard's ability to adapt continuously in order to sustain and enhance its overall mission execution is of paramount importance. As a result, the Coast Guard is undertaking an organization-wide effort to restructure and realign command-and-control and mission-support (including organizational structures, human resources, maintenance, logistics, financial management, acquisition oversight, and information systems) to ensure more effective and efficient mission execution. Efforts currently underway include the consolidation of all acquisitions management functions to ensure the optimal balance of contract and administrative personnel between each major acquisition. Additionally, alignment between the command and control structure within Coast Guard Headquarters and field unit organization is being imposed to obtain proper oversight of Coast Guard functions and ensure optimal mission balance.

This alignment will result in purposeful, service-wide transformation and enhancement designed to better enable the Coast Guard to meet the current and future needs of the Nation. The Coast Guard will become a more agile, adaptive, and responsive organization capable of working effectively with its interagency partners. Furthermore, overall Coast Guard mission execution will be enhanced; it will be even better prepared to fulfill its duty to the Nation. This new operational framework will facilitate the timely and accurate flow of information and direction among the strategic, operational and tactical levels of mission execution. A new command and control system will evolve and, like the Coast Guard itself, will be more agile, adaptive, and responsive.

### *The Coast Guard's Strategy*

The Coast Guard Strategy for maritime *safety, security, and stewardship* describes how the Coast Guard will work to safeguard the Nation against all threats, hazards, and challenges in the maritime domain, today and in the future. It discusses the Coast Guard's enduring roles, future challenges and threats, as well as a systems approach for improving maritime governance. From these foundations, the Strategy presents strategic priorities that build on the Coast Guard's strengths and best focus its capabilities to serve the Department of Homeland Security and the Nation. This Strategy is shaped by the laws, executive orders, international conventions and agreements, and other guidance that determine U.S. maritime policy (Figure 1).

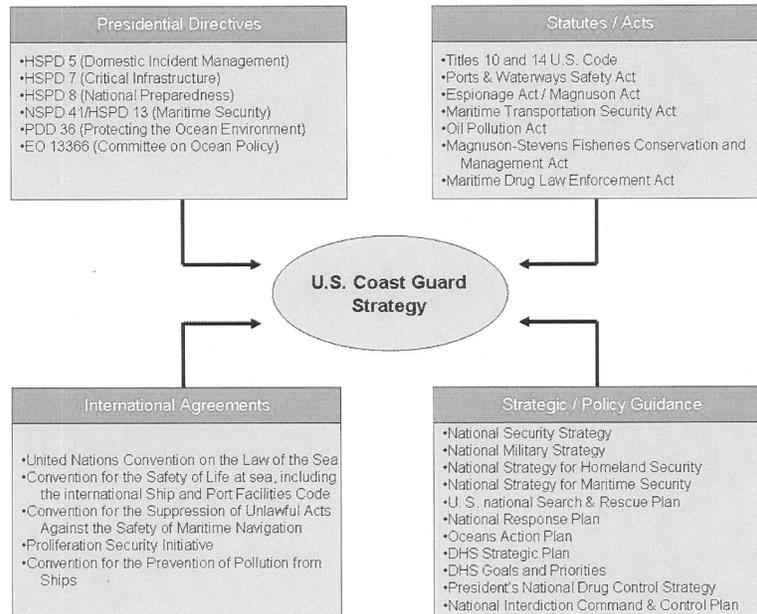


Figure 1

The Strategy takes significant shape from the National Strategy for Maritime Security (NSMS), the President's Ocean Action Plan (OAP), National and Homeland Security Presidential Directives (NSPD/HSPD), and the Department of Homeland Security goals and priorities. Additionally, it is the product of the Coast Guard's Evergreen Project, which looks across alternative futures to determine robust strategies that best position the Coast Guard and the Nation for a changing world.

Challenges to maintaining America's maritime sovereignty and security are looming, and the key strategic actions that the Nation must take lie in three areas: improving operational capability, building maritime awareness, and strengthening and integrating existing domestic and international maritime regimes to protect the United States and other coastal nations against growing transnational threats.

Regimes are the system of "rules" that shape acceptable activities. Maritime Domain Awareness (MDA) allows for the detection and monitoring of activities occurring within the maritime domain. Together, regimes and MDA inform decision-makers and allow them to identify trends, anomalies, and activities that threaten or endanger U.S. interests. Operational capabilities deter, respond to, verify, and counter threats. They also ensure the safe and sustainable day-to-day use of the maritime domain and speed recovery from natural or man-made impacts in times of crisis.

These activities are not the sole province of the Coast Guard; they are ineffective without state, local, private and international participation. Similarly, they are not solely domestic; they span the globe and take place on all waters. Finally, this framework provides a common approach to *safety, security, and stewardship*, often serving all three objectives through common frameworks and activities.

Viewing maritime initiatives and policies as part of a larger system enables a better understanding of their inter-relationships and effectiveness. A well designed system of regimes, awareness, and operational capabilities creates overlapping domestic and international safety nets, layers of security, and effective stewardship. Taken together, they provide a comprehensive system of maritime governance for the Nation.

One of the fundamental building blocks of this system is Law of the Sea Convention. Although we have signed this important Convention, we are not yet a party. Joining the Convention with the declaration and understandings reflected in Executive Report 108-10 (Senate Foreign Relations Committee) is an important step in ensuring that we can exercise the necessary leadership to make this happen.

*Update of Deepwater Program*

## Six Principles of Strategic Intent

I met with the Lockheed Martin CEO Robert Stevens and Northrop Grumman CEO Ronald Sugar in January to determine near and long-term objectives and goals for the Deepwater program. Since then, we've spoken frequently as both the Coast Guard and our industry partners have taken a number of steps to improve the management, oversight and performance of the Deepwater program. More recently, we reached agreement on six fundamental principles that we have begun implementing to ensure that the government's interests are fully and fairly achieved in acquiring and fielding assets and capabilities being developed and produced under the Integrated Deepwater System.

These principles will guide us as we seek to obtain the best value for the government through robust competition and vigilant contract oversight and management.

Working together with industry, the Coast Guard will make the following six fundamental changes in the management of our Deepwater program:

1. The Coast Guard will assume the lead role as systems integrator for all Coast Guard acquisitions; including all Deepwater assets (while continuing to employ ICGS, as appropriate, to perform specific management, engineering and system integration functions for which the Coast Guard determines they are best suited).
2. The Coast Guard will take full responsibility for leading the management of all life cycle logistics functions within the Deepwater program (under an improved logistics architecture established with the new Mission Support organization).
3. The Coast Guard will expand the role of the American Bureau of Shipping (or other third-parties as appropriate) for Deepwater vessels to increase assurances that Deepwater assets are properly designed and constructed in accordance with established standards.
4. The Coast Guard will work collaboratively with ICGS to identify and implement an expeditious resolution to all outstanding issues regarding the first two National Security Cutters (we are close to final resolution on NSCs #1 and #2).
5. The Coast Guard will consider placing contract responsibilities for continued production of an asset class (on a case-by-case basis) directly with the prime vendor, consistent with competition requirements, if: (1) deemed to be in the best interest of the government, and (2) only after the Coast Guard verifies lead asset performance within established mission requirements.
6. Finally, I will meet no less than quarterly with my counterparts from industry until any and all Deepwater program issues are fully adjudicated and resolved.

These changes in program management and oversight going forward will change the course of Deepwater.

By redefining our roles and responsibilities, redefining our relationships with our industry partners, and redefining how we assess the success of government and industry management and performance, the Deepwater program of tomorrow will be fundamentally better than the Deepwater program of today.

*123-Foot Patrol Boat Decommissioning*

A significant step in *changing the course of Deepwater* is resolving outstanding issues within the program; I have made the determination to permanently decommission the eight 123-foot patrol boats converted under the Deepwater program.

As most of you know, a variety of structural failures occurred on the 123-foot patrol boats between September 2004 and November 2006.

Despite two structural modifications, the cutters were forced to operate under increasingly prohibitive operational restrictions in an attempt to limit further structural damage.

On November 30, 2006, I directed that all eight cutters be temporarily removed from service due to the heavy repair burden on the crews along with the need for increased restrictions which would have rendered the cutters operationally ineffective.

All eight cutters were relocated from Key West, FL to the Coast Guard Yard in Baltimore in January 2007, where they have been in a special, inactive status as we considered our options going forward.

Multiple extensive studies and analyses by both Coast Guard engineers and third-party naval architects and marine engineers over many months have described the failures in these vessels. They have been unable to determine a definitive root cause

for the 123-foot patrol boat structural problem; although several design deficiencies were identified that are consistent with the observed failures.

We believe the design of 123-foot patrol boat cut down on the structural cross section necessary to support the added weight distribution following the conversion. Our analysis has been complicated, however, by the fact that we've observed permanent deformations of each hull in slightly different ways.

Based on this analysis, any strategy to permanently repair these cutters would require an iterative, phased approach over a long period of time (years vs. months) with uncertain costs.

We estimate the total cost for repairing and modernizing these eight cutters, including a Mission Effectiveness Project (MEP), would be well over \$50 million. The residual value from decommissioning these cutters is about \$50 million, including Deepwater funded equipment materials and operating expenses that can be reused or redirected to other programs.

The excessive cost and time associated with continuing to pursue an uncertain resolution to these structural problems has convinced me that permanently removing these cutters from service while recouping any residual value and redirecting funds to other programs is in the best interest of the government.

*Fiscal Year 2008 Budget Request*

The Coast Guard will head into FY 2008 making notable progress with implementing a number of specific initiatives supported by Congress. These include \$10 million appropriated in FY 2006 for Area Maritime Security Exercises as well as \$15 million appropriated in FY 2007 for foreign port assessments, spot checks of Maritime Transportation Security Act (MTSA) regulated facilities, and domestic threat/vulnerability assessments. These initiatives, coupled with requirements in the SAFE Port Act such as the establishment of port security training and exercise programs, facility exercise requirements and interagency operational centers to name a few, all work in concert with the initiatives shown below toward improving maritime security.

<i>Improve Operational Capability</i>	<i>Build Awareness</i>	<i>Create Comprehensive Regimes</i>
<p><b>“Strategic Trident” Force Structure</b>                      Deployable, specialized –                      Deployable Operations Group                      Maritime patrol &amp; interdiction                      - Deepwater</p> <p><b>Port &amp; Coastal Security Response</b>                      Response Boat- Medium                      Special Purpose Craft – Law Enforcement                      Atlantic Area Deployment Center                      Rescue 21                      High Frequency Communications                      Recapitalization                      Counter Terrorism                      Shoothouse</p>	<p><b>Integrated Command Centers</b>                      Command Center                      Enhancements                      Interagency Unity of Effort</p> <p><b>Maritime Domain Awareness Gap</b>                      Nationwide Automatic Identification System (NAIS)                      C-130J Operations                      C4ISR                      Counter Intelligence</p> <p><b>Leverage Partnerships</b>                      Interagency-enabled                      Command Centers                      National Maritime Intelligence Center (NMIC)</p>	<p><b>Maritime Domain Management</b>                      Transportation Worker Identification Card (TWIC)                      Understanding the “unregulated” (e.g. recreational boating)</p> <p><b>International Engagement</b>                      International Maritime Organization (IMO)                      Regional Cooperation/Bilateral agreements</p> <p><b>Ocean/Arctic Policy</b>                      National Polar Icebreaking Policy                      Open Ocean Commerce</p>

The President’s Fiscal Year 2008 Budget Request maintains a mission-focused Coast Guard that remains capable of answering the Nation’s call by improving *operational capability*, building *maritime awareness* and creating *comprehensive regimes*. Some of these specific initiatives within the Fiscal Year 2008 budget addressing capability and awareness include:

*Improving Operational Capability*

*Integrated Deepwater System (IDS) \$836.9 Million (AC&I):* The IDS is a 25-year, performance-based, “system of systems” acquisition to replace or modernize major Coast Guard cutters, offshore patrol boats, fixed-wing aircraft, multi-mission helicopters and the communications equipment, sensors, and logistics systems required to maintain and operate them. As an integrated, interoperable network-centric system, when complete, IDS will maximize operational capability while minimizing total ownership costs by leveraging current and future technologies to achieve maritime awareness in all maritime regimes in which Coast Guard operates. This request funds the sixth year of implementation after award and, among other things, will fund four additional Maritime Patrol Aircraft (MPA), long lead time material for the National Security Cutter (NSC) #5 and complete funding for NSCs #1–4, initiate production of the Replacement Patrol Boat (FRC–B), and complete funding for Airborne Use of Force (AUF) outfitting for the 95 HH–65s and 42 HH–60s.

The IDS procurement is the largest and most complex acquisition ever undertaken by the Coast Guard, and the acquisition strategy allows flexibility to accommodate the continuously changing nature of this evolutionary procurement action, enabling rapid response to changes in technology, funding, and operational mission requirements. The Coast Guard is also taking important steps to improve the management of the program by evaluating the current acquisition strategy and reassessment of the acquisitions management structure.

*Deployable Operations Group (DOG) \$132.7 Million base re-allocation (OE):* In the same way that Sector Commands improved unity of effort and command among the Coast Guard’s shore-based forces in the Nation’s ports and coastal regions, the DOG will be a new force structure that aligns the Coast Guard’s Deployable, Specialized Forces (DSF) under a single unified command. Coordination of existing maritime safety and security missions will improve and the capabilities of each unit can be better exploited and used. Once the DOG is fully operational, it will focus on improving contingency planning, developing adaptive force packages to address a wide spectrum of national contingencies and leading efforts to train for an “all hazards . . . all threats” response.

*Movement of Personnel from Acquisition, Construction & Improvements (AC&I) into the Operating Expenses (OE) Appropriation \$80.5 Million base re-allocation:* This funding transfer will significantly improve the Coast Guard’s ability to successfully manage, oversee and administer Coast Guard Acquisition, Construction and Improvement (AC&I) contracts. Consolidating all AC&I personnel funding into the OE appropriation will allow the Coast Guard to maximize efficiencies and leverage potential synergies in acquisition activities and management, as well as increase the Coast Guard’s ability to surge personnel to AC&I-related positions as appropriated project funding levels fluctuate.

*Integrated Deepwater System Surface and Air asset follow-on \$55.5 Million (OE):*

- *National Security Cutter (NSC) 751*—Provides personnel, and funding to operate the 2nd National Security Cutter. The NSC is the largest of the new Integrated Deepwater Systems surface assets (418’) with vastly improved capabilities over legacy 378’ High Endurance Cutters. The NSC will be the most sophisticated and capable cutter the Coast Guard has ever operated. It will have a range of 12,000 nautical miles and an underway endurance of 60 days. The cutter will be capable of patrolling singly or with multiple Coast Guard vessels, U.S. Navy vessels, or vessels from other nations’ navies or coast guards. The NSC will conduct proactive and reactive patrols within its assigned operating areas and will provide a robust Command and Control capability for the Task Unit Commander or the On-Scene Commander. It will be capable of performing all maritime Department of Homeland Security (DHS) missions, non-General Defense Operations and General Defense Operations with the Navy such as Ports, Waterways and Coastal Security as well as Maritime Intercept Operations, Port Operations, Security and Defense, and Peacetime Military Engagements.
- *C-130J*—The Fiscal Year 2008 budget request provides operation and maintenance funding for 800 annual flight hours for the Coast Guard’s HC-130J aircraft. These 800 flight hours, combined with the 3,200 flight hours already appropriated, will enable the Coast Guard to meet its full operating capability requirement of 4,000 flight hours for five HC-130J operational aircraft. The C-130J is the Coast Guard’s long-range surveillance aircraft. This four-engine, turbo-prop aircraft is used extensively throughout the United States, the Pacific Ocean and the Caribbean Sea in support of search and rescue, homeland security, pollution prevention, logistics, personnel transport and ice patrol missions.

- *Atlantic Area Deployment Center*—This newly established deployment center will replace the Coast Guard's Helicopter Interdiction Squadron (HITRON), complete with Airborne Use of Force (AUF)-capable aircraft and crews. The HITRON initiative to lease eight MH-68 helicopters was developed as a bridging strategy to bolster the Coast Guard's illegal drug interdiction capability and support Port, Waterways and Coastal Security missions until the service could arm its organic helicopter fleet. On February 1, 2008, the Coast Guard plans to complete this strategic plan by terminating HITRON and activating the Atlantic Area Deployment Center. More specifically, this action will replace the eight leased HITRON MH-68 helicopters with ten Coast Guard Airborne Use of Force (AUF) equipped, re-engined MH-65C helicopters at the Jacksonville, Florida facility.

*Special Purpose Craft-Law Enforcement Boat (SPC-LE) follow-on \$3.3 Million (OE):* This request provides funds to operate and maintain the SPC-LE boats acquired with funding provided in Fiscal Year 2007. These increased boat allowances will support Certain Dangerous Cargo (CDC) and high-capacity passenger vessel security, migrant and drug interdiction, shoreside and waterborne patrols, and boards of High Interest Vessels (HIV).

*Rescue Swimmer Training Facility \$13.3 Million (AC&I):* This project will recapitalize the existing Rescue Swimmer Training Facility at Aviation Technical Training Center, Elizabeth City, NC. As witnessed during Hurricane Katrina, Aviation Survival Technicians are a vital component of the Coast Guard's Search and Rescue mission. The existing facility was built in 1948 and was initially used as a recreational pool. It must be closed when winds exceed 40 mph due to the poor roof structure and roof trusses. Funds requested will allow for the construction of a new building containing a 50x25 meter, 12 foot deep training pool; Modular Egress Training Simulator; classrooms; and a dunker tank.

*Maritime Security Response Team (MSRT) Shootouse \$1.8 Million (AC&I) and \$644K (OE):* Funding will allow the Coast Guard to construct a shootouse training facility at Camp Lejeune, NC, for the Special Mission Training Center to train deployable forces. This facility would be unique in that it will provide the opportunity to train in a shipboard like environment; in addition, due to its proximity to the water, students would be able to train in the shootouse in the morning and on the water in the afternoon. These specialized forces rely on interagency support to train their members to ensure standardization and integration with Department of Defense (DOD) forces. Request also includes funding to complete equipment and training requirements of the MSRT's third Direct Action Section (DAS) and CBRNE Section funded in Fiscal Year 2007.

*Rescue 21 \$80.8M (AC&I) and \$8.2 Million (OE):* The FY 2008 budget request provides for maintenance and recapitalization of the aging National Distress System in the Northeastern areas of the United States, West Coast and Alaska. Rescue 21 will replace the existing National Distress and Response System and enhance the Coast Guard's ability to execute all of its missions through improved communications, command and control capabilities in the coastal zone. It is the foundation for coastal Search and Rescue, and is a critical enabler of efficient and effective command and control of all missions in the coastal zone.

#### Building Awareness

*National Capital Region Air Defense \$11.5 Million (AC&I) and \$4.3 Million (OE):* This project represents the second of a two-year project to increase the Coast Guard HH-65C fleet by seven HH-65C helicopters and related support facility improvements. These seven helicopters are required to support the newly-assigned mission providing air intercept to protect the National Capital Region. Primary responsibility for air defense of the National Capitol Region Air Defense rests with DOD under OPERATION NOBLE EAGLE. Within DOD, the North American Aerospace Defense Command (NORAD) is responsible for execution of the air defense mission. The Coast Guard is the responsible service within DHS to execute rotary wing air intercept operations to protect the National Capital Region and has been performing this mission since September 2006.

*Integrated Deepwater Systems Engineering and Integration \$35.1 Million (AC&I):* The Integrated Deepwater Systems (IDS) solution is designed to incorporate off-the-shelf systems components where possible. Systems Engineering and Integration is essential to ensuring interoperability at the unit, system and organizational levels, both internal to the Coast Guard and with other DHS and DOD assets. Effective systems integration—bringing things technically and operationally together so they operate as a whole—will minimize the cost of asset acquisition, operations and maintenance, maximize the assets' abilities to interoperate internally and exter-

nally, and minimize the risk inherent in a comprehensive and complex engineering project of Deepwater's scope and magnitude.

*Nationwide Automatic Identification System (NAIS) \$12 Million (AC&I):* Funds requested will continue implementation of NAIS to achieve Initial Operating Capability (IOC) for receive and transmit capability of AIS messages nationwide. Funding also covers costs associated with systems currently operational.

*Integrated Deepwater Systems CAISR \$89.6 Million (AC&I):* Funds requested will be used for design work for the upgrade of the Multi-mission Cutter Helicopter (MCH) and the long-range surveillance aircraft to increase maritime domain awareness capabilities.

### **Conclusion**

The Coast Guard has already taken important measures in many areas that will reduce security risk in the maritime domain. Since September 11th the Service accelerated efforts to improve the Nation's maritime regimes, awareness and operational capabilities. Efforts are also underway to integrate initiatives, build collaboration, and increase unity of effort—as called for by the *National Strategy for Maritime Security*. But much work remains to be done. Gaps in *safety, security, and stewardship* are broadly recognized, and the Coast Guard and DHS will work with the Executive Branch, Congress and other Federal, state, local, private, and international partners to make needed changes.

Events, such as the September 11th terrorist attacks and Hurricane Katrina, have demonstrated the importance of preparing for complex threat situations and highlight America's growing vulnerability. Although the U.S. capacity to save lives in the aftermath of these tragedies proved unparalleled, more can be done to prepare for and respond to the next major disaster.

No one can predict the next catastrophic event, nonetheless, history tells us it will come. When it does, it will be vital to have an "all threats, all hazards" Coast Guard—*Semper Paratus*. The character of Coast Guard men and women has been tested from the rooftops of New Orleans to the oil platforms of the Persian Gulf and throughout the Nation's history there remains one constant: if Coast Guard men and women are provided the training and equipment to do the job, they won't let us down.

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

Senator CANTWELL. Thank you, Admiral Allen and for my colleagues, we will start with five minute rounds and hopefully we'll have time for a couple rounds of questioning. Senator Lautenberg, would you like to make an opening statement?

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

Senator LAUTENBERG. I'll just take 2 minutes to say I'm sorry that I arrived a little bit late and that I can't stay. I want to say, Admiral Allen, that we're proud of you and the entire Coast Guard Corp. There is never a time when the Coast Guard is asked to take on a task, that they don't do it fully even with resources slimming down, even with budgets being retarded from where they should be. So, I want to say, my hat's off to the Coast Guard and I thank all of them, all the Coast Guard service people for the work that they do, for the heroics that they perform when called upon.

They are a wonderful branch of the service, of our government and I don't understand why here we are, fortunate enough to have a Corp like the Coast Guard and when we think about the size and Madam Chairman, I would ask that the full statement be placed in the record.

Senator CANTWELL. Without objection.

Senator LAUTENBERG. But I just want to say that for the total act of duty for what's barely larger than New York City's police department, the Coast Guard is being asked to patrol nearly 93,000

miles of coastline with evermore assignments being dished out and having too few dollars and too little support from what I think it should be.

You know, I offered an amendment in 2004 to add \$100 million to the Coast Guard budget Fiscal Year 2005 and the GAO agreed that this money would be necessary in times of high operating tempo and after my amendment was voted down, guess what happened? The Administration came back to Congress for an additional \$112 million in supplemental funding and each one of us sitting here has a coast that needs your attention but you don't have to be a coastal state to love the Coast Guard, I can tell you that. They are called upon for many other things.

So, Madam Chair, if I can submit my questions in writing, I would appreciate that and I will take no more of the Committee's time.

[The prepared statement of Senator Lautenberg follows:]

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

Madam Chair, thank you for holding today's hearing where—once again—it appears the Coast Guard is being given too few resources to effectively accomplish its missions.

With a total active-duty force barely larger than the New York City Police Department, the Coast Guard is being asked to patrol nearly 93 thousand miles of U.S. coastline. And since 9/11, the Coast Guard has taken on a host of homeland security duties, including security patrols in the waters off Iraq and security duties at our ports here at home.

But despite these homeland security missions, the Bush Administration continues to cut resources for the Coast Guard's traditional missions, such as search and rescue, boating safety, and protecting our environment and commercial fisheries. So for Fiscal Year 2005, I tried to get the Coast Guard the resources they needed and deserved. I offered an amendment to add an additional \$100 million to the Coast Guard's annual operating budget. The GAO agreed that this money would be necessary in times of high operating tempo. And after my amendment was voted down, guess what happened? The Administration came back to Congress for an additional \$112 million in supplemental funding.

We need a budget that honestly reflects the demands we are placing on the Coast Guard. And with one of the oldest fleets in the world, we need a budget that provides the men and women of the Coast Guard the tools they need to do their jobs. This means new ships, planes and communications gear. To purchase those vehicles and equipment, the Administration has relied on its Deepwater program which—to put it mildly—is a mess.

I support funding for Deepwater. But I do not support the Administration's complacency when it comes to its contracting. I am encouraged by Admiral Allen's recent announcements to take back Federal control and oversight of this vital procurement program from the contractors.

I look forward to hearing from our witnesses.

Thank you Madam Chair.

Senator CANTWELL. Thank you, Senator. Admiral Allen, thank you for your testimony and thank you for your comment specifically about the Deepwater Program, because as you know, it is the single largest acquisition project in the budget that is being submitted and I know that yesterday—well, let me just step back for a second and say thank you for mentioning your process of strategic review of Coast Guard assets and presenting those to a future Committee hearing.

We'll look forward to that. Thank you for mentioning the integration issue on an international basis. I believe you are correct, that the more that we can work together on an international basis on

security regimes, the more that we will both lower our cost and increase our security, so I applaud you for stepping back and taking a strategic review of that on behalf of the U.S. taxpayers.

On the other side of the equation, your testimony also included working together with the contractor, the systems integrator and comments about not wanting to miss deadlines on the delivery of assets. I can assure you that most Committee members do not want you to miss deadlines either but we also want to make sure that we are getting the assets that we are paying for and not running into further problems and predicaments in the specs and designs and the actual effectiveness of those assets.

So with that, I want to turn to your statements yesterday because I believe that you gave a review of some of the changes in a speech yesterday, about the Deepwater Program and the fact that the Coast Guard, you believe, should take on more roles and responsibilities as the lead systems integrator.

As Senator Snowe said, she and I have been working together on legislation, S. 924, which is very specific about what we think needs to be done to make sure that we don't run into the same situation again with a major procurement project that the Coast Guard is undertaking. So if I could ask you a few questions about yesterday's comments and concepts that are similar to the legislation that we have introduced.

First of all, one of the biggest problems, I believe, in the Deepwater Program was our decision to get rid of the major Systems Acquisition Manual. So, basically in an attempt to expedite and encourage integration, which is not a bad concept—integration is not a bad concept—we basically threw out the SAM. Do you intend to reinstitute the Systems Acquisition Manual and the rules that obviously it implies?

Admiral ALLEN. Madam Chair, we didn't throw out the Systems Acquisition Manual, we just didn't follow it. We have one. It is a viable document. It probably needs some updating to reflect what we need to do for Deepwater. As a Commander, I was part of the project team that extended the service life of the 378 foot cutters that they are needing now that require replacement. The Systems Acquisition Manual is a solid way to go. Every acquisition the Coast Guard needs to be managed under that and a project management regime that is standard across the organization.

Senator CANTWELL. Well, if you're not using it, then in my sense, it has been out—

Admiral ALLEN. For the Deepwater project, there was an exclusion for the Systems Acquisition Manual, for the other projects it applies.

Senator CANTWELL. And now you are reinstating that in any acquisition—

Admiral ALLEN. We will integrate all doctrine related to acquisition in a Systems Acquisition Manual that will apply to all acquisitions.

Senator CANTWELL. In language in any contracts moving forward, are you committing to language of ending self-certification?

Admiral ALLEN. Yes.

Senator CANTWELL. Are you committing to requiring a comprehensive analysis of alternatives?

Admiral ALLEN. Yes. Business case analysis.

Senator CANTWELL. Are you adhering to other reporting requirements similar to what DOD provides to Congress, like the SAR?

Admiral ALLEN. I'm not sure I—if I were to be given an example, we could compare and contrast current reporting requirements and give you a status on that ma'am. We'd be happy to do it.

Senator CANTWELL. I think that obviously, there are many processes and procedures that have been good safety nets and particularly, I think, for our Committee in notification of cost overruns and problems so that we don't build up to a point where we did where the Committee was without information until a point in time that was pretty far down the road in the contract.

Now, if I could get that information from our staff, I'll be happy to, in the next round. Provide—ask some additional questions on that point.

As it relates to your Engineering and Logistics Center, will they be the lead organization and final decision on design and performance standards?

Admiral ALLEN. They will. In fact, their responsibilities will expand. As I said earlier, it's hard to disaggregate some of the business changes that I am proposing for what we need to do with Deepwater because I came into the job knowing we had to fix some things about Deepwater in terms of the acquisition, organization and the logistics and the maintenance organization. The Engineering Logistics Center at Curtis Bay, Maryland will evolve into a logistics center that will support all surface assets of the Coast Guard in a similar way that the Aircraft Repair and Supply Center in Elizabeth City is the single logistics point for all aviation assets.

We, in the past, when I came in the Coast Guard, individual districts did their own engineering of ships and you can imagine, it was pretty uneven across the Coast Guard. In 1986, we established maintenance and logistics commands on both coasts. That left us with two maintenance and logistics commands and the Engineering Logistics Center. We need to go to one unified logistics center that provides life cycle management of these assets through product lines and they are the single technical authority.

Senator CANTWELL. Thank you. Senator Snowe?

Senator SNOWE. Thank you very much, Madam Chair. Admiral Allen, getting back to this ICGS management of Deepwater assets, there has been a real question as to why the Coast Guard is even extending the 43-month contract with the ICGS. I mean, why do that at all? I know you're in the process of renegotiating that contract, as I understand it, at least indicated by the news reports.

Admiral ALLEN. Yes ma'am, happy to explain. Based on the evaluation of the first award term, which was completed last May before I took office as a Commandant, we are contractually allowed to issue a contract for 43 months. The ICGS sets the next award term.

Now, within that contract, we issue task orders. Our intention right now is to sustain the contractual relationship with the Integrated Coast Guard System because there are certain things that are going on right now—were we to stop would cause severe disruption and there are things that are not visible because they are not related to a specific asset.

One of them is the development of an Integrated Logistics Management Information System, which work needs to continue because it's part of our ability to transition to a mission support organization that I have talked about. Our goal right now is to transition into the new contract period with task orders only for work in progress and limit those task orders to somewhere between and 18 to 24 months and issue no task orders unless they meet the requirements that Senator Cantwell mentioned earlier and that we issue no task orders unless we have competition, third party validation and making sure we are achieving the best value for the government.

But we do need to have the ongoing contractual relationship because I believe I'll get a question pretty quick, if you haven't already asked it, about well, if you're going to become the systems integrator, how are you going to do that? The question is, you have to have a transition period so there are some contractual relationships we need to maintain with ICGS while we are transitioning and putting that competency and that organizational structure into the Coast Guard.

For instance, we have a Systems Integration Program office in Roslyn that is an ICGS facility. Ultimately, we need to close that down and take that function and put in to the new mission support organization in the Coast Guard. You can't do that overnight so I need the continuity of continuing the work in progress under the current contract.

Senator SNOWE. I see and it would be specifically for those ships, for example, that are under production now?

Admiral ALLEN. Correct. In other words, we would issue no task order—there would be no task order for pricing in the new contract period, for instance, for the Offshore Patrol Cutter. We need to be convinced we have the right design and the right value for the government there.

Senator SNOWE. Well, I just happened to notice yesterday that an ICGS spokeswoman said she did not believe that your announcement represented significant change in the Coast Guard contractor relationship. I'd like to have your comment on that. I mean, I think that that is sort of interesting, if not an illustration of the problem that we are facing. They don't accept that there should be a fundamentally altered relationship and they did not acknowledge the problems that existed and manifested themselves under their leadership. So how would you characterize this announcement yesterday? Is it major change or is it not—because I hope it is a major change—and why is there a fundamentally different interpretation of that relationship?

Admiral ALLEN. There is a fundamental change in how we are doing business and the roles the Coast Guard will assume. I have personally discussed this and negotiated it with Bob Stevens and Ron Sugar, the two CEO's. I think what they are referring to is the continuity of the contracting vehicle that I just discussed.

Senator SNOWE. I hope so. I hope that is clear—

Admiral ALLEN. I know what I intend, Senator.

Senator SNOWE. OK. Well, that's fine and we'll obviously be engaged in that oversight in the months to come because I think it

is absolutely imperative. How are we going to get this back on track but still engaging in the oversight—it's going to be so vital.

To that point, I noticed that you are in the process or haven't determined yet, how much the government will recover from the contractors, for all these deficiencies and the back scheduling. The issues that happened with the Fast Response Cutter that you've now really had to jettison and the National Security Cutter. How are we going to modify these deficiencies? How is that process going to come about? And does the contractor accept any responsibility or are we going to have to negotiate endlessly?

Admiral ALLEN. Well, I think we have two distinct issues with the 123 foot cutters and National Security Cutter, if I can talk about each for just a second.

There is no doubt in our minds that the 123' cutters and on inspection, when you see basically deformed rails on our ships and I think I have a picture of one in the handouts we provided you. It's visual evidence that we are not getting performance out of these hulls that were intended and the fact that we can't retain them in service means that the Government needs to have the value for the money that is invested. I have talked with the DHS IG, whether it is contractual, legal—whatever recourse we have, we will make sure that the government's interests are protected here.

In response to a question at the news conference yesterday, I made the statement that we are providing all materials associated with this, with the DHS Inspector General, work very closely with him to ascertain whether there may be any accountability and recovery required and we will vigorously pursue that.

Senator SNOWE. Well, how would you characterize this? I think this is a travesty, frankly, but how would you characterize the Fast Response Cutter in terms of its deficiency to the point—

Admiral ALLEN. I think in general—I'm sorry, ma'am.

Senator SNOWE. Go ahead.

Admiral ALLEN. In general and I'm not a naval engineer, I think there was a mis-estimation of the amount of structure that could be applied to these ships that had already been operated for a good number of years and whether or not they were strengthened, what they call the hull girder, the inside interior of the ship, to accommodate new weight on the end and then the buckling and the forces that the hull is subjected to in the sea states that were encountered.

We have gone back and taken a look at whether or not the right computer models that calculated what we would call the *section modulus* or the strength of the width of the ship was correct to begin with and my guess is, if we're going to—we may not get down to a single root cause. I think we're going to find that played a major, major role.

Senator SNOWE. Did you find it shocking?

Admiral ALLEN. Absolutely. I visited the ships myself. I went to the shipyards. They pulled the starboard shaft out of the VASHON at a shipyard in Savannah that I visited and when they pulled the shaft out, the actual stern section came one inch off the blocks they were resting on, which meant the shaft was keeping the hull in alignment. Ships aren't supposed to work like that, Senator.

Senator SNOWE. Well, I can't imagine the contractor not taking responsibility for that.

Admiral ALLEN. We are proceeding at this point—the decision was just taken to—that is the question, yes, ma'am.

Senator SNOWE. I know. It really is unfathomable. They are the ones that are supposed to design and build the ships and if they come out this way, I mean, that's a travesty to the Coast Guard and to the American taxpayer, frankly. Thank you, Madam Chair.

Senator CANTWELL. Thank you. Senator Stevens?

Senator STEVENS. Thank you very much. Let me first congratulate you for that tremendous thing that took place with the SELANDANG AYU, the vessel up by the Aleutian Chain and the grand movie, *The Guardian*, I think that really did the service a great deal of good.

I've been told that you have about a \$150 million transfer at the Department of Homeland Security and in the Department of Defense. Does that offset the costs of your involvement of the Coast Guard in the activities that are involved with homeland security and defense?

Admiral ALLEN. Sir, are you talking about whether or not a transfer of money within the allocations—

Senator STEVENS. You've got basically money for equipment. I don't see any money for operations in terms of interceptions around Iraq, in terms of the activities of the homeland security. Are you getting fully funded from them?

Admiral ALLEN. Yes, sir, we are. I'm sorry I didn't understand the question. For the activities in Iraq, we're fully funded through the Supplementals, yes sir. It's included in the Defense request for funding, sir.

Senator STEVENS. If we get the Supplemental, yes, that's true.

Admiral ALLEN. Yes, sir. We can give you a detailed breakdown on the cost, sir.

[The information referred to follows:]

Based upon the Fiscal Year 2007 Operating Iraqi Freedom budget request, the following is a detailed breakdown of operational/reconstitution costs:

Category	Funding Request
Military Pay and Allowances	\$42,080,000
Temporary Duty (TDY) and Temporary Additional Duty	18,020,000
Clothing and Other Personnel Equipment and Supplies	1,070,000
Medical Support and Health Services	3,180,000
Reserve Component Activation and Deactivation	2,040,000
Other Personnel Support	11,500,000
Training	3,730,000
Operational Tempo	45,445,000
Other Supplies	5,510,000
Facilities/Base Support	7,600,000
Reconstitution	54,658,000
Command and Control	6,730,000
Airlift	5,230,000
Sealift	3,500,000
Total	\$210,293,000

Senator STEVENS. What about the GPS? We're told the GPS looks like it may become unreliable and yet we asked for a report on the LORAN in the bill last year. To my knowledge, the Coast Guard hasn't prepared that LORAN report. Are you still going to close down LORAN before we know what the future of GPS is?

Admiral ALLEN. Yes, sir. A couple of comments related to that. Number one, the big issue before us right now—we are aware of the fact that GPS can be jammed. There is an interagency group that has been looking at this for quite a while. We are in the final decision stages right now between Homeland Security and the Department of Transportation on how to move forward and there are three options facing us at this point.

One is phasing out LORAN-C. The other one is maintaining status quo and repair the equipment we have in place. The third option will be, go to what they call E-LORAN, which operates very much like DGPS, that would be an Enhanced LORAN that could be considered as a backup to GPS. We're very close to a final decision with the interagency group and we should be able to give you an answer shortly.

We are in the final stages of those determinations. That's the reason the information hasn't been provided, sir.

Senator STEVENS. Well, I've been on several small vessels up my way where they still have LORAN and they really can't use GPS in the areas they are in. Are you familiar with that?

Admiral ALLEN. If you give me the exact area, sir, I'd be happy to comment on it. I understand there are reports where there are coverage problems up there, sir.

Senator STEVENS. Yes, they are out of Russell Bay and north, basically but I understand there is a similar problem on the Northeast Coast and we tried to get LORAN preserved at least for Seattle north and for I think it was Massachusetts north. Have there been similar complaints about the southern part of the country? I know there are complaints in the northern part. Is LORAN-C being abandoned easily in the southeast, southwest and on to the Gulf Coast?

Admiral ALLEN. Sir, in general, most of the concerns I've heard expressed have to do largely with the commercial fishing community because of the repeatability of LORAN's signal and the ability to return to where their fixed gear or pots are at.

Of the three options that I laid out before you, Enhanced LORAN, which has an augmented signal very similar to DGPS will continue service to that community if that is the outcome that is chosen, sir.

Senator STEVENS. Another subject—I'm told now within 5 years, we'll have at least 40 percent of our natural gas come in the form of LNG. Will that change your activities with regard to coastline protection?

Admiral ALLEN. Yes, sir. You've raised a very, very significant point. There are a number of permits being sought right now for liquid natural gas facilities around the country, in almost all parts of the country because of the economic viability of transporting gas in a liquefied form.

There are significant issues related to the impact on waterways. The Coast Guard works with the Department of the Interior

through Minerals Management Service for the Continental Shelf LNG facilities and with FERC for LNG facilities that are within harbors and we do a waterway suitability assessment and then we issue a waterways suitability report as part of the permitting process for every LNG facility that lays out what the Coast Guard thinks are the adequate precautions or controls that need to be put in place to adequately, safely and securely transfer LNG at those facilities and they vary with where the facilities are proposed but we are extensively involved in that, sir.

Senator STEVENS. Thank you. I'll have some other questions later, Madam Chair.

Senator CANTWELL. Thank you, Senator Stevens. Senator Nelson?

**STATEMENT OF HON. BILL NELSON,  
U.S. SENATOR FROM FLORIDA**

Senator NELSON. Your Miami Coast Guard and all that area of Florida, the Florida Straits, they do a good job and they are quite busy down there, as you know. The fact that you've had this difficulty with these 123-foot boats, how do you expect that the 100-foot boats are going to mitigate the decommissioned boats?

Admiral ALLEN. Yes, sir. We have two strategies. Obviously, we need to replace these boats as fast as we can and that's an acquisition plan which we will have a request for proposals released next month to the industry and the Coast Guard will do that acquisition ourselves.

In the meantime, we have taken the eight crews of the 123-foot patrol boats that have now been laid up and we are pairing them with 110-foot patrol boats, both in Miami and St. Pete and we are double-crewing those boats so we're able to recoup about 50 percent of the hours we would have had out of the 123-foot cutters.

In addition to that, we are using other cutters to cover and we are also using more aviation patrols to cut down on the amount of time that boats are out there doing patrol and make them more effective by using air assets to vector them in. In addition, I've negotiated with the Chief of Naval Operations to retain three 179-foot patrol craft that we were scheduled to give back at the end of Fiscal Year 2008. We've got those through Fiscal Year 2011 and the combination of all of those is allowing us to bridge the gap but we need to move at best speed and replace these cutters, sir.

Senator NELSON. In the Key West sector, how many Coast Guard ships are currently on patrol?

Admiral ALLEN. I'd have to check our morning brief to give you that answer, sir and I can give you the answer for today. I would tell you that a lot of the assets that are in the Key West sector are not from Key West. Our large cutters, which are stationed around the coastline routinely deploy down there so we might have a cutter from the mid-Atlantic homeport area down in Key West at any particular time. We'd be happy to give you the force lay down for this morning, sir.

Senator NELSON. Well, can you give me an approximation right now?

Admiral ALLEN. We—as a rule, we keep two large cutters in and around the Straits of Florida. We usually keep a cutter down in

Windward Pass and another large cutter in Mona Pass, between the Dominican Republic and Puerto Rico. In addition, we have patrol boats that operate at a lower level because they are faster. They go out and they can actually intercept the targets of interest and we also have a significant aviation lay down. I would rather not get into the exact number for some obvious reasons. I'd be happy to provide it to you off the record, sir.

Senator NELSON. OK. That's two, three big boats and then a bunch of smaller boats and then aircraft and of course, you all are doing a lot down there. You're doing search and rescue, you've got the largest concentration of recreational vessels in the country down there. You're interdicting drugs. You're interdicting migrants. It's quite busy and you're doing that with three boats plus a few little boats.

Admiral ALLEN. No, sir. Within the approaches to the Southeast United States at any one particular time, approximately five major cutters—there will probably be anywhere from, I would say, four to six patrol boats and as you know, we have the 33-foot fast interceptors and a lot of other boats down there. In addition, further south, there are a large number of vessels that are working for a Joint Interagency Task Force South as the second layer down there and we move those boats back and forth from what we would call the tactical command of the Joint Task Force South, back to the 7th District if we think we need them, if there was a spike from either Cuba, Haiti or the Dominican Republic, more than what we're used to seeing, sir.

Again, what I would propose if I could is to give you a classified brief, sir.

Senator NELSON. OK. Now you all, along with the Navy and other agencies, have a plan on the shelf called Operation Vigilant Sentry.

Admiral ALLEN. Yes, sir.

Senator NELSON. In case we had a mass migration. So if you had—well, first of all, what would you consider a mass migration? How many?

Admiral ALLEN. Sir, we measure the migrant threat down there in terms of flow. In other words, we interdict migrants today. They are interviewed for a credible fear of persecution, lacking reason—

Senator NELSON. That's the present.

Admiral ALLEN. Right.

Senator NELSON. I'm talking about a mass migration. What would you consider a mass migration?

Admiral ALLEN. We go through three stages of readiness. When we start getting up to about 300 a day, that gets us to one level. When we get up to about 7,000 a week, that gets us to another level and then a higher threshold and at each point, if we cannot keep up with the flow or the decision is made that we might not—we might have to use the facilities at Guantomino Bay. A higher-level threshold kicks in and the Navy assets are sent to support us. Again, those cutoff areas, I'd like to provide you a separate briefing, if I could, sir. But the plan is in place and the Navy is prepared to provide the assets, sir.

Senator NELSON. Right. But for the record now, let's say that you had a mass migration in your second stage there, 7,000 a week. How many boats would you deploy to interdict?

Admiral ALLEN. Well, there are certain events, whether it is Katrina or a mass migration or the events we had when we had President Aristide leave Haiti and we thought we were going to have a mass migration just a couple years ago. That's an all hands on deck evolution. We would look at all assets that were available in the Atlantic area and would send a number of cutters down there. I think within at least 72 hours—and we would have warning on this because we have indications that would tell it was coming—we would have upwards of 19 to 20 cutters there, sir.

Senator NELSON. And you could get 19 to 20 cutters in the Key West Straits, in the Florida Straits, you could get that there within 3 days?

Admiral ALLEN. Yes, sir.

Senator NELSON. What percentage of the migrants do you think would get through with 19 or 20 cutters with your second level migration of 7,000 per week?

Admiral ALLEN. Yes, sir. Were the plans to kick in, we would basically have two picket lines. One would be sitting off the north coast of Cuba and one would be sitting off the Florida Keys because you have both the chance of both northbound and southbound traffic. So you have back-to-back picket lines, if you will. We understand there may be leakage, the planning of factors that Admiral Kunkle has been using down in the 7th District to do exercises lately. Even if we interdicted 95 percent and you had 5 percent come ashore, you would be dealing with migrants ashore, which I think is the question you're asking, sir.

Senator NELSON. So you're saying that you would have a 95 percent pick-up rate?

Admiral ALLEN. We would attempt to do that, yes sir.

Senator NELSON. Well, what are you expecting with your Level 2 of 7,000 per week?

Admiral ALLEN. Well, you have to have the flow—you take a look at the flow you're expecting and you put the number of assets and you keep bringing assets in. If we had to employ an entire expeditionary strike group from the Navy, that would be done, sir. It would not be all Coast Guard.

Senator CANTWELL. Senator Nelson? Your time has expired here.

Senator NELSON. Well, I'm just getting warmed up.

Senator CANTWELL. Good. Is that an area, do you think, that we should have a separate hearing on as well?

Senator NELSON. I'll wait until the second round.

Senator CANTWELL. OK. I think it's an important area as we talk about Deepwater assets and the challenges with the Deepwater Program and making improvements to it that we also do understand our security emergencies that may occur. So I think your line of questioning is very important and I—besides going to a second round, I hope that if you believe we should have further oversight of this that the Committee would consider it.

Admiral back to a couple of questions—

Senator NELSON. Madam Chair, I was under the impression that we were concerned about the reduction of these 120-some foot boats

and we've got a potential crisis that we hope it's not going to occur but there certainly are rumblings and I'd like to know the effect of that from the Commandant with regard to the Straits of Florida and the protection of the homeland.

Senator CANTWELL. A very important question, Senator, very important. Admiral, I'm back to my question earlier in the first round about DOD. There are two program reporting requirements that Congress uses in other military acquisitions. One is the Selected Acquisition Reports and the other is the Unit Cost Reports. Both of these provide different types of information on the schedule and cost problems of acquisition and it's something, obviously, we'd like to see the Coast Guard use moving forward. I don't know if you have thoughts on that today or if you can get us an answer in writing.

Admiral ALLEN. I'm not familiar with the specifics of the report but I'd be more than happy. If I could just make a comment, though, on Navy processes and Coast Guard processes, I've had several meetings with Secretary Winter, the Secretary of the Navy and I've had several meetings with Admiral Mike Mullins, the Chief of Naval Operations. In addition to the announcements that I made yesterday, we are going to be meeting periodically with Deputy Secretary Jackson, Secretary Winter, Admiral Mike Mullin, and myself to take a look at how both of our shipbuilding programs are going, what we might learn from each other and how we might get more equal approach on how we're dealing with industry. I'd be happy to report back to you on how that moves. Our first meeting is scheduled within the next month.

Senator CANTWELL. Admiral Allen, another area, obviously, of concern is the Rescue 21 program and as we've looked at this program within the budget here, it obviously has had its problems. You've done some demonstration but I'm troubled by the GAO reports that Rescue 21 may not deliver on its capabilities either. Could you make some comment about that and the production sites that have already been underway and the results of those studies and analyses?

Admiral ALLEN. Yes, ma'am. I don't think there is any doubt that we had a couple of barriers early on in this program. One of them was, I don't think we realize in the Coast Guard that we weren't really buying a radio system, we were buying a large software application with radios attached to it. The software code that had to be written and the integration that had to be done to be able to manage this system, I think, was underestimated by both parties.

We are over that now. We have passed the test and evaluation of the software. We have passed low rate production and are moving into full rate production this year. We have successfully deployed these systems on the East Coast in Atlantic City and the eastern shore of Virginia. We most recently rolled it out in the Tampa area. They were successful in establishing an emergency site south of New Orleans following Katrina and I think as you well know, most notably, recently we've come online in the Port Angeles area.

We think the program is back on track. We're looking to go ahead and finish the execution of this program in the next three to 4 years, as was noted in the opening statement. We think it has

stabilized. The issue now is to make sure that we control costs, we provide the proper oversight and we stay within the acquisition baseline.

Senator CANTWELL. And what about asset tracking and data transfer? Are those going to be included in the Rescue 21 system?

Admiral ALLEN. They may or may not. Asset tracking was a problem earlier on but we may have alternate technologies or alternate ways where we need—we can probably deal with that.

As you know, in the commercial world now, we have automated identification systems so technology has moved past where we were when we solicited that proposal. That was problematic from a technical standpoint early on and we removed that from the requirements and we may come at that from a different direction for the Coast Guard.

Senator CANTWELL. Well, being I think the second largest acquisition program within the budget and having some of the same problems that we've seen in Deepwater; that is, project monitoring, risk management, executive level oversight and some of these things you're saying, you're right. We're not going to do them now because they were challenging the asset tracking.

That whole question of the oversight and the specification of what capabilities are required, what the Coast Guard really wants to see in the delivery of these assets is critically important and critically important who owns them when we're going to make that commitment and not just because of the complexity of the project, come back and change or drop some of these assets. So I am very concerned about that oversight and how we get to a final date for delivery that we all feel confident that we're going to achieve.

Admiral ALLEN. I think we're fairly confident in the delivery date right now. A lot of the things that we have just talked about with Deepwater—we actually went through last summer and last fall with General Dynamics. I personally met with the CEO. I went to Scottsdale and we re-baselined the program. We established a good technical baseline from which to operate and moved into 4A production. My confidence is increasing every day that we will come in on schedule on Rescue 21.

Senator CANTWELL. But do you think that there is a particular problem here in how the specification and designs are done for these assets, across the Coast Guard?

Admiral ALLEN. Rescue 21 was dramatically different than our other acquisitions, as I said early on. And this is my impression. I haven't received a lot of briefs on it. The amount of software or code that had to be written because what we were doing is we were taking analog signal and an antenna, digitizing it and going to Voice over Internet Protocol and basically taking it to a data network. So from the minute that signal hits the antenna, we're all of a sudden dealing with a much different technical solution that we had ever dealt with in the Coast Guard before that involved a lot of software integration. In my view, that was the biggest technical issue that we did not understand going into it.

We are past the software test and integration right now and we're into production so I think we are behind that or past that.

Senator CANTWELL. I'll have more questions on this but my time has expired. Senator Snowe?

Senator SNOWE. Thank you. Admiral Allen, one other question regarding the Deepwater contract. I notice in the budget, obviously with the Coast Guard taking over as lead systems integrator, that there has not been a commensurate request for an increase in staffing, particularly for acquisition staff and personnel. Obviously you'd be shifting certain personnel, from within the budget, within your agency, but they will not have the acquisition expertise that is essential to allow the Coast Guard to effectively manage the oversight of the Deepwater Program. How do you explain that contradiction in this budget and why haven't you requested additional resources to provide for acquisition personnel that have expertise tailored and designed for this oversight responsibility?

Admiral ALLEN. We're coming at it from a couple different directions. The desired end-state is a unified mission support organization where acquisition and life cycle maintenance are all contained in the same organization in the Coast Guard work for the same senior manager with single point accountability.

As we make the transition, we will look at a mix of Coast Guard, other government employees, Navy or other people that have that expertise as needed. Independent contractors not associated with the ones that do work for us, subject to signing disclosure statements, should we use them. We have requested in this year's budget that we unify our personnel account for the purpose of personnel funding. In the past, each one of our accounts has had to source their own personnel from that appropriation. Putting all of our personnel together and all the acquisition organization together gives you much more flexibility on how to apply the personnel that you do have.

Additionally, some of the funds that have been allocated in the past for systems integration and project oversight that would have been executed through ICGS are going to flow to the Coast Guard and if you look at the request for Coast Guard program management versus the traditional amount of money that was given to ICGS to do that, it's going to start flowing incrementally as we make this transition from the ICGS contract to the Coast Guard.

Senator SNOWE. Well, in the ICGS, how many Coast Guard personnel were assigned to it?

Admiral ALLEN. Within the Deepwater Program overall, we have a little over 400 people. About a third of those are military, about a third are civilian and about a third of them are independent contractors.

Senator SNOWE. Because one of the original reasons for creating the ICGS was the shortage of trained and experienced acquisition personnel within the Coast Guard. So obviously, we don't want this to be a weakness that ultimately results in the problems that we're confronting today.

Admiral ALLEN. Your point is well taken, Senator. Again, getting back to my opening statement, this is an issue I recognized when I became the Commandant last year and the reorganization of the acquisition organization wasn't in response to the press disclosures of the IG report. We already knew well over a year ago that we needed to do this to organize the Coast Guard more effectively to be able to execute these acquisitions.

Senator SNOWE. The Administration is requesting an \$8.7 billion budget and I know you explained the reasons why you're essentially focusing on strategy and reshaping the command structure. But it only represents a 1 percent increase from last year. We just recently passed the SAFE Port Act, for example. That alone, I think would put inordinate pressures on resources within the Coast Guard, which is managing not only that mission but obviously the other missions that have, I think, been underserved by the Coast Guard recently. This is a departure, I think, from the standard that the Coast Guard has adhered to with fisheries enforcement onboard compliance, with fishery regulations below the 97 percent rate, as I mentioned in my opening statement.

So how are you going to respond to port security, for example, given the constraints in this budget? I do think it is under-funded when you think of your multimissions, your traditional missions that also are going to be handicapped with this budget as well, the way it has been in the recent past.

Admiral ALLEN. Well, as you know, we're working through the 2009 budget bill process inside the Administration right now and clearly there are issues that are not in the budget this year that I am dealing with right now to go ahead and seek funding for that although we haven't finalized it so I'm not at liberty to detail it.

But rest assured, based on my comments earlier, now that the strategy is set and we know where we're going, we have to source the strategy and whatever resources we are seeking need to be aligned with that and that is my intention. What we do need to focus on very shortly here is the Command Center issue and I'll explain—for two reasons. Number one, the SAFE Port Act has a time limit associated with that but in a larger sense, if you take a look at what we need to be doing in it as far as integrating things across the Coast Guard, we have Rescue 21. We have a need to configure and standardize our command centers and be responsive to the SAFE Port Act. We have automated identification systems and long range tracking and our need to be interoperable with the Navy where we have fleet concentrations and we work with them. All that tells me that the solution has got to be coming forward, at least next year, on where we're going with command centers, ma'am.

Senator SNOWE. Thank you.

Senator CANTWELL. Senator Stevens?

Senator STEVENS. Just following up on that, we mandated in the SAFE Port Act that we have a long range vessel tracking system by April 1. We don't have one yet, do we?

Admiral ALLEN. Sir, we have access to sufficient locating data right now. Our problem is, once the data has been gathered, how do you display it and share it with everybody. Access to the data is not a problem with us between unclassified and classified systems, we have access to all the locating data that we need right now, sir. The challenge is bringing that down and putting it in a commonly held architecture that everybody has access to, sir.

Senator STEVENS. We are trying to deal now with the concept of illegal, unreported and unregulated fishing beyond our 200 mile limit. One of the problems we have is that—take the Gulf of Alaska. There are more and more of those vessels that are just outside

our limit or outside even the Russian limit that are literally vacuum cleaning the oceans with new tackle, new techniques. I assume you've seen the National Geographic article from last month?

Admiral ALLEN. Yes, sir.

Senator STEVENS. That would cover that. We're trying to find some way to deal with that and we've been discussing the concept of having transponders on every vessel that fishes in the world and have those be capable of being tracked by satellite. Is that feasible, in your opinion?

Admiral ALLEN. It is feasible, sir. Under the agreements we negotiated last year at IMO, there is a requirement now for vessels over 300 gross tons and you get to a cutoff of what size fishing vessel you're talking about. But at least for vessels over 300 gross tons, from countries that are signatory to the SOLUS Convention, they will be required to carry long range tracking or transponders that can be picked up within a 1,000 miles of a coastal state or if they've declared their intent to enter a particular port, 2,000 miles, sir.

We are negotiating at IMO right now the technical standards and how that is going to be actually implemented. In our view, in the long run, that will be the way we need to do that. The question is, will there be vessels less than 300 gross tons that we're going to need and how to treat those? Inside the United States, I've been directed by the Maritime Transportation Security Act of 2002 to drive transponder carriage requirements down to vessels, commercial vessels 65 feet and above. That would pretty much take care of the United States so the gap that would be remaining at that point would be vessels less than 300 gross tons, sir.

Senator STEVENS. Well, we're trying to figure out where these vessels have been and what they've harvested. National Geographic is working with us on this. We thought we might go to the U.N. and ask them to give us some assistance like they did on the drift nets. That hasn't been a complete success yet but it has been a considerable success in eliminating drift nets.

I don't know really how to tackle this in terms of enforcement. You don't have enough vessels in Alaska right now to take care of our over 3 million square miles. If we add that Gulf to it, it's not possible to be dealing with it. We asked you to try and pioneer using UAVs. Are you going to continue that experiment?

Admiral ALLEN. Yes, I don't think—if I could just make a statement. What we're really dealing with here is what I would call tyranny of distance, sir and it's an issue—in Alaska, it's an issue in the high seas drift net areas in the Central Pacific. It is an issue of the new marine sanctuary north of Hawaii and I think we need to take a new technology look at this and see where we can leverage technology because it's impossible to put enough floating assets out there to cover all those areas.

Senator STEVENS. It has to be sort of identification of who is there and then have the capability to warn them and where there is persistent violation, to have some kind of law enforcement.

Admiral ALLEN. Yes, sir.

Senator STEVENS. It has to be in the third level. What would it take for you to have that third level capability in the North Pacific?

Admiral ALLEN. The response capabilities, sir?

Senator STEVENS. Yes.

Admiral ALLEN. I think we have to figure out what the standard is. Do you want to have somebody, if you sighted a violation on the scene, say within 24, 48 or 72 hours. As you know, we have some of these cases where it takes us 10 or 14 days to get to the sighting where a C-130 had actually been over the top. The amount of vessels it would take to do that would be astronomically high, sir. I think you'd have to come up with a risk-based situation—what is it you want to achieve and what is it you're willing to give up to do that? Where would you place the vessels and how fast you'd want them there, sir. I'd be glad to give it some thought and give you an answer, sir.

Senator STEVENS. One last question, if I may, Madam Chairman. Do you have enough correspondence and communication with your foreign counterparts in the Pacific to keep track of what they find out, in terms of what vessels come back to their ports that may have been in our waters or may have been in those unregulated waters?

Admiral ALLEN. I wouldn't say it's perfect but it is improving, sir. We belong to something called the North Pacific Coast Guard Forum and that's—there is annual meeting of the Heads of Coast Guards for the United States, Canada, Russia, South Korea, Japan and China. We meet every year. I was in the Hainan Island in China last October. We meet in St. Petersburg, Russia this coming September. One of the things we are addressing are the illegal fisheries out there. Last year, we actually deployed a Coast Guard cutter with a Chinese ship rider who would help us enforce when we encountered those vessels. Those conversations are maturing but you're right. Those are the type of forum we're going to have to get into if we're going to solve the problem, sir.

Senator STEVENS. Well, we wish you luck. I'm sure the state of Washington has the same interests in this. We lost two complete runs. They didn't even come back. And we're certain now that something is intercepting them and it's too large a loss to be attributed to ocean mammals. This has to be a concerted attack on specific species that are very valuable now on the world market. So I'd like to be able to work with you in the coming year to see how we might find some way to put the fear of God in those people to just lay off our fish. Thank you.

Admiral ALLEN. Yes, sir. And I might add, we're in the process of standing up a North Atlantic Coast Guard Forum with the countries that are in the North Atlantic, too.

Senator CANTWELL. Senator Nelson?

Senator NELSON. Thank you, Madam Chair. Picking up, you had stated that you have approximately 4 to 6 of these cutters within Florida Straits area and I can't say enough good things about your people because I see them down in the Miami Beach station and I see them down in the St. Petersburg station and they are excellent.

My concern is trying to get ahead of the power curve on if we were to have a mass migration. Now, if you've got 4 to 6 down there and you say that you can surge to 19 to 20 ships within 72 hours, that's 3 days. You would then have to bring assets from Norfolk and New England, would you not?

Admiral ALLEN. It would depend on which cutters were underway at the time, sir. We would bring them from wherever we would need them. Obviously from New England, it wouldn't be there in 72 hours. The steaming time is a little further than that but we have cutters in the Gulf. We have cutters in the Southeast that could be surged down there, sir.

Senator NELSON. How many cutters in Norfolk would you have available to you?

Admiral ALLEN. Well, we have a certain number of cutters in Norfolk. Some of them are on patrol. Some of them are in a maintenance period. I can give you an exact lay down of all the cutter homeports and the traveling times to the Straits, sir, in great detail for the record, if you'd like.

Senator NELSON. All right, if you would and if you would also include not from the time that you sail out of the port but the preparation time for the ship—the loading of the ship, the loading of the food and equipment, the gathering of the crew. From the time the signal comes to how long in addition to the 3 days traveling, for example, that you just said, from Norfolk, is it going to take to get people there and if you would also supply for the record, your greater elucidation on the fact of a 95 percent interdiction rate.

[The information referred to follows:]

The ability of various cutters to respond to a mass migration is dependent on numerous variables including number and flow of migrants, as well as weather and the number and type of assets underway in the Florida Straits, Caribbean Sea and along the Eastern seaboard. The Atlantic Area Commander and Operation Vigilant Sentry Commander, in accordance with OPLAN VIGILANT SENTRY, coordinate the deployment of all assets and resources to South Florida in the event of a mass migration. The first cutters to respond to a mass migration would be those assets in an underway or standby status in the Florida Straits. For example, Coast Guard District Seven has, on average, 10 cutters underway or in a standby status within a 12 hour transit of the Florida Straits that could respond immediately in the event of a mass migration. Subsequently, the Coast Guard would then deploy other cutters underway or in standby from other locations.

For instance, patrol boats from the Gulf Coast or Medium Endurance Cutters (MEC) from the Caribbean Sea can be redeployed. The last cutters to be deployed in the event of a mass migration would be those assets inport in a dedicated maintenance period. These cutters would likely be unable to get underway on short notice.

While OPLAN VIGILANT SENTRY details how many cutters are required to respond to a mass migration, below lists the 101 cutters that the Atlantic Area Commander has available to respond to a mass migration in the Florida Straits:

Cutter Class	Cutter Name	Homeport	Underway Preparation Time (Hrs)	Transit Distance (NM)	Transit time to FL Straits (Hrs)
110' WPB	CGC Drummond	Key West, FL	48	0	0
270' WMEC	CGC Mohawk	Key West, FL	72	0	10
270' WMEC	CGC Thetis	Key West, FL	72	0	0
87' CPB	CGC Sawfish	Key West, FL	48	0	0
110' WPB	CGC Sitkinak	Miami Beach, FL	48	175	12
110' WPB	CGC Farallon	Miami Beach, FL	48	175	12
110' WPB	CGC Chandeleur	Miami Beach, FL	48	175	12
110' WPB	CGC Nantucket	Miami Beach, FL	48	175	12
210' WMEC	CGC Valiant	Miami Beach, FL	72	175	12
87' CPB	CGC Dolphin	Miami Beach, FL	48	175	12

Cutter Class	Cutter Name	Homeport	Underway Preparation Time (Hrs)	Transit Distance (NM)	Transit time to FL Straits (Hrs)
87' CPB	CGC Gannet	Fort Lauderdale, FL	48	204	14
87' CPB	CGC Marlin	Fort Meyers, FL	48	250	17
110' WPB	CGC Key Biscayne	St. Petersburg, FL	48	286	19
110' WPB	CGC Knight Island	St. Petersburg, FL	48	286	19
110' WPB	CGC Kodiak Island	St. Petersburg, FL	48	286	19
110' WPB	CGC Pea Island	St. Petersburg, FL	48	286	19
175' WLM	CGC Joshua Appleyby	St. Petersburg, FL	48	286	19
210' WMEC	CGC Venturous	St. Petersburg, FL	72	286	19
210' WMEC	CGC Resolute	St. Petersburg, FL	72	286	19
87' CPB	CGC Hawk	St. Petersburg, FL	48	286	19
87' CPB	CGC Cormorant	Fort Pierce, FL	48	300	20
87' CPB	CGC Bluefin	Fort Pierce, FL	48	300	20
210' WMEC	CGC Confidence	Cape Canaveral, FL	72	320	21
210' WMEC	CGC Vigilant	Cape Canaveral, FL	72	320	21
87' CPB	CGC Shrike	Cape Canaveral, FL	48	320	21
175' WLM	CGC Maria Bray	Jacksonville, FL	48	470	31
87' CPB	CGC Kingfisher	Jacksonville, FL	48	470	31
87' CPB	CGC Seahawk	Carabelle, FL	48	506	34
87' CPB	CGC Bonito	Pensacola, FL	48	506	34
87' CPB	CGC Coho	Panama City, FL	48	520	35
225' WLB	CGC Cypress	Mobile, AL	72	544	36
87' CPB	CGC Stingray	Mobile, AL	48	544	36
87' CPB	CGC Cobia	Mobile, AL	48	544	36
210' WMEC	CGC Decisive	Pascagoula, MS	72	558	37
PC-179'	CGC Tempest	Pascagoula, MS	48	558	37
PC-179'	CGC Tornado	Pascagoula, MS	48	558	37
PC-179'	CGC Shamal	Pascagoula, MS	48	558	37
87' CPB	CGC Razorbill	Gulfport, MS	48	558	37
87' CPB	CGC Pompano	Gulfport, MS	48	558	37
225' WLB	CGC Oak	Charleston, SC	72	579	39
378' WHEC	CGC Dallas	Charleston, SC	96	579	39
378' WHEC	CGC Gallatin	Charleston, SC	96	579	39
87' CPB	CGC Yellowfin	Charleston, SC	48	579	39
87' CPB	CGC Tarpon	Savannah, GA	48	584	39
87' CPB	CGC Sturgeon	Grand Isle, LA	48	600	40
87' CPB	CGC Pelican	Abbeville, LA	48	600	40
110' WPB	CGC Block Island	Atlantic Beach, NC	48	668	45
110' WPB	CGC Staten Island	Atlantic Beach, NC	48	668	45

Cutter Class	Cutter Name	Homeport	Underway Preparation Time (Hrs)	Transit Distance (NM)	Transit time to FL Straits (Hrs)
210' WMEC	CGC Diligence	Wilmington, NC	72	668	45
225' WLB	CGC Elm	Atlantic Beach, NC	72	668	45
87' CPB	CGC Heron	Sabine, TX	48	736	49
210' WMEC	CGC Dauntless	Galveston, TX	72	771	51
87' CPB	CGC Manowar	Galveston, TX	48	771	51
87' CPB	CGC Skipjack	Galveston, TX	48	771	51
87' CPB	CGC Manta	Freeport, TX	48	797	53
87' CPB	CGC Amberjack	Port Isabel, TX	48	849	57
87' CPB	CGC Manatee	Ingleside, TX	48	850	57
87' CPB	CGC Steelhead	Port Aransas, TX	48	856	57
87' CPB	CGC Brant	Corpus Christi, TX	48	873	58
270' WMEC	CGC Bear	Portsmouth, VA	72	906	60
270' WMEC	CGC Forward	Portsmouth, VA	72	906	60
270' WMEC	CGC Harriet Lane	Portsmouth, VA	72	906	60
270' WMEC	CGC Legare	Portsmouth, VA	72	906	60
270' WMEC	CGC Northland	Portsmouth, VA	72	906	60
270' WMEC	CGC Tampa	Portsmouth, VA	72	906	60
87' CPB	CGC Albacore	Little Creek, VA	48	906	60
87' CPB	CGC Beluga	Little Creek, VA	48	906	60
87' CPB	CGC Cochito	Little Creek, VA	48	906	60
87' CPB	CGC Shearwater	Portsmouth, VA	48	906	60
87' CPB	CGC Sea Horse	Portsmouth, VA	48	906	60
110' WPB	CGC Ocracoke	San Juan, PR	48	965	64
110' WPB	CGC Sapelo	San Juan, PR	48	965	64
110' WPB	CGC Matinicus	San Juan, PR	48	965	64
110' WPB	CGC Cushing	San Juan, PR	48	965	64
110' WPB	CGC Key Largo	San Juan, PR	48	965	64
110' WPB	CGC Chincoteague	San Juan, PR	48	965	64
110' WPB	CGC Bainbridge Island	Highlands, NJ	48	1,106	74
210' WMEC	CGC Dependable	Cape May, NJ	72	1,106	74
210' WMEC	CGC Vigorous	Cape May, NJ	72	1,106	74
87' CPB	CGC Sailfish	Sandy Hook, NJ	48	1,106	74
87' CPB	CGC Mako	Cape May, NJ	48	1,106	74
87' CPB	CGC Finback	Cape May, NJ	48	1,106	74
87' CPB	CGC Ibis	Cape May, NJ	48	1,106	74
87' CPB	CGC Ridley	Montauk, NY	48	1,150	77
87' CPB	CGC Chinook	New London, CT	48	1,183	79
225' WLB	CGC Juniper	Newport, RI	72	1,185	79

Cutter Class	Cutter Name	Homeport	Underway Preparation Time (Hrs)	Transit Distance (NM)	Transit time to FL Straits (Hrs)
225' WLB	CGC Willow	Newport, RI	72	1,185	79
87' CPB	CGC Tiger Shark	Newport, RI	48	1,185	79
110' WPB	CGC Grand Isle	Gloucester, MA	48	1,343	90
110' WPB	CGC Sanibel	Woods Hole, MA	48	1,343	90
110' WPB	CGC Tybee	Woods Hole, MA	48	1,343	90
270' WMEC	CGC Escanaba	Boston, MA	72	1,343	90
270' WMEC	CGC Seneca	Boston, MA	72	1,343	90
270' WMEC	CGC Spencer	Boston, MA	72	1,343	90
87' CPB	CGC Flyingfish	Boston, MA	48	1,343	90
87' CPB	CGC Hammerhead	Woods Hole, MA	48	1,343	90
210' WMEC	CGC Reliance	Portsmouth, NH	72	1,360	91
110' WPB	CGC Jefferson Island	South Portland, ME	48	1,384	92
270' WMEC	CGC Campbell	Kittery, ME	72	1,400	93
270' WMEC	CGC Tahoma	Kittery, ME	72	1,400	93
87' CPB	CGC Moray	Jonesport, ME	48	1,400	93

- The time required for a cutter to transit from their homeport to the Florida Straits assumes that each cutter transits at a speed of 15 knots.
- The amount of time needed for preparing the cutter to get underway and transit to the Florida Straits assumes that each cutter is in a maintenance status in their homeport with no significant systems (engines, generator, etc.) down for maintenance. Cutters that are underway or in a readiness status will be able to be on scene in the Florida Straits much sooner than the table may indicate. At any given time, two LANT WPBs and two LANT MECs are in drydock at the CG Yard in the Mission Effectiveness Project (MEP).
- Underway preparation time by cutter class and size:
  - 378' WHEC 96 hrs
  - 270' WMEC 72 hrs
  - 225' WLB 72 hrs
  - 210' WMEC 72 hrs
  - PC-179' 48 hrs
  - 175' WLM 48 hrs
  - 110' WPB 48 hrs
  - 87' CPB 48 hrs

Senator NELSON. For example, in the Cuban migrants that came in 1994, you had a surge as many as 3,000 in the first day. How are we going to interdict 3,000 in the first day?

Admiral ALLEN. Yes, sir. A couple of responses to that and I would also offer you another classified brief, if I could, on indications and warning and what we would know and how we would know it, sir.

There are some different conditions right now that exist that didn't exist before the 1994–95 mass exodus because they are based on the migrant accords that we have negotiated with Cuba since then and that is the ability to repatriate to Cuba. A lot of what we may encounter down there is based on policy decisions that will be made at the time and what would be the reaction of the Cuban government. As long as we can manage the flow, we can interdict and repatriate them to Cuba and it's not an issue. The issue is

when we don't have enough hulls out there or hull space for the amount of people we are interdicting and then if the overflow is Guantomino Bay, Cuba after that, that's when we would ask for support from the Navy. Not when it happened but well before and at that point, we are capable of holding a significant amount of folks on decks out there. The real issue is, how to repatriate them, sir.

Senator NELSON. And of course, what would spark a mass migration, you would have to assume the worst, that you couldn't repatriate them to the Island of Cuba because it would be because of the turmoil of the Cuban government that would cause such a mass migration that would not be a cooperative government and when you're talking about having lots of folks on deck, may I ask you also to respond to us, you probably know that there is some huge percentage of the Cuban population that has tuberculosis today.

So you get a whole bunch of migrants on a ship and one of them has tuberculosis, how long is it going to take you to clean that ship before you can turn it around and use it again? So I would like you to consider all of those things and please respond for the record.

Admiral ALLEN. Yes, sir. I would offer again, it would be very helpful just to make sure I am responsive to you, if I could arrange a classified briefing for you, sir.

Senator NELSON. Absolutely. I'll look forward to that, at your convenience.

Admiral ALLEN. Yes, sir.

Senator NELSON. Thank you.

Admiral ALLEN. And if I could, it might be a good idea to include Admiral Stavridis from the U.S. Southern Command because they have a play in this, too, sir.

Senator NELSON. And I've been in touch with him as well. Of course.

Senator CANTWELL. Thank you. Admiral Allen, my colleagues, I have a few questions. I'm happy to stay for a third round of questions if anybody has any additional questions but Admiral, if I could, back to the Deepwater Program and again, since it is the major acquisition part of the budget here, you can imagine our concern, obviously, from what's been—what we know to date of the Deepwater Program and acquisition. But back to your earlier comment in answering Senator Snowe about moving forward with the changes in contracts.

I think you were referring to the fact that the new contracts would reflect assets that were part of the Deepwater plan but not necessarily part of the original contract and that you would apply these new standards to those assets moving forward. Is that correct? You're not going to go back to those assets that are already contract and apply standards?

Admiral ALLEN. If I can give you a two-part answer—

Senator CANTWELL. The manual, the—

Admiral ALLEN. The entire program needs to be brought under an acquisition doctrine that is responsive to the way we have acquired things in the past and the way we need to do it in the future. That's work in progress and everything else. The actual structure of the contract for the next 43 months when awarded, will put

new criteria, performance criteria on a contract that will allow us, even under work in progress, to be able to monitor that. And if we are not satisfied we're getting the performance we need out of the contractor, we do not have to issue the task order against the contract.

Senator CANTWELL. Including the Acquisition Manual Rules and Regulations?

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. OK. On a specific asset that is under contract now and obviously an expansion of that is the CASA Maritime Patrol Aircraft? I'm assuming that you are familiar with that.

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. One of the issues that I want to make sure that we're focusing on moving forward is transparency and obviously, I think we want to understand the decisionmaking process on the CASA Maritime Patrol Aircraft. Was security part of the analysis, safety and security issues?

Admiral ALLEN. I would have to go back and check the evaluation that was done on the proposals exactly how that manifested itself. I'm not sure I understand by security what you mean, ma'am.

Senator CANTWELL. Well, more specifically, safety.

Admiral ALLEN. If you're talking about safety in regards to the airframe itself, we are satisfied it has an adequate safety record. We are aware that there have been incidents with CASAs around the world. In fact, I had my staff take a look at it and our analysis of that leads us to believe that in most cases, it was pilot error that was associated with those mishaps.

Senator CANTWELL. Nine crashes resulting in 92 fatalities?

Admiral ALLEN. Yes, ma'am. I've actually got a list and I can provide it for the record.

[The information referred to follows:]

List of CASA 235 Crashes

Date	Location	Occupants	Fatalities	Narrative
25FEB92	Antarctica	11	0	Crashed in snow.
18OCT92	Indonesia	31	31	The CASA was descending from 11,000 ft to 8,000 ft when it struck a hill (Puntang Mountain). The accident happened during a heavy rainstorm.
22MAY97	Indonesia	6	6	Lost control while testing the LAPES (Low Altitude Parachute Extraction System) to drop a 400kg load from a height of 200m. The parachute harness apparently detached during the process, causing the 400kg load to remain on the cargo door. Control was lost and the aircraft crashed.
19JAN01	Turkey	3	3	Crashed after entering a spin from which recovery was not possible.
16MAY01	Turkey	34	34	Control was lost at 17,000 ft and the aircraft crashed.
18MAY01	Turkey	4	4	Crashed after reaching an altitude of just 100 feet. The CN-235 plane was one of eight that was being modified for use by the Turkish Navy, and was on its final test flight.

## List of CASA 235 Crashes—Continued

Date	Location	Occupants	Fatalities	Narrative
29AUG01	Spain	47	4	The flight was cleared for an instrument landing approach. After switching from the Approach to the Tower radio frequency, a no. 1 engine fire warning was noted by the crew. The co-pilot advised Malaga Tower of the emergency "estamos en corta final, llevamos fuego en un motor, declaramos emergencia." The co-pilot followed emergency procedures, during which both engines were switched off. The plane descended and collided with the post of the first approach lights, 538 meters short of the runway threshold. It slid 220 meters, during which it hit five approach light stanchions and finally hit the embankment of the N-340 motorway.
17DEC03	France	7	7	The CASA departed Toulouse-Francazal to drop parachutists in the area of Foix. The airplane crashed in a mountainous area, killing all aboard. Reportedly a number of parachutists had already left the plane.
21JUL05	Indonesia	23	3	Crashed while on final approach to Lhokseumawe's runway 24. It has been reported that an engine failed on finals.

*Note:* Taken from Flight Safety Foundation Aviation Safety Network. This information is not presented as the Flight Safety Foundation or the Aviation Safety Network's opinion as to the cause of the accident. It is preliminary and is based on the facts as they were known at the time.

Senator CANTWELL. So if we went back to the Deepwater Program, would we see—you're saying as far as the specification and design and asset capability, safety would have been—

Admiral ALLEN. Oh, air worthiness is always a concern. They have to be certified for use in this country. I would tell you that all three industry teams that submitted a proposal for Deepwater included the CASA—included Boeing, who is an aircraft manufacturer.

Senator CANTWELL. I'm more interested in this, our process of laying out because I see a trend here and at least with Rescue 21 and with the Deepwater Program, I want to understand how the Coast Guard lays out the specifications that it wants to see in the design and the delivery of the assets and how that then is communicated. Obviously one of the greatest concerns about the Deepwater Program was the concern about coming back and then changing the specifications of the assets that were to be delivered.

So obviously we want to be very clear moving forward what that process is, how the specification and design work is done and obviously, we want the engineering logistic team in Baltimore to play the key role. We want to go back to using the Systems Acquisition Manual so that those processes are clear. We don't want contractors coming back and saying—making the ultimate decision nor do we want the contractors saying that somehow the process changed three times and that's why the taxpayers are going to pay instead of \$300 million for the National Security Cutter, closer to a billion dollars. So this is a very, to me, a key point about how the process works.

Admiral ALLEN. Yes, ma'am. We're in complete agreement. I might add that regarding the aviation assets, we do have an established technical authority. We have a product manager at the Aviation Recovery and Supply Center in Elizabeth City. They were com-

pletely involved in this and in fact, the first aircraft that was offered by ICGS was rejected by the Coast Guard. It was a CASA 235 extended range that we felt didn't meet the operation parameters and there might have been safety problems and actually rejected the first airframe offered.

Senator CANTWELL. And is the U.S. Border Protection—they are purchasing a different aircraft?

Admiral ALLEN. They are. They are purchasing the Dash 8.

Senator CANTWELL. That's not an aircraft that the Coast Guard wanted to purchase?

Admiral ALLEN. It's in the same area regarding performance. There were a couple of things that the CASA gives us that the Dash 8 didn't. The CASA has a stern rear ramp that drops down. It can take up to three military pallets. In fact, that's the way we're putting the sensor operator system into it and we also introduced a very large observer window because when we fly these things on search and rescue cases, we have to be able to look down for folks that are in the water so the configuration is slightly different and the Dash 8 wouldn't have given us that level of performance. It is a little faster than our CASA. Customs puts a premium on that because they do air intercepts.

Senator CANTWELL. So the \$19 million difference between those two planes, you're saying, is that ability to release cargo?

Admiral ALLEN. There are a couple other differences. It has to do with the avionics and the cockpit configuration but we can give you a side by side.

Senator CANTWELL. Can I get the original, as I said, spec and design requirements that the Coast Guard was providing that, provided for the bidding on that aircraft?

Admiral ALLEN. I'd be happy to do that, ma'am.

[The information referred to follows:]

During Phase I of the Deepwater Program in March 1999, Team Deepwater, which later became Integrated Coast Guard Systems (ICGS) conducted an evaluation of 16 candidate aircraft to consider for selection as the Coast Guard's Maritime Patrol Aircraft (MPA). Both turboprop and jet aircraft were considered. New fixed-wing aircraft alternatives were investigated, all with the potential to complement or replace Legacy Aviation assets in the Integrated Deepwater System (IDS). Candidate alternatives were evaluated to reduce operating costs, improve mission performance, and expand upon Legacy fixed-wing multi-mission capabilities. Most likely candidates were recommended for further analysis. The evaluation included three separate CASA products.

As part of the Deepwater Final Phase II Proposal, submitted to the Coast Guard in June 2002, the Coast Guard accepted ICGS's Integrated Deepwater Systems design that included the CASA CN-325-300M ER. This extended-range version of the Commercial Off The Shelf (COTS) CN-235-300 included modifications to the basic aircraft in order to meet the performance specifications unique to Coast Guard missions.

Coast Guard Aviation officials had concerns about the capabilities of the proposed aircraft. The main concern was with the aircraft's growth margin because the proposed aircraft included airframe modifications, but did not include a modified powerplant. These concerns over the perception that the CN-235-300M ER could not safely carry a full fuel load while operating in certain hot weather locations that led the Coast Guard to request that ICGS conduct a another MPA Analysis of Alternatives (AoA). Aircraft performance, total ownership cost, and capability to perform mission were examined. The results of the analysis recommended the change to the CN-235-300M from the CH-235-300M ER.

The results of this analysis were briefed to the Commandant in March 2003. The Commandant approved the selection with a decision memo on 10 March 2003, designating the CN-235-300M as a Maritime Patrol Aircraft in the IDS (the HC-130H/

J is the other MPA). A contract for the development and demonstration of the first two CN-235-300Ms was signed in May 2003.

A subsequent business case analysis was completed by ICGS in December 2004. This analysis, once again, compared the CN-235-300M, CN-235-300M ER, and C-27J. The analysis assessed the operational effectiveness and total ownership costs of switching from the CN-235-300M from the CN-235-300M ER. The analysis confirmed the CN-235-300M was capable of performing all its missions and exhibited better weight growth and climb performance characteristics.

In December 2006, the first CN-235-300M was delivered to the Coast Guard at the CASA facility in Seville, Spain. Pilot and aircrew training were conducted on-site. The aircraft was then flown from Spain to the Coast Guard Aircraft Repair and Supply Center (ARSC) in Elizabeth City, North Carolina, where the mission pallet is being integrated with the aircraft. The pilot in command, CDR Douglas Nash from Aviation Training Center Mobile, AL had this to say about the CASA CN-235-300M (official military designation HC-144A):

“It has been a pleasure learning to fly the HC-144 with its docile flight characteristics, simple mechanical systems, and a state-of-the-art avionics suite providing incredible situational awareness and ease of operation. Its wide array of automated safety and surveillance systems and built in mechanical redundancy will help avert potential mishaps, while it’s roomy cockpit and quiet, comfortable cabin are ideal for the 7 to 10 hour surveillance missions the aircraft will be performing. Also impressive is the aircraft’s low speed handling characteristics, and the outstanding visibility from the large cockpit windows and cabin bubble windows, features that will prove crucial in performing surveillance and SAR missions.”

It is important to point out that individual aviation assets are not required to meet each requirement and/or fill every function, just as Aviation assets are not intended to meet each and every requirement of the entire System Performance Specification (SPS). Aviation assets that contribute to the overall IDS and the aviation asset mix were selected based on performance and cost. The MPA is one part of the Deepwater Program. It provides a Medium Range Surveillance capability that supports the 11 Congressionally mandated missions assigned to the Coast Guard.

MPA Timetable	
March 1999	Deepwater Phase I Analysis of Alternatives for Aviation Assets complete.
June 2002	Revised Final Proposal from ICGS accepted by Coast Guard. Proposal included CN-235-300M ER as replacement MPA.
November 2002	MPA Platform Analysis study by ICGS to validate selection of CN-235-300M ER.
March 2003	Analysis of Alternatives on risk mitigation activities for MPA complete. Showed upgrade to CN-235-300M ER from CN-235-300M not appropriate. Results briefed to Commandant. Congressional language in FY03 budget directs Coast Guard to acquire replacement MPA. Commandant signed decision memo designating CN-235-300M as MPA within IDS.
May 2003	Contract signed with ICGS for development and demonstration of MPA 1 & 2.
December 2004	ICGS conducted business case analysis on MPA selection. Analysis confirmed performance characteristics a mission performance capabilities of CN-235-300M as compared with CN-235-300M ER.
CY 2005	Design & production of CN-235-300M.
December 2006	Delivery of first CN-235-300M to Coast Guard. Pilot in command gives very favorable endorsement to aircraft’s performance & safety characteristics.

Senator CANTWELL. Thank you. And we will have other questions, I’m sure, that we’ll want you to answer in writing about the Deepwater Program but if I could, because there are so many issues that the Committee is concerned with as it relates to the

Coast Guard 2008 budget. One of them is the polar icebreakers and I mentioned that in my statement earlier. Why does the budget request again not include funds for the Polar Icebreaker fleet?

Admiral ALLEN. We are in the process right now of trying to get a policy determination on how to move forward with polar icebreaking. If I could take you back a few years when we were in the process of acquiring HEALY. That was done pursuant to a Presidential determination requiring the need for icebreakers.

The National Academy of Science has produced a study last fall that basically validated the need for three icebreakers and that we should proceed with a plan on how to recapitalize those. We are attempting to work through the policy apparatus in the Administration right now to establish what the requirements are for polar icebreaking and I've laid out internally to the Coast Guard, there are three knotty problems that I've got to get my arms around while I'm Commandant. One of them is the polar icebreakers.

The other one is the inland Aids to Navigation vessels and the third one is the condition of our shore infrastructure and moving forward into the 2009 budget and beyond, we'll be looking to attack those problems, ma'am.

Senator CANTWELL. And I know, Admiral, that you are just new as Commandant, relatively new but we did include—this is not the first time that this Committee has been very direct or the Congress has been very direct about this. In fact, in the Maritime Transportation Act of 2006, we called for the Coast Guard to submit such a plan. We required that plan and instead what we got is basically that we're going to continue to rely on the National Science Foundation.

So this is of great concern to many of us on the Committee that the specific plan funding, recapitalization all need to be there. We are not going to continue to see this mission undermined by an Administration who wants to contract out for these kinds of services through the National Science Foundation, leaving the critical resources that are there with the—is it the POLAR STAR or the POLAR SEA?

Admiral ALLEN. POLAR SEA is the one that is operating now, ma'am.

Senator CANTWELL. The POLAR SEA—we're not going to see a budget play that leaves the resources of the POLAR SEA to play catch up to a contractor that couldn't deliver to begin with and now we have vessels stranded and then the POLAR SEA has to respond to support them. So it seems to us—it's very clear that there is a budget game going on here and the real question is, do these assets need to be funded through the Coast Guard? My sense is looking at scientific information even though we have climate warming, it's only going to lead to more traffic and transportation in these areas and a higher need of the delivery of these services, not less.

So getting this right, getting this clear that these are resources of the Coast Guard and must be budgeted for is a key priority and so as far as we're concerned, that 2006 language was specific and we think the Coast Guard is past due on delivering a plan to us. So what is the time-frame for a response for a real plan?

Admiral ALLEN. Yes, ma'am. As I said, we're working that through the Administration right now and the baseline we're work-

ing from is the report that was issued by the National Academy of Sciences last fall and as we move forward, we'd be glad to give you an update on our progress on that. We have to have a way forward with the polar icebreakers. I'm in total agreement with you and there are two issues. One is the recapitalization but the other one is this situation right now where we own the ship and the people but the funding is resident in the National Science Foundation. I would rather have all the money in the Coast Guard budget, even if it wasn't enough.

And I said at a previous hearing, the current funding process for the annual appropriations to execute this mission is dysfunctional.

Senator CANTWELL. Do you believe that the contracting out of some of these services often time leaves the Coast Guard still playing clean up on the security and mission?

Admiral ALLEN. Well, I'm not going to comment on National Science Foundation's prerogatives. The problem is, all of our vessels, even if they are icebreakers, which would seem to be single mission vessels, are multimissioned. On the way back from Antarctica this year, the POLAR SEA was diverted for that Japanese oil processing ship that was on fire between Antarctica and New Zealand, and we just had an Argentinian ship catch fire and burn and sink just in the last week down in that area there. We do other things in those regions.

The National Science Foundation is only bound by appropriations law to reimburse us for what is related to the "billable hours" that support the science mission down there. You can never get there from here. I think it needs to be unified, ma'am.

Senator CANTWELL. So we basically are not paying for these services—we're not budgeting for these services.

Admiral ALLEN. Our operating budget for the polar icebreakers is in the National Science Foundation's budget, ma'am and they are only—

Senator CANTWELL. And they're not reimbursing you?

Admiral ALLEN. Well, they are reimbursing us for what has to do with the science missions, not everything we do with those vessels.

Senator CANTWELL. Well, I think just about every member of the Committee brought up an issue in which they think that either the security mission or the safety mission or the resource allocation of the Coast Guard is coming into question and I think we have to have the budgeting for these vessels in a program and framework that actually accounts for the cost of delivering those services and when you only have that allocated through the National Science Foundation for some of the services, it doesn't provide us an adequate budget for those needs and I predict that they will be in even more demand in the future.

Admiral ALLEN. I take no objection to your statement, ma'am.

Senator CANTWELL. Well, we will have to figure out an appropriate action because I think that Congress has been clear about this so we'll have to figure out exactly how we work to get the—as you said, the recapitalization and the resources to make sure that they are adequately budgeted because I would make the point that then we're really stealing from other resources, other security missions that the Coast Guard has to meet as well and these secu-

rity missions are serious responsibilities of the Coast Guard as well.

Admiral ALLEN. Yes, ma'am, I would tell you in regards to polar icebreakers, a concern that I have. If you look at what's happening with the polar icecap, the potential for an unfettered access from Europe across the top to Asia could cut 5,000 miles off a trip that would normally be through the Panama Canal. I would tell you at that point, safety, stewardship and security converge in the Arctic and these become less of a science platform than a national asset that we need to seriously think about.

Senator CANTWELL. And I would assume that the investment in something like the POLAR SEA is not a resource that a lot of other vessels have, is that correct?

Admiral ALLEN. It is a unique resource, yes.

Senator CANTWELL. OK and just one last question, if I could, Admiral. Obviously, our national fisheries are very important. Again, it's part of this challenge of funding within the budget and I know that this year's request—well, first of all, the 2007 request—the 2006 to 2007 request was a decrease and this year is an even lower trend. Can you explain that?

Admiral ALLEN. Yes, ma'am. I'm a former budget officer in the Coast Guard and I'm going to try to explain this without getting too, I guess, geeky or something here. There is an anomaly in how we present budget figures and I'd be glad to expound on it later on if it gets too arcane here.

The way we distribute the money in the budget as presented is based on a cost allocation model by the number of hours we allocated to those missions historically. We have the capability through what we call a Mission Cost Model in the Coast Guard to take an hour of high endurance cutter time or an hour of C-130 time and load that with the cost of the personnel, the fuel and so forth. So the cost of operating a high endurance cutter is much more than the cost of operating a patrol boat.

We then have every asset in the Coast Guard keep track of their employment by hour so for X number of hours for a high endurance cutter for a year, we can break that down into every mission set that we have performance parameters for and can load the cost.

The field commanders in all the districts out there apply resources to the highest need or the risk in their area of responsibility based on the threats that are presented to them and they are not the same every year.

Our search and rescue numbers for Katrina in 2005 go completely off the scope and so what you're seeing when we allocate those costs—it's really not a projection of what we intend to spend on the program, it's an historical allocation of cost as we allocated the assets in the past projected forward to the budget and if that's not the proper way to present it then we need to think of another way but we've been doing it this way.

I've been involved in this for over 20 years, going back to when I was a commander in the Coast Guard and it has been the way we've presented the cost and it may not be the most meaningful way to present them to you but it is not a prediction of what we are going to spend, it's a historical allocation of cost to the level of effort that we have done in the past.

Senator CANTWELL. And you think those—then the reflection of the 2008 budget, you think will be on target?

Admiral ALLEN. It rarely is the same because what we're doing is we're saying if the past was perfect and we did the same thing next year, that's what you would get and it never is, ma'am.

Senator CANTWELL. Well, I think for those of us—I mean, just in the reauthorization of the Magnuson-Stevenson Act and fisheries management, it's an important industry. It's very important that we adequately enforce the laws and the Coast Guard plays a key role in that.

So I think perhaps we ought to take a look at that, the budgeting in this particular area so that we can—I think it becomes challenging for each member of this Committee as they look at various issues and regional issues to understand whether the assets and resources are going to be there and when budget numbers reflect a decrease or as in Senator Nelson's case, he's trying to understand the current Deepwater proposal and resource allocation might mean for the response time to an emergency situation.

In the Florida Keys area, I think it is very important that we be able to give some specific answers. We don't want to continue to be with a Coast Guard at a second guessing point about what the budget actually means.

We ought to be in agreement about the level of funding and what that level of funding will provide. We might disagree about those priorities or something but we ought to be able to agree that this is the resource level that you will get with this budget and so if you can help the Committee with that, we'd much appreciate it.

Admiral ALLEN. Senator, going back to my more junior days as a commander working the budget here and seeing how this has evolved, if there was a way to kill this way of presentation, I would come up with something else. I think it is probably time to have that discussion.

Senator CANTWELL. Well, Admiral, thank you for your testimony today. We will keep the record open for two weeks. We hope that—we do want to provide—submit some questions that we hope you would answer in writing related to the Deepwater Program but we thank you for your testimony this afternoon and the Committee is adjourned.

[Whereupon, at 4:07 p.m., the hearing was adjourned.]



## A P P E N D I X

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

The Coast Guard has faced many unanticipated challenges during the past few years, from saving lives during natural disasters such as Hurricanes Katrina and Rita, to protecting the public from harm by carrying out additional security responsibilities assigned to it after 9/11 and through enactment of the SAFE Port Act of 2006. In addition to these challenging missions, the Coast Guard has had to maintain its traditional responsibilities. These have not been easy tasks, and the problems associated with the Deepwater procurement program very well may hamper the agency's ability to respond equally well in the future. I would like to commend the men and women of the Coast Guard for their tireless efforts, and the Commandant for his commitment to getting Deepwater back on track.

However, I have just mentioned 2 of the Coast Guard's 11 missions. Congress must ensure that the Coast Guard has the resources it needs to carry out all 11 missions, each one vital to protecting the American people, our natural resources and our way of life.

I am concerned that the Coast Guard's Fiscal Year 2008 budget request does not account for all 11 missions. For example, the budget proposes a significant decrease in funding for living marine resource missions. As you well know, Hawaii is the home of the Coast Guard's District 14, which is responsible for the protection and enforcement of the largest geographical area in the United States.

In addition to this, the President recently declared the Northwestern Hawaiian Islands a Marine National Monument, further increasing the Coast Guard's enforcement responsibilities in this area. Given that the Administration's budget proposes a reduction in funding for enforcement of marine resource laws, I am interested to hear how the Coast Guard plans to address its enforcement requirements for this expanded area of responsibility in the future.

Another issue of concern is the steady shifting of funding within the total Coast Guard budget between security and non-security missions given that the total budget has remained constant.

I continue to support priority funding for security responsibilities in the aftermath of the events of 9/11, but those added responsibilities should not be funded solely at the expense of other responsibilities such as enforcing our natural resource laws, our search and rescue programs, and our marine safety regulations.

I also have questions regarding other issues such as the status of Rescue 21, the Coast Guard's project to modernize its maritime emergency communications system, and the proposed realignment of the Coast Guard's Deployable Operation Groups.

I look forward to hearing from the witnesses, and working with them to resolve these issues in the future.

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

Madame Chair and Members of the Subcommittee:

I am pleased to provide this statement for the record about the President's Fiscal Year 2008 budget request for the Coast Guard. As you know, the Coast Guard has grown significantly since September 11, 2001, to help meet its responsibility to protect America's ports, waterways, and waterside facilities from terrorist attacks while maintaining responsibility for many other programs important to the Nation's interests, such as helping stem the flow of illegal drugs and illegal immigration, protecting important fishing grounds, and responding to marine pollution. While the Coast Guard budget request continues to increase in FY 2008, it also shows shifts in direction. By placing less emphasis on acquiring new assets and reorganizing some of its functional areas, the Coast Guard is attempting to rectify some of its management concerns of the past while better preparing itself for the challenges of the future.

My statement today provides:

- an overview of the Coast Guard's Fiscal Year 2008 budget request and key performance indicators;
- a discussion of various organizational changes and related management initiatives;
- a status update on some current acquisition efforts and challenges; and
- a look at additional challenges related to traditional legacy missions.

My statement is based in part on prior GAO work focusing on the Coast Guard's programmatic and management initiatives (a listing of related reports is included at the end of my statement). Additionally, we conducted interviews with headquarters, Pacific Area, and Sector San Francisco personnel, and reviewed budget, performance, and acquisition documents. The scope of our work did not include evaluating whether the proposed funding levels are commensurate with the Coast Guard's stated needs. Our scope was limited due to the short time available between the release of the President's Fiscal Year 2008 budget request and the hearing date of mid-April. All work for this statement was conducted in accordance with generally accepted government auditing standards between February and March 2007.

### Summary

The Coast Guard's Fiscal Year 2008 budget request is moderately higher than its Fiscal Year 2007 budget, but it increased at a lower rate, mainly reflecting a slowing in requests for funding acquisition, construction, and improvement (AC&I) projects. The 2008 overall budget request of \$8.73 billion is approximately 3 percent higher than the 2007 enacted budget, but unlike in prior years, the AC&I budget decreased by 19 percent. According to Coast Guard officials, this decrease is in part due to some recognized problems with ongoing acquisition programs and the desire to strengthen operating capabilities, including contract and acquisition oversight. While the AC&I budget request is down, a substantial pool of unspent funds appropriated for acquisition projects in previous years remains available to the Coast Guard. Current unobligated balances in these projects total \$1.96 billion, of which \$1.63 billion is associated with Integrated Deepwater Systems acquisitions. The Coast Guard expects to meet its performance goals in 6 of the 11 mission areas in FY 2006 (as compared to meeting performance goals in 8 of 11 missions in FY 2005). Performance trends over the past 5 years also show that increased homeland security activities have not prevented the Coast Guard from meeting its non-homeland security mission goals. The Coast Guard continues to develop ways to better understand the links between resources it expends and the results it achieves.

The budget request reflects a continued emphasis on reorganization efforts, all of which carry ongoing challenges. These efforts began with the combination of marine safety offices and Coast Guard groups into sectors in 2006. While the Coast Guard has completed its organizational changes to place local units under sector commands, not all of the units have been able to move to a single location, a key ingredient in bringing about the improved integration expected from the realignment. Funding was not provided in the Fiscal Year 2008 budget to complete the desired colocation. A reorganization effort that is to begin this year is designed to bring the different mobile deployable units responsible for such actions as pollution response, law enforcement, port security, and counterterrorism under a single command rather reporting to three different authorities. The Coast Guard hopes to gain more effective management, oversight, and coordination of these deployable forces. Challenges here include addressing "buy-in" and related issues from units affected by the changes, ensuring that mission performance of sectors that previously made use of these units for everyday activities is not compromised, and effectively establishing and operating the new centralized command. A third organizational effort to improve Coast Guard operations—in this case, to improve its troubled acquisition contract management—is the merging of the various acquisition management efforts under a Chief Acquisitions Officer. One challenge in making this move effective is the need to build a more robust cadre of acquisition management professionals.

Three major Coast Guard acquisition projects are making progress at varying rates, but challenges remain for all three in the future. The record for Deepwater has been mixed. Seven of 10 asset classes being acquired are on or ahead of schedule. Three classes, however, are behind schedule for various reasons and several factors add to the uncertainty about the delivery schedule of other Deepwater assets. Contract management issues, accountability of the contractor, and cost control through competition have been recurring challenges for the Coast Guard. Separate from Deepwater, the National Automatic Identification System (NAIS), a program designed to allow the Coast Guard to monitor and track vessels as far as 2,000 nau-

tical miles off the U.S. coast, is under way, and infrastructure for the first phase of the system is currently being installed. The Coast Guard is considering whether to require more types of vessels to install and operate tracking equipment—an issue that affects the extent to which the system will provide information on the location of vessels of interest. The Coast Guard’s timeline for achieving full operating capability for its search and rescue communications system, Rescue 21, was delayed from 2006 to 2011, and the estimated total acquisition cost increased from 1999 to 2005, but according to Coast Guard officials, many of the issues that led to these problems are being addressed. Coast Guard acquisition officials said they are providing more oversight to the contractor after we reported on contract management shortcomings. According to Coast Guard officials, the contracts that would set specific schedules and budgets for the last 25 regions in which the system will be installed have yet to be signed. Also, there has been a reduction in promised improvements to limit communications gaps; originally, Rescue 21 was intended to limit communications gaps to 2 percent, and that target was reduced to less than 10 percent.

Some of the Coast Guard’s non-homeland security missions are facing challenges based on competition for resources with homeland security-oriented funding needs. Many domestic icebreaking and Aids-to-Navigation vessels are also reaching the end of their designed service lives. While these vessels have been able to meet mission goals to date, without major rehabilitation or replacement, their ability to carry out their designated missions will likely decline in the future. The Coast Guard is currently examining options for addressing this issue. Similarly, the inability to obtain needed maintenance funding has led the Coast Guard to take one Polar-class icebreaker out of service to keep its remaining aging Polar-class vessel, the POLAR SEA, operational. With only one icebreaker capable of keeping access to Antarctica open, there is a greater possibility that mechanical problems or other maintenance issues could affect this mission.

### Background

The U.S. Coast Guard is a multimission, maritime military service within the Department of Homeland Security (DHS). To accomplish its responsibilities, the Coast Guard is organized into two major commands that are responsible for overall mission execution—one in the Pacific area and the other in the Atlantic area. These commands are divided into 9 districts, which in turn are organized into 35 sectors that unify command and control of field units and resources, such as multimission stations and patrol boats. In Fiscal Year 2005, the Coast Guard had over 46,000 full-time positions—about 39,000 military and 7,000 civilians. In addition, the agency had about 8,100 reservists who support the national military strategy or provide additional operational support and surge capacity during times of emergency, such as natural disasters. Furthermore, the Coast Guard also had about 31,000 volunteer auxiliary personnel help with a wide array of activities, ranging from search and rescue to boating safety education. The Coast Guard has responsibilities that fall under two broad missions—homeland security and non-homeland security. The Coast Guard responsibilities are further divided into 11 programs, as shown in table 1.

Table 1.—Homeland Security and Non-Homeland Security Programs by Mission Area

Mission and program	Activities and functions of each program
<b>Homeland Security Missions</b>	
Ports, waterways, and coastal security	Conducting harbor patrols, vulnerability assessments, intelligence gathering and analysis, and other activities to prevent terrorist attacks and minimize the damage from attacks that occur.
Undocumented migrant interdiction	Deploying cutters and aircraft to reduce the flow of undocumented migrants entering the United States by maritime routes.
Defense readiness	Participating with the Department of Defense (DOD) in global military operations, deploying cutters and other boats in and around harbors to protect DOD force mobilization operations.
<b>Non-Homeland Security Missions</b>	
Search and rescue	Operating multimission stations and a national distress and response communication system, conducting search and rescue operations for mariners in distress.
Living marine resources	Enforcing domestic fishing laws and regulations through inspections and fishery patrols.

Table 1.—Homeland Security and Non-Homeland Security Programs by Mission Area—Continued

Mission and program	Activities and functions of each program
Aids to navigation	Managing U.S. waterways and providing a safe, efficient, and navigable marine transportation system, maintaining the extensive system of navigation aids, monitoring marine traffic through vessel traffic service centers.
Ice operations	Conducting polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity, conducting domestic icebreaking operations to facilitate year-round commerce, conducting international ice operations to track icebergs below the 48th north latitude.
Marine environmental protection	Preventing and responding to marine oil and chemical spills, preventing the illegal dumping of plastics and garbage in U.S. waters, preventing biological invasions by aquatic nuisance species.
Marine safety	Setting standards and conducting vessel inspections to better ensure the safety of passengers and crew aboard commercial vessels, partnering with states and boating safety organizations to reduce recreational boating deaths.
Illegal drug interdiction	Deploying cutters and aircraft in high drug-trafficking areas and gathering intelligence to reduce the flow of illegal drugs through maritime transit routes.
Other law enforcement (foreign fish enforcement)	Protecting U.S. fishing grounds by ensuring that foreign fishermen do not illegally harvest U.S. fish stocks.

*Source:* Coast Guard.

*Note:* The Coast Guard's homeland security and non-homeland security missions are delineated in section 888 of the Homeland Security Act of 2002 (P. L. 107-296, 116 Stat. 2135, 2249 (2002)). Starting with the Fiscal Year 2007 budget, however, the Office of Management and Budget (OMB) designated the Coast Guard's drug interdiction and other law enforcement as non-homeland security missions for budgetary purposes.

For these 11 programs, the Coast Guard has developed performance measures to communicate agency performance and provide information for the budgeting process to Congress, other policymakers, and taxpayers. The Coast Guard's performance measures are published in various documents, including the Coast Guard's Fiscal Year Budget-in-Brief. The Coast Guard's Budget-in-Brief reports performance information to assess the effectiveness of the agency's performance as well as a summary of the agency's most recent budget request. This, and other documents, reports the performance measures for each of the Coast Guard's programs, as well as descriptions of the measures and explanations of performance results.

To continue executing its missions, the Coast Guard has programs to acquire a number of assets such as vessels, aircraft, and command, control, communications, computer, intelligence surveillance, and reconnaissance (C4ISR) systems. The Coast Guard's Deepwater program is a 25-year, \$24 billion effort to upgrade or replace existing vessels and aircraft in order to carry out its missions along our coastlines and farther out at sea. The program is eventually to include 10 major classes of new or upgraded vessels and aircraft. The Coast Guard also has an acquisition program called the National Automatic Identification System to identify and track vessels bound for or within U.S. waters. Another acquisition program is called Rescue 21, a program to replace the Coast Guard's 30 year old search and rescue communications systems. Rescue 21 was to be used not only for search and rescue, but to support other Coast Guard missions, including those involving homeland security.

#### **Budget Places More Emphasis on Operational Expenses; Overall Performance Trends Remain Positive**

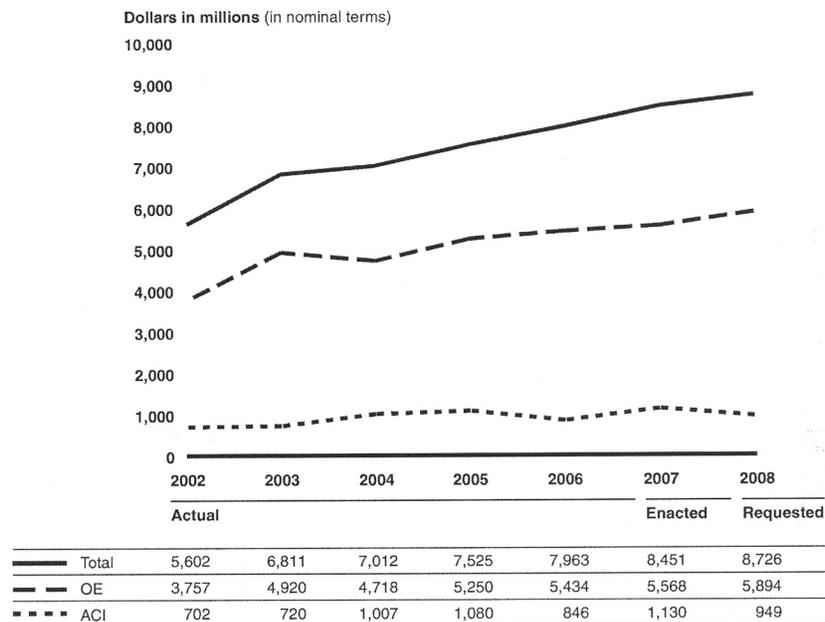
The Coast Guard's Fiscal Year 2008 budget request reflects a smaller increase than in years past. Requests for new capital spending are down, as the agency slows the pace of new acquisitions for Deepwater and other capital projects. Instead, several of the budget initiatives being emphasized reflect a reorganization of internal operations and support command infrastructure. Although the Coast Guard met fewer performance targets than last year, overall performance trends for most mission programs remain positive. That is, many of the measures that Coast Guard uses to evaluate performance have improved since last year, even though the agency did not meet as many of its performance targets in 2006 as in the year before.

#### *Overall Budget Request Is 3.3 Percent Higher Than Previous Year's*

The Coast Guard's budget request in Fiscal Year 2008 is \$8.73 billion, approximately \$275 million, or 3.3 percent, more than in Fiscal Year 2007 (see fig. 1).<sup>1</sup> About \$5.9 billion, or approximately 68 percent, is for operating expenditures (OE).

This funding supports its 11 statutorily identified mission programs; increases in cost of living, fuel, and maintenance costs; and previous administration and congressional initiatives. The greatest change from the previous year is in the AC&I request, which at \$949 million reflects about a 19 percent decrease from Fiscal Year 2007. According to Coast Guard officials, no new appropriations are requested in Fiscal Year 2008 for several Deepwater assets until business case reviews can be completed to assess the viability of technology and contracting oversight. The remaining part of the request consists primarily of funds requested for retiree pay and health care fund contributions. If the Coast Guard's total budget request is granted, overall funding will have increased by over 55 percent since 2002, an increase of \$3.1 billion.

**Figure 1: Coast Guard Budget from Fiscal Year 2002 to Fiscal Year 2008**

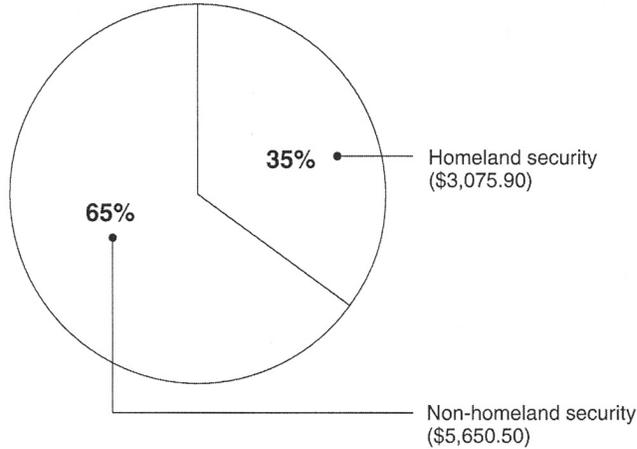


Source: GAO analysis of Coast Guard data.

Note: The Coast Guard's budget consists of discretionary and mandatory funding line items. The operating expenses and acquisition, construction, and improvements line items make up the biggest portion of discretionary funding. Other line items in the Coast Guard's discretionary budget include environmental compliance and restoration, health care contributions, research and development, and reserve training costs. Retiree pay is the largest item the Coast Guard's mandatory funding budget, and the Coast Guard is requesting \$1.18 billion for retiree pay in 2008. Other mandatory funding line items include boating safety, oil spill liability trust fund, and the gift fund.

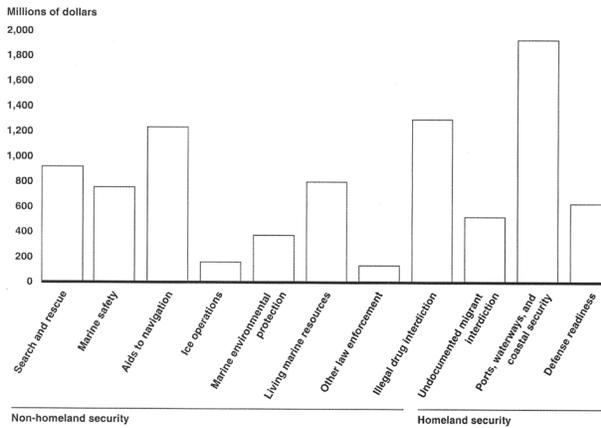
The Coast Guard's budget request for homeland security missions represents approximately 35 percent of the overall budget.<sup>2</sup> Figure 2 illustrates the percentage of funding requested for homeland security versus non-homeland security funding, and figure 3 shows the funding levels by each mission program.

**Figure 2: Amount (in millions of dollars) and Percentage of Homeland Security versus Non-Homeland Security Funding**



Source: GAO analysis of Coast Guard data.

**Figure 3: Coast Guard Fiscal Year 2008 Budget Request by Mission Program**



Source: GAO analysis of Coast Guard data.

**Budget Includes Reallocations to Match Reorganization**

Two key budget initiatives—both reallocations rather than increases—reflect reorganization efforts. First, a major budget reallocation within the operating expenditures category establishes a single unified command for the agency’s deployable specialized forces. These are the Coast Guard’s response teams that can deploy wherever needed for natural disasters, terrorism incidents, and other concerns. According to senior Coast Guard officials, this initiative entails a one-time, budget-neutral reallocation of \$132.7 million from the Atlantic and Pacific Area Commands to a new deployable operations command, which will be located in Ballston, Virginia. No new funds have been requested for this initiative. This initiative is discussed in more detail later in this testimony. The second reallocation involves an \$80.5 million transfer from AC&I into the operating expense appropriation. The operational aspect of this reallocation is associated with creating a new consolidated acquisition function, also discussed in further detail below. Coast Guard officials said this reallocation consolidates all personnel funding into the operating expense appropriation and en-

ables the Coast Guard to manage one personnel system for the entire agency. They said although this reallocation is budget neutral in 2008, future budget requests may include financial incentives that will enable the Coast Guard to develop a more robust cadre of acquisition professionals.

*Acquisition Budget Request Declines, but Substantial Unobligated Balances Are Also Available*

The 19 percent decrease in Fiscal Year 2008 for AC&I reflects a slowing in the pace of acquisition efforts, which, according to Coast Guard officials, is an attempt to address technology issues and contracting oversight associated with Deepwater programs such as the Vertical Unmanned Aerial Vehicle and Fast Response Cutter. The Coast Guard also recognizes that it is carrying significant unobligated balances for a number of its acquisition projects. These balances reflect money appropriated but not yet spent for projects included in previous years' budgets. During our work for this testimony, we reviewed budget data and Coast Guard documentation showing the current status of the agency's unobligated balances. We found, for example, that the current unobligated balances total \$1.96 billion for all acquisition projects. The Deepwater acquisition alone has \$1.6 billion in total unobligated balances, which is nearly double the Coast Guard's Fiscal Year 2008 request for the Deepwater project. Other acquisition programs, such as the Nationwide Automatic Identification System and Rescue 21, also have unobligated balances, but these are considerably lower (see table 2). The unobligated balance for Rescue 21, for example, is \$30.5 million.

Table 2.—Total Unobligated Balances for Selected Acquisition Projects  
(dollars in millions)

Acquisition project	Fiscal year 2008 request	Unobligated balance
Integrated Deepwater Systems	\$836.9	\$1,632.6
Shore Facilities and Aids to Navigation	37.9	156.8
Nationwide Automatic Identification System	12.0	36.0
Rescue 21	80.8	30.5
Vessels and Critical Infrastructure Projects	9.2	30.3

Source: GAO analysis of Coast Guard data.

These unobligated balances have accumulated for a variety of reasons as the Coast Guard has found itself unable to spend previous-year acquisition appropriations. For example, we and others have documented technical design issues involving the Coast Guard's 123-foot patrol boat and the Fast Response Cutter. These problems have led to major delays in some programs and outright cancellations in others. We asked Coast Guard officials about their plans to spend these unobligated balances either in Fiscal Year 2008 or beyond, but at this point they were unable to provide us with detailed plans for doing so. To the agency's credit, steps have been taken to address the issue, including reporting quarterly acquisition spending levels. Since these unobligated balances represent a significant portion of the Coast Guard's entire budget, the degree to which the Coast Guard spends these balances in Fiscal Year 2008 could have a substantial impact on the overall level of capital spending for the year.

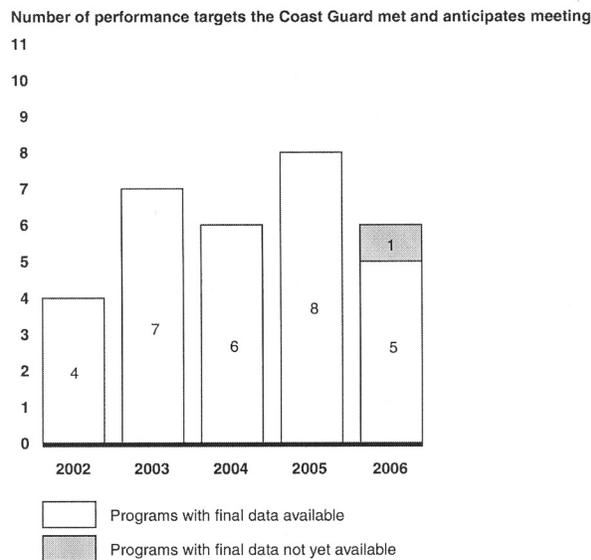
According to senior Coast Guard officials, each acquisition project is now receiving more scrutiny and oversight of how previous funds are spent. The Coast Guard is not requesting additional funds for the Offshore Patrol Cutter, Fast Response Cutter, and Vertical Unmanned Aerial Vehicle in the Fiscal Year 2008 budget request until business case reviews are completed to assess the viability of the technology and contracting oversight.

*Performance Trends Generally Positive and Non-Homeland Security Measures Generally Sound*

Despite the fact that Coast Guard met fewer performance targets than last year, overall performance trends for most mission programs remain positive. Performance in 7 of 11 Coast Guard mission areas increased in the last year, but the Coast Guard also set performance targets at a higher level than it did last year. Coast Guard's performance did not improve sufficiently for the Coast Guard to meet as many of its higher performance targets in 2006 as it did in 2005. In Fiscal Year 2006, the Coast Guard reported that 5 of its 11 programs met or exceeded program performance targets. In addition, agency officials reported that the Coast Guard ex-

pected to meet the target for 1 additional program when results become available in August 2007, potentially bringing the total met targets to 6 out of 11 (see fig. 4). In comparison, last year we reported that in Fiscal Year 2005, Coast Guard met 8 out of 11 targets. In Fiscal Year 2006, the agency narrowly missed performance targets for 3 programs—Search and Rescue, Living Marine Resources, and Aids to Navigation. In Fiscal Year 2005, it missed only 1 of these 3, Living Marine Resources. The Coast Guard more widely missed performance targets for 2 programs, Defense Readiness and Marine Safety. In Fiscal Year 2005, Coast Guard met its Marine Safety target, but missed on Defense Readiness. See appendix I for more information on Coast Guard performance results.

**Figure 4: Number of Performance Targets the Coast Guard Met, or Anticipates Meeting, for the Coast Guard's 11 Programs for Fiscal Years 2002 through 2006**



Source: GAO analysis of Coast Guard data.

Congressional committees have previously expressed concern that Coast Guard's shift in priorities and focus toward homeland security missions following the events of September 11, 2001, may have affected the agency's ability to successfully perform its non-homeland security missions. However, the Coast Guard's performance on its non-homeland security indicators has not changed substantially over the past 5 years.

This past year, we also completed an examination of some of the performance indicators themselves.<sup>3</sup> We found that while the Coast Guard's non-homeland security measures are generally sound and the data used to collect them are generally reliable, there are challenges associated with using performance measures to link resources to results. Such challenges include comprehensiveness (that is, using a single measure per mission area may not convey complete information about overall performance) and external factors outside agency control, (such as weather conditions, which can affect the amount of ice that needs to be cleared or the number of mariners who must be rescued). The Coast Guard continues to work on these measures through such efforts as the following:

- *Standardized reporting.* The Coast Guard is currently developing a way to standardize the names and definitions for all Coast Guard activities across the agency, creating more consistent data collection throughout the agency.
- *Measurement readiness.* The Coast Guard is developing a tool to track the agency's readiness capabilities with up-to-date information on resource levels at each Coast Guard unit as well as the certification and skills of all Coast Guard uniformed personnel.

- *Framework for analyzing risk, readiness, and performance.* The Coast Guard is developing a model for examining the links among risk, readiness management, and agency performance. This model is intended to help the Coast Guard better understand why events and outcomes occur, and how these events and outcomes are related to resources.

While the Coast Guard appears to be moving in the right direction and is about done with some of these efforts, it remains too soon to determine how effective the Coast Guard's larger efforts will be at clearly linking resources to performance results. These initiatives are not expected to be fully implemented until 2010.<sup>4</sup>

#### **Coast Guard Continues to Make Organizational Changes Designed to Improve Operational Effectiveness and Resource Management**

The 2008 budget request reflects a multiyear effort to reorganize the Coast Guard's command and control and mission support structures. Three efforts are of note here—reorganizing shore-based forces into sector commands, placing all deployable specialized forces under a single nationwide command, and consolidating acquisitions management programs. Each of these efforts faces challenges that merit close attention.

##### *Further Action Needed to Ensure Operational Benefits from Sector Reorganization*

As we reported for the last 2 years, the Coast Guard has implemented a new field command structure that is designed to unify previously disparate Coast Guard units, such as air stations and marine safety offices, into 35 different integrated commands, called sectors. At each of these sectors, the Coast Guard has placed management and operational control of these units and their associated resources under the same commanding officer. Coast Guard officials told us that this change helped their planning and resource allocation efforts. For instance, Coast Guard field officials told us the sector command structure has been valuable in helping to meet new homeland security responsibilities, and in facilitating their ability to manage incidents in close coordination with other Federal, state, and local agencies. Our follow-up work found, however, that work remains to ensure the Coast Guard is able to maximize the potential benefits of sector realignment. In particular, Coast Guard officials reported that some sectors had yet to collocate their vessel tracking system (VTS) centers with the rest of their operational command centers. According to field officials, the lack of collocation has hindered communications between staff that formerly were from different parts of the agency.

According to Coast Guard officials, competing acquisition priorities are limiting the progress in obtaining funding needed to collocate these facilities. The Fiscal Year 2008 budget does not provide funds to collocate the VTS centers and command centers. Coast Guard headquarters officials told us they would work to address this challenge as part of the capital investment plan to build interagency operational centers for port security, as required under the SAFE Port Act, but they had not yet developed specific plans, timelines, and cost estimates.<sup>5</sup>

##### *Unified Command Structure for Deployable Forces Is Being Developed*

The Coast Guard is planning to reorganize its deployable specialized forces under a single unified command, called the Deployable Operations Group (DOG). This change is reportedly budget neutral in the Fiscal Year 2008 request, but it bears attention for operational effectiveness reasons. According to Coast Guard officials, the agency is making this change based on lessons learned from the Federal response to Hurricane Katrina. They said the response highlighted the need to improve effectiveness of day-to-day operations and to enhance flexibility and interoperability of forces responding to security threats and natural disasters. Currently, there are five different types of Coast Guard specialized forces, totaling about 2,500 personnel. Their roles and missions vary widely, ranging from conducting antiterrorism operations to conducting environmental response and cleanup operations (see table 3).

Table 3.—Coast Guard Deployable Specialized Forces, Mission Area and Primary Operational Activity, and Force Size

Specialized Force	Mission area and primary operational activities	Force size
National strike force (NSF)	Marine environmental protection <ul style="list-style-type: none"> <li>• Domestic and international response for oil spills</li> <li>• Hazardous material cleanup</li> <li>• Chemical, biological, and radiological response</li> </ul>	3 strike teams/328 personnel
Tactical law enforcement teams (TACLET)	Law enforcement <ul style="list-style-type: none"> <li>• Maritime interception operations</li> </ul>	2 units/180 personnel
Port security units (PSU)	Defense readiness <ul style="list-style-type: none"> <li>• Expeditionary port security</li> </ul>	8 units/1,144 personnel
Maritime safety and security teams (MSST)	Ports, waterways, and coastal security <ul style="list-style-type: none"> <li>• Domestic port security</li> <li>• Antiterrorism</li> </ul>	12 units/924 personnel
Maritime security response team (MSRT)	Ports, waterways, and coastal security <ul style="list-style-type: none"> <li>• Counterterrorism</li> </ul>	1 unit/208 personnel

Source: Coast Guard.

The Coast Guard's existing structure divides operational control of specialized forces into three different command authorities—headquarters, Pacific Area, and Atlantic Area. Under the planned realignment, these forces would be available under a single operational command, with the expectation of more effective resource management, oversight, and coordination.<sup>6</sup> The Coast Guard plans to establish operating capability for this unified approach by July 20, 2007, with an initial command center located in Ballston, Virginia. Officials told us they were well under way in planning for this reorganization. Officials expect about 100 staff will be assigned to the center when it reaches its initial operating capability, growing to about 150 personnel once the command structure is completed. According to officials, all administrative staff selected for the center will be drawn from headquarters, district, and area levels.

We have not studied this reorganization, but our prior work on other aspects of Coast Guard operations suggests that the Coast Guard may face a number of implementation challenges. Some may be similar to those that Coast Guard faced when it created its sector commands, such as obtaining buy-in from personnel that will be affected by the reorganization or addressing realignment issues at the district level. Another challenge is to ensure that the change does not adversely affect mission performance at the sector and field unit levels. Currently, for example, sector commanders make use of available local MSST units—made available by district and area commanders—to help meet shortfalls in resource availability for everyday missions, such as conducting high-risk vessel escorts and harbor security patrols. If these units were not available to support mission needs, additional strain could be put on the performance of these local units.

These changes to the command structure are part of plans that extend beyond Fiscal Year 2008. In his recent State of the Coast Guard speech, the Commandant of the Coast Guard unveiled a proposal to combine the Coast Guard's Atlantic and Pacific Area command functions into a single Coast Guard operations command for mission execution. In addition, the Coast Guard plans to establish a new mission support command, which will have responsibility for nationwide maintenance, logistics, and supply activities. According to Coast Guard officials, the current structure is not well suited to responding to post-September 11 transnational threats. For example, Coast Guard officials said the current structure at times works against the Coast Guard in operations with Joint Interagency Task Forces, whose operating areas are not the same as the Coast Guard's established area boundaries. Coast Guard officials told us a working group had developed a blueprint of the new operational force structure, but the Coast Guard is not ready to release it. Coast Guard officials told us they expected the reorganization would be implemented during the current Commandant's 4-year term.

#### *Consolidation of Acquisitions Oversight Management Challenged By Staffing Shortfalls*

The Coast Guard also plans to consolidate its acquisitions management offices, placing all major acquisitions programs and oversight functions under the control of a single acquisitions officer. The goals of this consolidation are to improve Coast

Guard oversight of acquisitions, better balance contracting officers and acquisition professionals among its major acquisition projects, and address staff retention and shortage problems associated with the acquisitions management program. However, the Coast Guard has not adequately staffed the acquisitions management program to meet its current workload, and maintaining an appropriate staff size will be challenging, despite the reorganization. For example, a February 2007 independent analysis found that the Coast Guard does not possess a sufficient number of acquisition personnel or the right level of experience needed to manage the Deepwater program.<sup>7</sup> Headquarters officials told us the reorganization would address retention problems by creating a new acquisitions specialty career ladder that could attract new pools of talent. Still, given its past history of staff shortages and difficulties retaining acquisition staff, the Coast Guard will face challenges maintaining an appropriately sized acquisition staff, at least in the near term. Coast Guard headquarters officials told us the Deepwater program had pushed other important acquisitions priorities aside, and this new organization would help the Coast Guard advance these other priorities, such as boats, piers, and other shoreside physical infrastructure. In our view, it is unclear how the reorganization of the acquisition function will improve the prospects for these other programs, given Coast Guard's priorities and ongoing constraints on funding.

The reorganized acquisition office is expected to merge the now stand-alone Deepwater acquisition project with the existing acquisition directorate and research and development centers. The new office is expected to be led by a new Coast Guard Chief Acquisition Officer who will have responsibility over all procurement projects and by a deputy who will deal largely with Deepwater issues. At the program management level, Coast Guard is establishing four program managers to lead each acquisitions area, including (1) surface assets; (2) air assets; (3) command, control, communications, computers, intelligence, surveillance, and reconnaissance; and (4) small boats and shore-based infrastructure, such as command centers and boat-houses. The Coast Guard plans to begin implementing this reorganization in July 2007. It is too early to tell if the Coast Guard's reorganization will enable it to achieve its goals—notably, better balance of acquisitions support between Deepwater and the Coast Guard's other acquisitions programs.

#### **Acquisition Challenges Continue as Several Programs Make Progress**

While some Coast Guard major acquisition projects continue to face challenges, especially the Deepwater program, several of these projects are making progress. The record for Deepwater has been mixed, with 7 of 10 asset classes on or ahead of schedule. Three classes, however, are behind schedule for various reasons and several factors add to the uncertainty about the delivery of other Deepwater assets. Contract management issues that we have reported on previously continue to be challenges to the Coast Guard. Installation of equipment for the initial phase of NAIS, an acquisition that is designed to allow the Coast Guard to monitor and track vessels as far as 2,000 nautical miles off the U.S. coast, is currently under way, but without changes to existing regulations, some vessels will be able to avoid taking part in the system. The Coast Guard's timeline for achieving full operating capability for its search and rescue communications system, Rescue 21, was delayed from 2006 to 2011, and the estimated total acquisition cost increased from 1999 to 2005, but according to Coast Guard officials, many of the issues that led to these problems are being addressed. Coast Guard acquisition officials said they are providing more oversight to the contractor after we reported on contract management shortcomings.

#### *Coast Guard Continues to Face Acquisition Challenges with Deepwater Program*

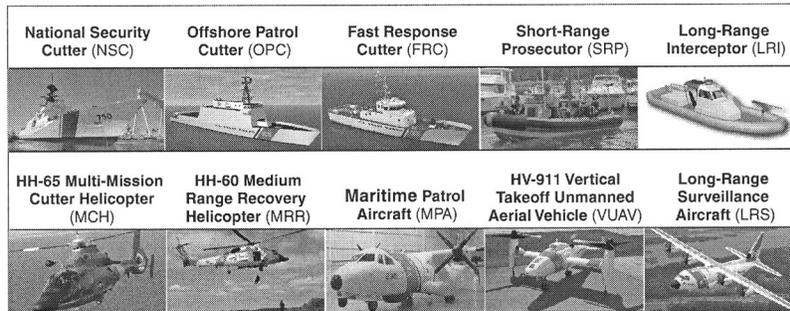
The Coast Guard continues to face challenges in managing the Deepwater program. The delivery record for assets is mixed and technology and funding uncertainties, recent changes to Coast Guard plans for procuring Deepwater assets, as well as the 25 year timeframe for asset delivery add to uncertainties about the delivery schedule for future Deepwater assets. We have reported concerns about management of the Deepwater program for several years now and have made recommendations aimed at improving the program. The Coast Guard continues to address these recommendations as it seeks to better manage the Deepwater program. In addition to these program management issues, performance and design problems for certain Deepwater assets have created additional operational challenges for the Coast Guard. The Coast Guard is taking steps to mitigate these problems, but challenges remain. Below is a summary of our recent Deepwater work.<sup>8</sup>

#### *Deepwater Asset Delivery Schedule Is Mixed and Somewhat Uncertain*

The Coast Guard's Deepwater program is a 25 year, \$24 billion plan to replace or upgrade its fleet of vessels and aircraft. Upon completion, the Deepwater program is to consist of 5 new classes of vessels—the National Security Cutter (NSC), Off-

shore Patrol Cutter (OPC), Fast Response Cutter (FRC), Short-Range Prosecutor (SRP), and Long-Range Interceptor (LRI); 1 new class of fixed-wing aircraft—the Maritime Patrol Aircraft (MPA); 1 new class of unmanned aerial vehicles—the Vertical Unmanned Aerial Vehicle (VUAV); 2 classes of upgraded helicopters—the Medium-Range Recovery Helicopter (MRR) and the Multi-Mission Cutter Helicopter (MCH); and 1 class of upgraded fixed-wing aircraft—the Long-Range Surveillance Aircraft (LRS).<sup>9</sup> Figure 5 illustrates the 10 classes of Deepwater assets.

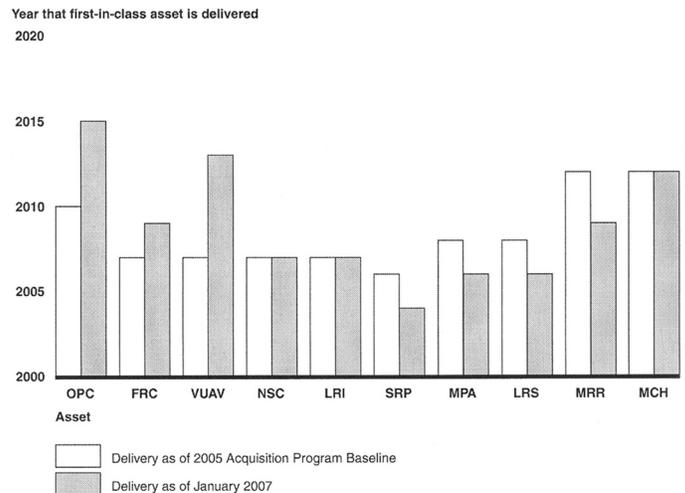
**Figure 5: Deepwater Vessel and Aircraft Classes**



Source: U.S. Coast Guard.

Our preliminary observations indicated that, as of January 2007, of the 10 classes of Deepwater assets to be acquired or upgraded, the delivery record for first-in-class assets (that is, the first of multiple aircraft or vessels to be delivered in each class) was mixed. Specifically, 7 of the 10 asset classes were on or ahead of schedule. Among these, 5 first-in-class assets had been delivered on or ahead of schedule; and 2 others remained on schedule but their planned delivery dates were in 2009 or beyond. In contrast, 3 Deepwater asset classes were behind schedule due to various problems related to designs, technology, or funding. Using the 2005 Deepwater Acquisition Program Baseline as the baseline, figure 6 indicates, for each asset class, whether delivery of the first in class asset was ahead of schedule, on schedule, or behind schedule as of January 2007.

**Figure 6: Comparison of the Estimated Delivery Dates for the First-in-Class Deepwater Assets from the 2005 Deepwater Acquisition Baseline and as of January 2007**



Source: GAO analysis of documentation provided by U.S. Coast Guard.

As part of our ongoing work, we are analyzing Coast Guard planning documents to evaluate the current estimates of Deepwater asset delivery dates. Several factors add to the uncertainty about the delivery schedule of Deepwater assets. First, the Coast Guard is still in the early phases of the 25 year Deepwater acquisition program and the potential for changes in the program over such a lengthy period of time make it difficult to forecast the ability of the Coast Guard to acquire future Deepwater assets according to its published schedule. For example, technology changes since the award of the original Deepwater contract in 2002 have already, in part, delayed delivery of the VUAV, and the Coast Guard is currently studying the potential use of an alternative unmanned aerial vehicle. Second, changes to funding levels can impact the future delivery of Deepwater assets. For example, despite earlier plans, the Fiscal Year 2008 Department of Homeland Security congressional budget justification indicates that the Coast Guard does not plan to request funding for some Deepwater assets in FY 2008, such as the OPC and the VUAV. Acquisition of these two Deepwater assets has now been delayed until FY 2013, at the earliest. Finally, the Coast Guard has recently made a number of program management and asset-specific changes that could impact the delivery schedules for its Deepwater assets. For example, the Coast Guard has begun to bring all acquisition efforts under one organization. Further, the Coast Guard announced that it has terminated acquisition of the FRC-B, an off-the-shelf patrol boat that is intended to serve as an interim replacement for the Coast Guard's deteriorating fleet of 110' patrol boats, through the system integrator and plans to assign responsibility for the project to the Coast Guard's acquisition directorate. These types of programmatic changes will take time to implement, and thus add to uncertainty about the specific delivery dates of certain Deepwater assets.

*Deepwater Program Management, Contractor Accountability, and Cost Control*

In 2001, we described the Deepwater program as “risky” due to the unique, untried acquisition strategy for a project of this magnitude within the Coast Guard.<sup>10</sup> The Coast Guard used a system-of-systems approach to replace or upgrade assets with a single, integrated package of aircraft, vessels, and unmanned aerial vehicles, to be linked through systems that provide C4ISR and supporting logistics. In a system of systems, the deliveries of Deepwater assets are interdependent, thus schedule slippages and uncertainties associated with potential changes in the design and capabilities of any one asset increases the overall risk that the Coast Guard might not meet its expanded homeland security missions within given budget parameters and milestone dates. The Coast Guard also used a systems integrator—which can give the contractor extensive involvement in requirements development, design, and source selection of major system and subsystem subcontractors. The Deepwater program is also a performance-based acquisition, meaning that it is structured around the results to be achieved rather than the manner in which the work is performed. If performance-based acquisitions are not appropriately planned and structured, there is an increased risk that the government may receive products or services that are over cost estimates, delivered late, and of unacceptable quality.

In 2004 and in subsequent assessments in 2005 and 2006, we reported concerns about the Deepwater program related to three main areas—program management, contractor accountability, and cost control.<sup>11</sup> The Coast Guard's ability to effectively manage the program has been challenged by staffing shortfalls and poor communication and collaboration among Deepwater program staff, contractors, and field personnel who operate and maintain the assets. Despite documented problems in schedule, performance, cost control, and contract administration, measures for holding the contractor accountable resulted in an award fee of \$4 million (of the maximum \$4.6 million) for the first year. Through the first 4 years of the Deepwater contract, the systems integrator received award fees that ranged from 87 percent to 92 percent of the total possible award fee (scores that ranged from “very good” to “excellent” based on Coast Guard criteria), for a total of over \$16 million. Further, the program's ability to control Deepwater costs is uncertain given the Coast Guard's lack of detailed information on the contractor's competition decisions. While the Coast Guard has taken some actions to improve program outcomes, our assessment of the program and its efforts to address our recommendations continues, and we plan to report on our findings later this year.

*Deepwater Performance and Design Problems Creating Operational Challenges for Coast Guard*

In addition to the program management issues discussed above, there have been problems with the performance and design of Deepwater patrol boats that have created operational challenges for the Coast Guard. The Deepwater program's bridging strategy to convert the legacy 110' patrol boats into 123' patrol boats has been un-

successful. The Coast Guard had originally intended to convert all 49 of its 110' patrol boats into 123' patrol boats in order to increase the patrol boats' annual operational hours and to provide additional capabilities, such as small boat stern launch and recovery and enhanced and improved C4ISR. However, the converted 123' patrol boats began to display deck cracking and hull buckling and developed shaft alignment problems, and the Coast Guard elected to stop the conversion process at eight hulls upon determining that the converted patrol boats would not meet their expanded post-September 11 operational requirements.

These performance problems have had operational consequences for the Coast Guard. The hull performance problems with the 123' patrol boats led the Coast Guard to remove all of the eight converted normal 123' patrol boats from service effective November 30, 2006. The Commandant of the Coast Guard has stated that having reliable, safe cutters is "paramount" to executing the Coast Guard's missions.<sup>12</sup> Thus, removing these patrol boats from service affects the Coast Guard's operations in its missions, such as search and rescue and alien and migrant interdiction. The Coast Guard is taking actions to mitigate the operational impacts resulting from the removal of the 123' patrol boats from service. Specifically, in recent testimony, the Commandant of the Coast Guard stated that the Coast Guard has taken the following actions:

- multicrewing eight of the 110' patrol boats with crews from the 123' patrol boats that have been removed from service so that patrol hours for these vessels can be increased;
- deploying other Coast Guard vessels to assist in missions formerly performed by the 123' patrol boats;
- securing permission from the U.S. Navy to continue using three 179' cutters on loan from the Navy (these were originally to be returned to the Navy in 2008) to supplement the Coast Guard's patrol craft; and
- compressing the maintenance and upgrades on the remaining 110' patrol boats.

The FRC, which was intended as a long-term replacement for the legacy patrol boats, has experienced design problems that have operational implications as well. As we reported in 2006, the Coast Guard suspended design work on the FRC due to design risks such as excessive weight and horsepower requirements.<sup>13</sup> Coast Guard engineers raised concerns about the viability of the FRC design (which involved building the FRC's hull, decks, and bulkheads out of composite materials rather than steel) beginning in January 2005. In February 2006, the Coast Guard suspended FRC design work after an independent design review by third party consultants demonstrated, among other things, that the FRC would be far heavier and less efficient than a typical patrol boat of similar length, in part, because it would need four engines to meet Coast Guard speed requirements.

One operational challenge related to the FRC is that the Coast Guard will end up with two classes of FRCs. The first class of FRCs to be built would be based on an adapted design from a patrol boat already on the market to expedite delivery. The Coast Guard would then pursue development of a follow-on class that would be completely redesigned to address the problems in the original FRC design plans. Coast Guard officials recently estimated that the first FRC delivery will slip to Fiscal Year 2009, at the earliest, rather than 2007 as outlined in the 2005 Revised Deepwater Implementation Plan. Thus, the Coast Guard is also facing longer-term operational gaps related to its patrol boats.

*Initial Deployment of Nationwide Automatic Identification System Is Under Way, with Decisions Still to Come about Extending Coverage to Additional Vessels*

Outside Deepwater, one acquisition project included in the Fiscal Year 2008 budget is the Nationwide Automatic Identification System, a system designed to identify, track, and communicate with vessels bound for or within U.S. waters and forwarding that information for additional analysis. NAIS uses a maritime digital communication system that transmits and receives vessel position and voyage data. The Coast Guard describes NAIS as its centerpiece in its effort to build Maritime Domain Awareness, its ability to know what is happening on the water.

NAIS is not expected to reach full capability until 2014, when the system will be able to track ships as far as 2,000 nautical miles away and communicate with them when they are within 24 nautical miles of the U.S. coast. It is being implemented in three phases, the first of which is scheduled to be fully operational in September 2007. At that time, the Coast Guard expects to have the ability to track—but not communicate with—vessels in 55 ports and 9 coastal areas. The largest areas of the continental U.S. coastline that will remain without coverage after this first phase are the Pacific Northwest and Gulf coasts. The second phase calls for being able to

track ships out to 50 nautical miles from the entire U.S. coast and communicate with them as far as 24 nautical miles out. This is the phase addressed in the Fiscal Year 2008 budget.

The \$12 million Fiscal Year 2008 AC&I request for NAIS is expected to pay for implementing the initial operating capability for phase two. The Coast Guard has received approval from the Department of Homeland Security to issue solicitations and award contracts for this initial capability, and the agency has held information sessions to gauge industry interest in participating and to help refine its statement of work for the initial solicitation. The initial solicitation will provide requirements for full receiving and transmitting capability for two sectors within one Coast Guard area and one sector in another area. With this infrastructure in place the Coast Guard expects to be able to test identification, tracking, and communication performance, including such features as the ability to determine if the vessel transmissions are accurately reflecting the actual location of a vessel.

The Coast Guard is considering whether to require additional types of vessels to install and use the equipment needed for the Coast Guard to track vessels and communicate with them. Current regulations require certain vessels (such as commercial vessels over 65 feet in length) traveling on international voyages or within VTS areas to install and operate the transmission equipment.<sup>14</sup> Vessels that are not subject to current regulations generally include noncommercial and fishing vessels and commercial vessels less than 65 feet long. This means that many domestic vessels are not required to transmit the vessel and voyage information and therefore will be invisible to the NAIS. The Coast Guard has indicated in the *Federal Register* that it is considering expanding the requirements to additional vessels.<sup>15</sup>

*Coast Guard Has Taken Actions to Improve Oversight of Rescue 21 Contracts, but System Coverage Has Been Reduced*

Another non-Deepwater project covered in the budget request is Rescue 21, the Coast Guard's command, control, and communication infrastructure used primarily for search and rescue. The Fiscal Year 2008 AC&I budget includes \$81 million for continued development of Rescue 21. In May 2006 we reported that shortcomings in Coast Guard's contract management and oversight efforts contributed to program cost increases from \$250 million in 1999 to \$710.5 million in 2005 and delays in reaching full operating capability from 2006 to 2011.<sup>16</sup> Our recommendations included better oversight of the project, completion of an integrated baseline review of existing contracts, and development of revised cost and schedule estimates. According to the Coast Guard, it has taken a series of actions in response, including program management reviews and oversight meetings, conducting integrated baseline reviews on existing contracts, and meeting regularly to assess project risks.

According to the Coast Guard officials we met with, the contractor is currently on time and on budget for installing the full system in 11 Rescue 21 regions, including such regions as New Orleans, Long Island/New York, and Miami. The last of the 11 regions covered by current contracts is scheduled to be completed by October 2008. Contracts for the 25 regions that remain have not been signed. To keep to current project cost and schedule baselines, however, the Coast Guard has reduced the required performance of the system. Originally, Rescue 21 was supposed to limit coverage gaps to 2 percent, meaning that the system had to be able to capture distress calls in 98 percent of the area within 20 nautical miles of the coast and within navigable rivers and other waterways. The current contract calls for coverage gaps of less than 10 percent. Rescue 21 was also intended to have the capability to track Coast Guard vessels and aircraft and provide data communication with those assets. Neither the capability to track the Coast Guard's own assets nor data communications is included in the current technology being installed.

**Coast Guard Faces Additional Challenges Addressing Traditional Missions**

While the Fiscal Year 2008 budget request contains funding for specifically addressing the projects discussed above, certain other projects were judged by Coast Guard officials to be lower in priority and were not included. We have examined two of these areas in recent work—vessels for Aids-to-Navigation and domestic icebreaking activity, and vessels for icebreaking in polar areas.

*Decline in Condition of Some ATON and Domestic Icebreaking Assets May Require More Attention for Recapitalization or Outsourcing Options*

Last September, we completed work for this committee on the condition of Coast Guard Aids-to-Navigation (ATON) and icebreaking assets.<sup>17</sup> More than half of these assets have reached or will be approaching the end of their designed service lives. In 2002, the Coast Guard proposed options for systematically rehabilitating or replacing 164 cutters and boats in these fleets after determining that the age, condition, and cost of operating these assets would diminish the capability of the Coast

Guard to carry out ATON and domestic icebreaking missions. We noted that no funds had been allocated to pursue these options, apparently due to competing needs for replacing or rehabilitating other Coast Guard assets. These competing needs, reflected largely in the Coast Guard's expensive and lengthy Deepwater asset replacement program, will continue for some time, as will other pressures on the Federal budget. The Coast Guard is requesting no additional spending for ATON assets or infrastructure in Fiscal Year 2008.

Without specific funding to move forward, the Coast Guard has attempted to break the project into smaller components and pursue potential funding from within the Coast Guard's budget, focusing on the assets most in need of maintenance or replacement. In February 2006, the Coast Guard began a project to replace its fleet of 80 trailerable Aids-to-Navigation boats with new boats that have enhanced capabilities to do ATON work as well as other missions.<sup>18</sup> According to a Coast Guard official, this acquisition would cost approximately \$14.4 million if all 80 boats are purchased and would bring on new boats over a 5-year period as funds allow. The Coast Guard official responsible for the project said the Coast Guard intends to make the purchases using a funding stream appropriated for the maintenance of nonstandard boats that can be allocated to the boats with the most pressing maintenance or recapitalization needs. Availability of these funds, however, depends on the condition and maintenance needs of other nonstandard boats; if this funding has to be applied to meet other needs, such as unanticipated problems, it may not be available for purchasing these boats.

In addition to carrying out their primary missions of ATON and domestic icebreaking, these assets have also been used in recent years for other missions such as homeland security. The Coast Guard's ATON and domestic icebreakers saw a sharp increase in use for homeland security missions after the attacks of September 11, and while this trend has moderated somewhat, the use of some assets in these missions continues well above pre-September 11 levels. This increase is most prominent for domestic icebreakers, which are being operated more extensively for other purposes at times of year when no icebreaking needs to be done. Newer ATON vessels, which have greater multimission capabilities than older vessels, tend to be the ATON assets used the most for other missions.

In addition to considering options for replacing or rehabilitating its ATON assets, the Coast Guard also has examined possibilities for outsourcing missions. In 2004 and 2006, the Coast Guard completed analyses of what ATON functions could be feasibly outsourced. Although possibilities for outsourcing were identified for further study, Coast Guard officials noted that outsourcing also carries potential disadvantages. For example, they said it could lead to a loss of "surge" capacity—that is the capacity to respond to emergencies or unusual situations. Coast Guard officials noted that outsourcing or finding a contractor to do work after an event such as Katrina is difficult due to the increased demand for their services as well as the fact that the labor pool may have been displaced. When a contractor is found, it usually takes a long time to get the work completed due to the backlog of work and tends to be very expensive. In addition, this surge capability may be needed for other missions, such as those that occur when ATON assets can be used to support search and rescue efforts. In the aftermath of Hurricane Katrina, for example, some ATON assets provided logistical support for first responders or transported stranded individuals. Coast Guard officials stated that after Hurricane Katrina, its own crews were able to begin work immediately to repair damaged aids and get the waterways open to maritime traffic again. Coast Guard officials also indicated that outsourcing may adversely affect the Coast Guard's personnel structure by reducing opportunities to provide important experience for personnel to advance in their careers.

#### *Coast Guard Faces Decision on Future of Polar Icebreakers*

The Coast Guard confronts ongoing maintenance challenges that have left its polar icebreaking capability diminished. The Coast Guard has two Polar-class icebreakers for breaking channels in the Antarctic.<sup>19</sup> Both are reaching the end of their design service lives, and given the funding challenges associated with maintaining them, the Coast Guard decided to deactivate one of the two, the POLAR STAR, in 2006. This reduced icebreaking capability since only one Polar-class icebreaker, the POLAR SEA, was available, and for the POLAR SEA it increased maintenance needs while reducing time available to conduct maintenance.<sup>20</sup>

Figure 7: Coast Guard Polar-class Icebreaker



Source: Coast Guard.

Coast Guard officials and others have reported that failure to address these challenges could leave the Nation without heavy icebreaking capability and could jeopardize the investment made in the Nation's Antarctic Program.<sup>21</sup> According to Coast Guard officials, the remaining Polar-class icebreaker's age and increased operational tempo have left it unable to continue the mission in the long term without a substantial investment in maintenance and equipment renewal. One option, refurbishing the two existing Polar-class icebreakers for an additional 25 years of service, is estimated to cost between \$552 million and \$859 million. Another option, building new assets, would cost an estimated \$600 million per vessel, according to Coast Guard officials.<sup>22</sup>

Coast Guard officials have begun planning a transition strategy to help keep the sole operating Polar-class icebreaker mission-capable until new or refurbished assets enter service, which would take an estimated 8 to 10 years.<sup>23</sup> According to officials, this 10 year recapitalization plan will identify current and projected maintenance service needs and equipment renewal projects and associated costs, alternatives to address these needs, and timelines for completing these projects.

Madam Chair and members of the subcommittee, this completes my statement for the record.

#### Appendix I: Performance Results by Program from Fiscal Year 2002 through Fiscal Year 2006

[Appendix I provides a detailed list of Coast Guard performance results for the Coast Guard's 11 programs from Fiscal Year 2002 through 2006.]

Program	Program performance measure	2002	2003	2004	2005	2006	Performance target for 2006
<i>Programs meeting 2006 targets:</i>							
U.S. Exclusive Economic Zone Enforcement	Number of detected Exclusive Economic Zone (EEZ) incursions by foreign fishing vessels.	250	152	247	174	164	≤199
Ice Operations (domestic icebreaking)	Number of waterway closure days.	7	7	4	0	0	≤2 <sup>a</sup>

## Appendix I: Performance Results by Program from Fiscal Year 2002 through Fiscal Year 2006—Continued

[Appendix I provides a detailed list of Coast Guard performance results for the Coast Guard's 11 programs from Fiscal Year 2002 through 2006.]

Program	Program performance measure	2002	2003	2004	2005	2006	Performance target for 2006
Marine Environmental Protection	Average of oil and chemical spills greater than 100 gallons per 100 million tons shipped.	35.1	29.4	22.1	18.5	16.3	≤19
Ports, Waterways, and Coastal Security	Percent reduction in maritime terrorism risk over which the Coast Guard has influence.	n/a	n/a	n/a	14%	17%	≥14%
Undocumented migrant interdiction	Percentage of interdicted illegal migrants entering the United States through illegal means.	88.3%	85.3%	87.1%	85.5	89.1	≥89%
<i>Program expected to meet 2006 target:</i>							
Illegal Drug Interdiction	Percentage of cocaine removed out of total estimated cocaine entering the United States through maritime means <sup>b</sup> .	Not reported	Not reported	30.7%	27.3%	TBD <sup>c</sup>	≥22%
<i>Programs that did not meet their 2005 targets:</i>							
Aids to Navigation	Number of collisions, allisions, and grounding.	2,098	2,000	1,876	1,825	1,765	≤1,748
Defense Readiness	Percentage of time that units meet combat readiness level.	70%	78%	76%	67%	62%	100%
Living Marine Resources	Percentage of fisherman found in compliance with Federal regulations.	97.3%	97.1%	96.3%	96.4%	96.6%	≥97%
Marine Safety	5-year average annual mariner, passenger, and boating deaths and injuries.	5,766	5,561	5,387	5,169	5,036	≤4721
Search and Rescue	Percentage of distressed mariners' lives saved.	84.4%	87.7%	86.8%	86.1%	85.3%	≥86%

Source: GAO analysis of Coast Guard data.

Note: TBD, to be determined; n/a, not available. Italic numbers indicate that performance targets were met previously.

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

<sup>b</sup>The performance measure for the illegal drug interdiction program, the percentage of cocaine removed, was revised in Fiscal Year 2004 from the percentage of cocaine seized in order to more accurately report the impact Coast Guard counterdrug activities have on the illicit drug trade. As a result, the cocaine removal rates for Fiscal Year 2002–2003 are not available.

<sup>c</sup>Complete data are not yet available for the illegal drug interdiction program. However, the Coast Guard anticipates meeting the performance target for this program based on past performance.

**Related GAO Products**

*Coast Guard: Status of Efforts to Improve Deepwater Program Management and Address Operational Challenges.* GAO–07–575T. Washington, D.C.: March 8, 2007.

*Coast Guard: Preliminary Observations on Deepwater Program Assets and Management Challenges.* GAO–07–446T. Washington, D.C.: Feb. 15, 2007.

*Coast Guard: Coast Guard Efforts to Improve Management and Address Operational Challenges in the Deepwater Program.* GAO–07–460T. Washington, D.C.: Feb. 14, 2007.

*Homeland Security: Observations on the Department of Homeland Security's Acquisition Organization and on the Coast Guard's Deepwater Program.* GAO–07–453T. Washington, D.C.: Feb. 8, 2007.

*Coast Guard: Condition of Some Aids-to-Navigation and Domestic Icebreaking Vessels Has Declined; Effect on Mission Performance Appears Mixed.* GAO–06–979. Washington, D.C.: Sept. 22, 2006.

*Coast Guard: Non-Homeland Security Performance Measures Are Generally Sound, but Opportunities for Improvement Exist.* GAO–06–816. Washington, D.C.: Aug. 16, 2006.

*Coast Guard: Observations on the Preparation, Response, and Recovery Missions Related to Hurricane Katrina.* GAO-06-903. Washington, D.C.: July 31, 2006.

*Maritime Security: Information-Sharing Efforts Are Improving.* GAO-06-933T. Washington, D.C.: July 10, 2006.

*Coast Guard: Status of Deepwater Fast Response Cutter Design Efforts.* GAO-06-764. Washington, D.C.: June 23, 2006.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Endnotes**

<sup>1</sup>GAO's analysis of the Coast Guard's Fiscal Year 2008 budget request is presented in nominal terms. Supplemental funding received for Operation Iraqi Freedom and Hurricane Katrina are not included in the analysis, except where noted.

<sup>2</sup>Beginning with the Fiscal Year 2007 budget, the Office of Management and Budget designated the Coast Guard's drug interdiction and other law enforcement programs as non-homeland security missions for budgetary purposes. If these two programs are included as homeland security missions, overall homeland security

funding in the Fiscal Year 2008 budget request is approximately 52 percent of the total budget.

<sup>3</sup>GAO, *Coast Guard: Non-Homeland Security Performance Measures Are Generally Sound, but Opportunities for Improvement Exist*, GAO-06-816 (Washington, D.C.: August 2006).

<sup>4</sup>For more details on the Coast Guard's efforts to match resources to performance results, see Appendix III in GAO-06-816.

<sup>5</sup>Pub. L. No. 109-347, 120 Stat. 1884 (2006).

<sup>6</sup>Although the deployable forces will be reorganized under a single command authority, officials told us the units would remain based in their current locations. However, personnel on these teams may be rotated or cross-deployed with other specialized teams. For example, an MSST located at Seattle will remain based in that location, but the personnel attached to that MSST may be rotated or mixed with other MSST units to meet ongoing needs.

<sup>7</sup>Defense Acquisition University, *Quick Look Study: United States Coast Guard Deepwater Program*, (Fort Belvoir, Virginia, 2007).

<sup>8</sup>For a more complete description of our reviews of the Deepwater program, see GAO, *Coast Guard: Preliminary Observations on Deepwater Program Assets and Management Challenges*, GAO-07-446T (Washington, D.C.: Feb. 15, 2007).

<sup>9</sup>In addition to these asset classes, the Deepwater program includes other projects such as Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) systems. For example, the Coast Guard plans to procure surveillance data from another unmanned aerial vehicle, the RQ-4A. Because this is not to be acquired as a capital investment, we do not include it among the assets to be acquired or upgraded.

<sup>10</sup>GAO, *Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain*, GAO-01-564 (Washington, D.C.: May 2, 2001).

<sup>11</sup>GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380 (Washington, D.C.: Mar. 9, 2004); *Coast Guard: Progress Being Made on Addressing Deepwater Legacy Asset Condition Issues and Program Management, but Acquisition Challenges Remain*, GAO-05-757 (Washington, D.C.: Jul. 22, 2005); and *Coast Guard: Changes in Deepwater Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring is Warranted*, GAO-06-546 (Washington, D.C.: Apr. 28, 2006).

<sup>12</sup>U.S. Coast Guard, Office of Public Affairs, *Coast Guard Suspends Converted Patrol Boat Operations*, (Washington, D.C., 2006).

<sup>13</sup>GAO, *Coast Guard: Status of Deepwater Fast Response Cutter Design Efforts*, GAO-06-764 (Washington, D.C.: June 23, 2006).

<sup>14</sup>Vessel traffic services areas are locations where the Coast Guard monitors and communicates with vessels using AIS, radar, and other technologies to prevent collisions and other accidents.

<sup>15</sup>In our previous report we recommended that the Coast Guard should pursue opportunities to cost-share with private entities that were interested in receiving vessel and voyage information transmissions. According to Coast Guard officials, subsequent to the publication of the report they have partnered with private entities in Tampa, Florida, and Alaska.

<sup>16</sup>GAO, *United States Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition*, GAO-06-623 (Washington, D.C.: May 2006).

<sup>17</sup>GAO, *Coast Guard: Condition of Some Aids-to-Navigation and Domestic Icebreaking Vessels Has Declined; Effect on Mission Performance Appears Mixed*, GAO-06-979 (Washington, D.C.: Sept. 22, 2006).

<sup>18</sup>These boats can be placed on trailers and transported on land by truck.

<sup>19</sup>In addition to the Polar-class icebreakers, the Coast Guard acquired a third icebreaker, the HEALY, in 2000. Unlike the Polar-class icebreakers, the HEALY was designed to be an Arctic scientific platform and does not have the capabilities to break ice in the Antarctic under most conditions. According to Coast Guard officials, although the HEALY also has maintenance issues, the condition and extent of maintenance needed for the Polar-class icebreakers is more severe.

<sup>20</sup>Coast Guard officials estimated it would require \$40 million to \$50 million and 2 to 3 years of service to refurbish the deactivated Polar-class icebreaker—the POLAR STAR—to a capability level commensurate with its other Polar-class icebreaker. Coast Guard officials noted that this funding would cover upgrades to systems and to replace vessel infrastructure and parts that Coast Guard had cannibalized over the past years to replace parts on the POLAR SEA.

<sup>21</sup>In the Antarctic, the United States maintains 3 year-round scientific stations. Coast Guard Polar-class icebreakers provide heavy icebreaking support necessary to open a shipping channel and allow maritime resupply of fuel, food, and cargo to

these scientific stations. Polar icebreakers deploy to support primary missions such as the U.S. Antarctic Program, but while present in the polar region, they often support secondary missions such as search and rescue or respond to maritime environmental response situations as situations arise.

<sup>22</sup>According to the Coast Guard, this estimate is based on HEALY construction costs, making adjustments for increased structural and power requirements.

<sup>23</sup>In 2007, the National Research Council of the National Academies issued a final report on the condition of the U.S. polar icebreaking fleet (*Polar Icebreakers in a Changing World: An Assessment of U.S. Needs*). This report corroborated Coast Guard's assessment of the increased risks faced by the deteriorating condition of these vessels and recommended that Congress immediately take action to design, plan, and build two replacement polar icebreaking vessels to replace the aging Polar-class vessels. Moreover, because these new vessels would not be available for another 8 to 10 years, the report recommends that Congress provide the Coast Guard with a sufficient operations and maintenance budget to address maintenance backlogs on the two operating polar icebreakers to ensure a minimum level of icebreaking capability during this period. The report also recommends leaving the POLAR STAR in caretaker status until the new vessels enter service.

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PREPARED STATEMENT OF THE RESERVE OFFICERS ASSOCIATION  
OF THE UNITED STATES

The Reserve Officers Association of the United States (ROA) is a professional association of commissioned and warrant officers of our Nation's seven uniformed services and their spouses. ROA was founded in 1922 during the drawdown years following the end of World War I. It was formed as a permanent institution dedicated to national defense, with a goal to teach Americans about the dangers of unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA to: ". . . support and promote the development and execution of a military policy for the United States that will provide adequate National Security." The mission of ROA is to advocate strong Reserve Components and national security, and to support Reserve officers in their military and civilian lives.

The Association's 70,000 members include Reserve and Guard Soldiers, Sailors, Marines, Airmen, and Coast Guardsmen who frequently serve on Active Duty to meet critical needs of the uniformed services and their families. ROA's membership also includes officers from the U.S. Public Health Service and the National Oceanic and Atmospheric Administration who often are first responders during national disasters and help prepare for homeland security. ROA is represented in each state with 55 departments plus departments in Latin America, the District of Columbia, Europe, the Far East, and Puerto Rico. Each department has several chapters throughout the state. ROA has more than 450 chapters worldwide.

ROA is a member of The Military Coalition where it co-chairs the Tax and Social Security Committee. ROA is also a member of the National Military Veterans Alliance. Overall, ROA works with 75 military, veterans, and family support organizations.

**Disclosure of Federal Grants or Contracts**

The Reserve Officers Association is a private, member-supported, congressionally chartered organization. Neither ROA nor its staff receive or have received grants, sub-grants, contracts, or subcontracts from the Federal Government for the past three fiscal years. All other activities and services of the Association are accomplished free of any direct Federal funding.

**Introduction**

Mr. Chairman and distinguished members of the Senate Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard, on behalf of ROA's 70,000 members, the Reserve Officers Association thanks the Committee for the honor, privilege, and opportunity to submit testimony on issues relating to the Coast Guard budget.

The U.S. Coast Guard and its Selected Reserve are a valuable, unique and increasingly visible service within the armed forces structure of this Nation. ROA would like to thank the Subcommittee for its on-going stewardship that it has demonstrated on issues of homeland security as the Coast Guard is a non-DOD uniformed service. The USCG structure needs and capabilities do not always receive the public attention ROA believes they should. Since Hurricanes Katrina and Rita, the Nation has come to expect even more from this proud service and has levied additional consequence management missions upon it, while retaining the mission as lead Federal agency for maritime homeland security.

### Executive Summary

Our Coast Guard's plate is overflowing with workload demands for homeland security. That our men and women in the Coast Guard and its Selected Reserve have kept their heads above water is a testimony to exemplary leadership and selfless personnel motivation and dedication.

ROA asks the Committee to respond to the unselfish service of U.S. Coast Guard's men and women and recognize the need for funding assistance in order for the Coast Guard and its Reserve to continue this outstanding work.

This high level of performance can only be sustained by supporting the Total Force. The USCG Reserve component is cost effective and provides flexibility in responding to changing demands and threats. The Selected Reserve augments the active Coast Guard and reinforces all eleven of the Coast Guard's missions. Yet like the active Coast Guard, its Reserve has more missions than people to perform them. While the CG Reserve is authorized at 10,000 serving members, it has only been funded at a level of 8,100 Reservists.

*ROA's testimony recommends an increase in funding to an interim end-strength level of 9,300 for FY 2008, which will create a more robust Coast Guard Selected Reserve by enhancing its capabilities toward mission accomplishment.*

### Issues

#### 1. Resetting the Force

In 1995 the Coast Guard Selected Reserve was fully integrated into the Active duty Coast Guard to be trained and employed as a part-time workforce doing the same jobs as Active duty members. The Congress indicated, in 1995, that the minimum size of the CG Reserve be 8,000 serving members. Over the past several years, the Active duty Coast Guard budget and mission scope has expanded to meet the service's increased responsibilities for maritime homeland security.

A 2004 GAO report noted that resource hours for many of the Coast Guard's traditional missions have decreased as demands for its critical port security mission have increased. Coast Guard legacy vessels are experiencing increased unscheduled maintenance and personnel stress issues are arising as a result of higher operational demands across its eleven missions.

ROA believes insufficient oversight has been given to the personnel resources required to meet these new missions which are in addition to the Coast Guard's traditional missions. This mission burden has clearly had an effect on the overall readiness of the Coast Guard. In FY 2006 the Coast Guard was able to satisfactorily meet only 8 of its present 11 mission goals. Of particular note was the failure to meet its Defense Readiness combat rating standard (69 percent achieved versus 100 percent target).

Sources within the Coast Guard have indicated to ROA that they have recruiting and training resources that would permit them to expand beyond an end-strength level of 8,100 to 9,300 in FY 2008.

*ROA urges Congress to increase the funded size of the Coast Guard Selected Reserve from the Fiscal Year 2007 level of 8,100 to 9,300 in FY 2008.*

ROA Resolution Number 04-12 recommends increasing the authorized end-strength of the Coast Guard Selected Reserve to at least 15,000. The USCG has come up with similar results. In a recent study, the Coast Guard identified through its Contingency Personnel Requirements List (CPRL) an end-strength of 14,000 officers and enlisted by FY 2011.

The Coast Guard has the ability and infrastructure to immediately begin recruiting to, and training of, a Selected Reserve funded to a level of 9,300 serving members. As for the future, the Coast Guard can ramp up to attain an authorized end-strength of 14,000 Selected Reservists by FY 2012.

*ROA suggests increasing authorization and funding of the Coast Guard Selected Reserve to 10,475 in FY 2009, with further sequential end-strength authorization increases and funding of 1,175 personnel each Fiscal Year from FY 2010 to FY 2012.*

This increased end-strength will permit a highly cost effective way for the Coast Guard to match the Contingency Personnel Requirements List (CPRL) developed from the eleven mission performance goals presently assigned to the service.

*ROA recommends hearings by the U.S. Senate to determine FY 2008 authorization and funding levels for the USCGR and the development of annual incremental increases to obtain an end-strength level of 14,000 by FY 2012.*

## 2. Not fulfilling Mission Areas

The Commandant's recent USCG Reserve policy prioritizes the CG Reserve missions as follows: (1) Maritime Homeland Security (MHS), (2) Domestic and Expeditionary National Defense, (3) Disaster Response and Recovery. These mission areas are designed to support our Homeland Security. In looking at how the USCG is accomplishing these missions the following are illustrative examples.

### 1. Maritime Homeland Security (MHS)

Maritime Homeland Security is considered by many the most important issue facing the United States today. Maritime Transportation Security is a major element of this mission area. The 2002 Maritime Transportation Security Act (MTSA) levied requirements that included Port Security Vulnerability Assessments in 55 strategic ports and the development and implementation of Area Maritime Security Plans. These are time and manpower intensive tasks. In an attempt to address these mission assignments the Coast Guard has identified the need to set up 13 Maritime Safety and Security Teams (MSST). A significant slice of the team's 100 members are programmed to come from the Selected Reserve. *Insufficient Selected Reserve end-strength has allowed only the partial staffing of just four teams for this strategically and operationally important mission.*

Additionally, the National Guard Bureau has asked the Coast Guard to assume the state-level MTSA port and waterway responsibilities which requires the assignment of senior Coast Guard Reserve officers to each State Guard Headquarters as liaison officers. *To date insufficient Selected Reserve end-strength has allowed only three officers to be assigned to this important Homeland Security duty.*

### 2. Domestic and Expeditionary Support to National Defense

Port Security units (PSUs) are identified in Coast Guard and Combatant Commander contingency plans that call for 11 Port Security Units. PSUs perform maritime interception operations (MIO), coastal security patrols, and port security missions for military and humanitarian missions worldwide, including the protection of national assets. *Presently only 8 of the 11 PSUs, with a staffing of 115 Reserve and 5 Active duty billets are operational.*

PSUs are units that are being frequently deployed. As a result, the USCGR is having a difficult time recruiting to these units from other billets within the CG Reserve. As a result, this is the program with the highest frequency of individual repeat mobilization for CG Reservists, which has resulted in retention problems.

### 3. Disaster Response and Recovery

Since the 2005 hurricane season, Coast Guard Reserve liaison officers to Federal, state and local disaster response agencies are in high demand but short supply. *Of more than 80 required positions, only 6 emergency preparedness liaison officers (EPLOs) can be filled from the Coast Guard Reserve as requested.*

These examples illustrate that some of the most vital missions required to support Homeland Security and prevent or respond to another terrorist incident are not being achieved due to inadequate reserve end-strength. The country can ill-afford to ignore these requirements any longer and risks not preventing the next terrorist incident.

*ROA strongly recommends funding at a higher end-strength level in order to accomplish all mission areas vital to Homeland Security.*

## Conclusion

Mr. Chairman and members of the Subcommittee, since 9/11 the Coast Guard has added 7,000 Active personnel and 5,000 civilian members, a very expensive approach in a resource constrained environment that has not yielded sufficient risk mitigation in the Homeland Defense and Maritime Security mission areas.

With only 8,100 funded billets, the USCG is playing musical chairs with its Reserve personnel. Insufficient Reserve end-strength requires the Coast Guard Selected Reserve to transfer personnel from other vital Reserve missions to another in an attempt that only partially addresses these legislated national security requirements. Adding to Active structure is an expensive solution and hiring civilians cannot realistically solve these operational shortfalls. With the present size of the CG Reserve, these missions have no realistic chance of being fully accomplished. Neither can technology, in the near-term, address these constraints on the Coast Guard's operational capabilities and reach within the maritime domain.

Using FY 2007 Coast Guard budget data, the Coast Guard Reserve, as presently structured only comprises about 2.25 percent of the Coast Guard's budget. The tasks that the Congress has mandated in current homeland defense legislation could actually be accomplished by the CG Reserve at a cost of about one-fifth of what an active

duty personnel solution would cost. An increase in funded end-strength of the Coast Guard Selected Reserve to 9,300 billets is a cost effective solution to attain higher and more sustainable levels of mission performance and accomplishment.

An under-strength Coast Guard Reserve was able to perform in a true national disaster, but how long can this performance be sustained? The right for increased funding has been earned. ROA does not wish to take funds away from the active Coast Guard and its projects; we feel that the CG Reserve is a good investment for additional funding.

The Reserve Officers Association respectfully asks the Committee to support this requested funding in FY 2008 and review a programmatic and sequenced increase in the authorized and fully funded end-strength for the Selected Reserve of the U.S. Coast Guard.

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

*Question 1.* Adequacy of Coast Guard Assets in District 14—Hawaii. Does the Coast Guard have enough assets and personnel to fully implement all of its intended missions in the Northwestern Hawaiian Islands Marine National Monument?

Answer. Yes. The Coast Guard will be able to enforce its missions in the Pacific by leveraging the multi-mission character of our assets to increase efficiency and effectiveness. Additionally, our budget provides sufficient funding to support the manpower and asset requirements needed for the Coast Guard to effectively execute its statutorily mandated eleven mission-programs.

*Question 1a.* Does the Coast Guard have plans to increase the number of assets and personnel in District 14 in the future?

Answer. The Coast Guard distributes available assets and personnel according to the overall risks and goals across all of our mission-programs. Adjustments to assets and personnel are made as necessary through real-time asset tracking and annual budget requests. All Coast Guard Operational Commanders carefully and judiciously balance available resources against mission demands to apply resources to best meet statutory requirements, particularly concentrating on those missions and geographic areas that present the greatest risk. While addressing capacity, capability, and operational tempo challenges, the Coast Guard continues to ensure coverage of all mission areas based on the assessment of risk and the careful allocation of available resources.

*Question 1b.* Given these limited assets, and the designation of the Northwest Hawaiian Islands Marine National Monument by President Bush in June 2006, how does the Coast Guard plan to properly and efficiently enforce the prohibitions on passage, fishing and other activities in the National Monument?

Answer. The Coast Guard does not anticipate increasing deployments in this area at this time. However, the Coast Guard will continue to provide law enforcement presence with aircraft and cutter deployments in the Monument area commensurate with threat levels and competing demands.

*Question 1c.* Why has the Coast Guard not asked for more funding for District 14 in the FY 2008 budget?

Answer. The President's FY08 budget provides sufficient funding to maintain the manpower and asset requirements needed for the Coast Guard to effectively execute its statutorily mandated mission-programs.

*Question 1d.* Admiral, are you familiar with the AIS Base Station Network or the proposal to provide global access of commercial vessels for tracking?

Answer. The term AIS Base Station Network is generic in nature and can refer to a number of different systems deployed internationally or for sale by a number of different vendors. The Coast Guard is establishing a Nationwide Automatic Identification System (NAIS) to collect, integrate, and analyze information from vessels equipped with AIS systems that are subject to the jurisdiction of the United States using a combination of ground-based and space-based AIS receivers.

*Question 1e.* Is this a system that could be beneficial to the Coast Guard in the tracking of vessels?

Answer. No. They are not suited to monitoring of remote oceans areas.

*Question 1f.* Is the Coast Guard interested in engaging in a private-public partnership for vessel tracking systems? Why, or why not?

Answer. Yes, the U.S. Coast Guard is partnering with local Automatic Identification System (AIS) providers in numerous locations as part of the NAIS project and installing its own receive-only capability in others. Additionally, the Coast Guard

has contracted to receive AIS information from a satellite that is scheduled to be launched this year to enable access to information from thousands of miles offshore.

*Question 1g.* Does the Coast Guard plan to include a budget request for the enclosed air station hangar at Barbers Point, Hawaii in FY 2009's budget?

Answer. No. The Coast Guard will be initiating a Planning Proposal to examine alternatives for the replacement of hangar facilities at Air Station Barber's Point.

*Question 2.* Admiral, we have discussed on numerous occasions the Coast Guard international inspection program for foreign ports. What do you think about the possibility of developing a third party verification system to better verify a foreign ports compliance with ISPS?

Answer. The idea of third party verification using contractors is generally unacceptable to our trading partners. Many, if not most countries would likely be unwilling to allow a third party entity to evaluate ISPS compliance at their ports due to matters of sovereignty. Early on, the Coast Guard attempted to use a contractor to gather preliminary information for a country visit and that government objected. Even though the Maritime Transportation and Security Act (MTSA) requires the Coast Guard to assess the effectiveness of antiterrorism measures in foreign ports, we cannot do so unless invited, and must respect the sovereignty of our trading partners. However, to overcome some of the resistance to this program, we have invited some of our trading partners to the United States to share objectives.

While there are potential problems with a private third party verification system using contractors, the International Maritime Organization (IMO) has adopted a member audit scheme that has member nations examine the compliance of other nations with various international maritime safety instruments. The IMO has agreed to expand this member audit scheme to include maritime security at a future date. We are supportive of this approach and believe such an arrangement would serve to leverage Coast Guard competencies and improve ISPS compliance.

*Question 3.* Why do we keep seeing a trend of the Coast Guard's security missions taking the majority of resources over non-security missions?

Answer. The Coast Guard distributes available assets and personnel according to the overall risks and goals across all of our mission-programs. Adjustments to assets and personnel are made as necessary through real-time asset tracking and annual budget requests. Coast Guard operational commanders carefully and judiciously balance available resources against mission demands to apply resources to best meet statutory requirements, particularly concentrating on those missions and geographic areas that present the greatest risk. This use of risk is a fundamental aspect of Coast Guard operations. While addressing capacity, capability, and operational pace challenges, the Coast Guard continues to ensure coverage of all mission areas based on the assessment of risk and the careful allocation of available resources. Operational commanders will continue to allocate multi-mission assets based on overall achievement of performance goals, given current intelligence and risk assessments.

*Question 3a.* What, if anything, are you doing to make sure the non-security missions are allocated as many resources if not more than the security missions?

Answer. The GAO has determined that despite congressional concern about an increased focus on homeland security missions, overall non-homeland security mission performance has not suffered to any great degree. In fact, in the case of domestic fishery enforcement—the 96.6 percent actual observed compliance rate (only .4 percent short of the goal of 97 percent) has been constant since 2004. The Coast Guard continues to strive to meet the demands of its traditional missions while embracing its expanded homeland security duties. Coast Guard assets are inherently multi-mission in character—this provides the Service the flexibility to rapidly transition resources between mission-programs as needed to support multiple priorities. We firmly believe that this multi-mission capability, coupled with a risk-based approach to resource allocation, has allowed our Service to improve efficiency and effectiveness in both our homeland and non-homeland security roles.

*Question 3b.* Can you explain why the Coast Guard was unable to meet its target goals in all of its mission areas?

Answer. During Fiscal Year 2006, the Coast Guard met the performance targets for many of its core missions, including marine environmental protection, foreign fishery enforcement, and domestic ice breaking. However, we missed performance targets by less than 1 percent for search and rescue and domestic fishery enforcement. Over the past 3 years, only the Defense Readiness and Living Marine Resource mission areas have trended away from targeted performance.

Although the overall SAR caseload continues to slowly decline, the number of "difficult" cases where mariners are in danger continues at a steady rate. Delays in fielding Rescue 21 is the major limiting factor in achieving the 2006 SAR performance target of 86 percent of mariners in imminent danger being saved.

Marine Safety performance improvement hinges on addressing the remaining risks associated with recreational and towing vessels as these account for the preponderance of current maritime accidents. Coast Guard improvements to regulatory regimes and partnerships have not led to as rapid a decrease in mariner, passenger, and boating deaths and injuries as models suggested when the 2006 targets were established. Additionally, the normalization of recreational vessel injuries into the marine safety performance metric has increased the variability of reported performance. The Coast Guard has adjusted its performance targets for 2009–2013 to reflect this variability, and will refine performance data to improve the accuracy of mission performance reports while continuing to implement regulatory changes needed to address the root causes of mariner, passenger, and boater deaths and injuries.

Waterways Management/Aids to Navigation performance is likewise driven largely by the uninspected towing vessel industry, to which 60 percent of the collisions, allisions, and groundings can be attributed. As with Marine Safety, regulatory regime and partnership improvement initiatives have not resulted in as rapid a decline in collisions, allisions, and groundings as had been anticipated when the 2006 target was established. As a result, the Coast Guard has adjusted its performance targets for 2009–2013. The Coast Guard is currently undergoing an independent program evaluation through the Center for Naval Analyses with an aim to improving the performance metrics of this mission.

Living Marine Resource performance is driven by excessive violations in three major fisheries: Atlantic Sea Scallop, Northeast Groundfish, and the Gulf of Mexico/Southeast Atlantic shrimp fisheries. Three-fourths of all significant violations are from these three fisheries. Days at sea restrictions, complex and continuously changing regulations, and poor economic conditions have continued to create a strong incentive for illegal fishing. Coast Guard boarding efforts are back to near historical levels, and improvements in fishing vessel monitoring technology, intelligence, and partnerships with enforcement partners should slowly improve the compliance rate from 96.6 percent to the targeted 97 percent.

Defense Readiness performance targets were not achieved primarily due to Port Security Unit (PSU) readiness and declining High Endurance Cutter material condition. PSU readiness shortfalls were primarily in the area of training; and remediation of these shortfalls is subject to reservists being available to attend training.

*Question 3c.* Protecting living marine resources is of particular importance to my home state of Hawaii. Why are we seeing a trend of decreasing resources requested for this mission?

*Answer.* The Coast Guard does not budget by or allocate funding by mission-program; however, to project how funding will be distributed across mission-programs the Coast Guard uses a tool called the Mission Cost Model (MCM). The MCM's depiction of how funding is allocated and expended across the Coast Guard's 11 mission-programs have caused concern over the past few years, particularly when mission costs appear to "go down." Funding distribution using the MCM, in most cases, does not have a direct correlation to "doing less" to support one mission or another. For example, in the case of Search and Rescue, each year we answer every call for assistance; however, severe winter conditions may cause more resources to be used in 1 year than another. In addition, extraordinary occurrences, such as a mass migration or a Hurricane Katrina-like event contribute to large spikes in mission execution during the year the event occurs.

*The primary attributes to keep in mind when discussing the MCM in general terms:*

- The Coast Guard does not budget for, nor allocate, funding by mission, but rather by Congressionally-established appropriations and PPAs.
- The MCM represents a two-year rolling average of how funding was spent by mission, primarily according to hours captured in the Coast Guard's Abstract of Operations (AOPS).
- Forcing the Coast Guard to increase funding to support a given mission will jeopardize the agency's multi-mission nature and ability to respond effectively to evolving threats.

#### **Decreasing resources requested for LMR**

As stated in the recent GAO report for OAF&CG, despite congressional concern about an increased focus on homeland security missions, non-homeland security mission performance has not suffered. In the case of domestic fisheries enforcement the 96.6 percent actual observed compliance rate (only .4 percent short of the goal of 97 percent) has been constant since 2004. We are also realizing efficiencies in executing this mission through leveraging the National Oceanic and Atmospheric Ad-

ministration's (NOAA) National Vessel Monitoring System (NVMS), as well as intelligence and interagency cooperation.

*Question 3d.* What do you plan to do over the next year to ensure that the Coast Guard's overall performance increases, so that it meets its target goals in each of its 11 mission areas?

Answer. The Commandant has launched a number of initiatives to ensure that the Coast Guard's overall performance increases and that we meet our annual performance targets in each mission area. We have developed a Coast Guard Strategy for Maritime Safety, Security and Stewardship, which lays out the necessary changes required to strengthen maritime regimes, achieve domain awareness, and enhance operational capabilities. We are also reorganizing our command and control structure around one commander in the field responsible for Mission Execution and reorganizing our support systems around one commander in the field responsible for Mission Support. Our strategic focus for the next year will be to improve our operational capability, improve awareness within the maritime domain, and improve maritime regimes both domestically and internationally.

Within each mission area, program managers continually assess performance toward our long term and annual outcomes to ensure continuous improvement. Annually we develop specific targets and milestones for each of our 11 mission programs and communicate priorities to our field commanders through detailed operational planning guidance.

Through the Coast Guard's Deepwater and other acquisition programs, we will continue to improve operational efficiency and capability across all mission programs. HH-65 helicopters, recently re-engined through the Deepwater program, will enhance mission performance in such areas as search and rescue, environmental protection and ports, waterways and coastal security. Current acquisition projects such as the Deepwater National Security Cutter, Response Boat-Medium and Rescue 21 will further enhance Coast Guard capabilities to perform both homeland security and traditional missions, including Living Marine Resources, illegal drug interdiction, undocumented migrant interdiction, and search and rescue.

*Question 3e.* If the Coast guard failed to meet its targets in 6 mission areas last year, should we expect significantly improved performance this year, when a similar proportion of assets is devoted to these non-security missions?

Answer. Efforts are underway to ensure performance improves in each of our mission areas. Program managers have conducted assessments of current performance, examined the external maritime trends, conducted analysis of the key drivers of performance in mission areas, and developed new performance targets and milestones. Detailed operational planning guidance highlighting the priorities for FY08 will be communicated to our field commanders for to use in developing tactical level plans for conducting operations. Performance in each mission area will be assessed quarterly to determine progress and to identify the need for changes in tactical direction and/or resource allocation.

*Question 4.* I see the cost of the Rescue 21 project has increased to \$730.2 million from original estimates of \$210 million in 1999. I know that a portion of the increased cost is due to necessary changes because of 9/11, but can you tell me what else went wrong that required such a significant increase in the cost of Rescue 21?

Answer. Adjustments to the Rescue 21 total acquisition cost estimate from 1999 to present have been driven by a combination of factors, including refinement of operational requirements, incorporation of technical analysis performed during the Concept and Technology Development Phase (Phase 1) of the project, and cost and schedule variances during initial Capability Development and Demonstration/Production and Deployment (Phase 2) of the project. A chronological summary of adjustments to the Rescue 21 total acquisition cost estimate follows:

- The original Rescue 21 Acquisition Program Baseline (APB), dated April 16, 1999 estimated a total acquisition cost threshold of \$250 million. This initial planning-level estimate was developed in preparation for Phase 1 of the project and was based on preliminary assumptions prior to development of the Rescue 21 Operational Requirements Document (ORD).
- In preparation for Phase 2 of the Rescue 21 project, and based on Phase 1 lessons learned, the Coast Guard revised the Rescue 21 APB (APB Revision 2, dated March 11, 2002) total acquisition cost threshold to \$580 million. This represented the first Rescue 21 acquisition cost estimate that incorporated fully refined operational requirements, technical feasibility analysis, and industry life cycle cost estimate input.
- During the Initial Operating Capability (IOC) and Low Rate Initial Production (LRIP) segments of Phase 2, the Rescue 21 project experienced cost overruns

and schedule delays due to Rescue 21 Ground Subsystem (GSS) infrastructure preparation, construction and permitting activities, and software development, integration, and testing efforts. Additionally, the initial Vessel Subsystem (VSS) prototype and testing efforts experienced significant cost escalation and schedule delays. On May 25, 2005 the Department of Homeland Security (DHS) approved Rescue 21 APB Revision 3, which adjusted the estimated total acquisition cost threshold to \$720 million to account for the cost and schedule variances experienced during IOC and LRIP.

- Rescue 21 APB Revision 4, dated April 10, 2006, set the total acquisition threshold at \$730.2 million, which incorporated the \$10.2 million in hurricane supplemental funding appropriated (P.L. 109-148) to the Coast Guard to repair storm damaged legacy communications infrastructure along the Gulf Coast subsequent to Rescue 21 APB Revision 3.

*Question 4a.* What steps are you taking to ensure that Rescue 21 is delivered on time and at no higher cost to the American taxpayers than already required?

Answer. Major actions taken by the Coast Guard over the past year to control Rescue 21 project cost and schedule include:

- Through APB Revision 4, the Coast Guard down-scoped the VSS asset tracking and data communications components. This approach is more affordable and will result in a non-proprietary, Automatic Identification System (AIS)-based solution that is more compatible with other current or planned Coast Guard vessel tracking/data communications systems.
- Additionally, through APB Revision 4, the Coast Guard committed to recapitalizing the legacy system, vice full R21 installation, in the Western Rivers regions (Ohio River Valley, Upper Mississippi, and Lower Mississippi) to reduce total Rescue 21 program acquisition costs while meeting Coast Guard operational requirements within these geographic areas.
- Chartered a team of executive-level Defense Acquisition University specialists to conduct a comprehensive review of the Rescue 21 project, identify areas of concern, and formulate an execution strategy for the remainder of the production phase.
- Implemented project management actions in response to recommendations contained in Government Accountability Office audit GAO-06-623 (“U.S. Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition”), including:
  - Conducted an Integrated Baseline Review (IBR) on the contracted deployment activities for the first 11 FRP regions to more accurately project cost, schedule, and performance, enabling the Coast Guard to better identify future cost and schedule variances, and implement corrective actions as necessary.
  - Implemented quarterly executive governance meetings between the Coast Guard’s Assistant Commandant for Acquisition and contractor’s Executive Vice President to monitor project performance and risk.
  - Established an executive oversight committee, consisting of senior Coast Guard and DHS officials, to help monitor the project’s cost and schedule risks. The committee first met in June 2006 and continues to meet on a quarterly basis.

The Rescue 21 PM has initiated an independent government cost estimate (IGCE) to validate current program costs.

*Question 5.* Admiral, do you think the creation of a Deployable Operations Group (DÖG) within the Coast Guard will make it easier for resources to be allocated away from non-security missions? What possible problems do you see, if any, in regards to this reorganization?

Answer. No. The missions of all the units consolidated under the command of the Deployable Operations Group will not change. The focus of these units will remain maritime safety, security and environmental response. The Deployable Operations Group will provide unified command and an enhanced ability to develop adaptive force packages for executing more efficient and effective responses to a threat or event. There are no such challenges anticipated with this internal reorganization.

*Question 6.* Admiral, I see that your budget proposes cutting positions within the Civil Engineering Units of the Coast Guard. As you know, some of the positions that would be cut would be from my state. Can you tell me what benefit would actually be received from cutting 57 Federal positions nationwide?

Answer. The Coast Guard’s Civil Engineering High Performing Organization (HPO) initiative provides more effective processes and services. Promulgated from

OMB Circular A-76, the proposal includes a bi-level maintenance system that standardizes procedures and provides centrally-managed depot-level maintenance activities. We use a similar model for aviation engineering that minimizes costs while maximizing service quality.

*Question 7.* Could you please explain how the Coast Guard plans to operate and maintain the three Coast Guard polar icebreakers, without relying on funds from other Federal agencies?

Answer. The Coast Guard operates within the framework of the 2005 MOU with NSF and has not developed any alternative plan for polar icebreaker operations and maintenance.

*Question 7a.* Considering the age and deteriorating condition of the current polar icebreaker fleet, and the amount of time and money it will require recapitalizing these assets, could you please explain why the Coast Guard has not come up with any long-term plans on how to deal with this looming problem?

Answer. The HEALY, commissioned in 2000, has an anticipated service life of XX years. The need for any new icebreaking capability in the polar regions is currently under review by the Coast Guard in conjunction with interagency review of the current U.S. polar policy.

*Question 7b.* Why did you not provide a plan that would fund the Coast Guard's polar icebreakers without relying on an agency, such as the NSF, as was required by the Coast Guard and Maritime Transportation Act of 2006?

Answer. In January 2007, DHS provided a report to Congress outlining the operational intentions and fiscal requirements to operate and maintain POLAR SEA and HEALY in Fiscal Year 2007 and the fiscal maintenance plans for Fiscal Years 2008 and 2009.

*Question 7c.* Admiral Allen, is it true that the Memorandum of Agreement between the Coast Guard and the National Science Foundation has not been signed as of today for FY 2007?

Answer. The USCG-NSF Memorandum of Agreement (MOA) was signed in August 2005 and serves as the guiding document for transfer of funds from NSF to the USCG each year to support polar icebreaker personnel, maintenance and operations under the current budget authority. For Fiscal Year 2007, the NSF received supplemental Continuing Resolution funding of \$60 million to fund International Polar Year initiatives and polar icebreaker costs. To date, NSF has indicated it would provide \$48 million through the third quarter of Fiscal Year 2007 but has not provided a definitive funding total.

*Question 7d.* How will this affect the operations and maintenance of the Coast Guard's polar icebreaker fleet for this year and beyond?

Answer. The Coast Guard and NSF will work within the framework of the MOU to administer the icebreaking program plan.

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

*Question 1.* Do we know how much money NSF will be providing to the Coast Guard for Polar Icebreaker operations for Fiscal Year 2008?

Answer. No. In accordance with the Memorandum of Agreement (MOA), NSF will provide the Coast Guard with a list of operational requirements for FY08, and the Coast Guard will build a program plan to meet them. We are currently gathering requirements from NSF and plan to have the proposed program plan, and estimated cost, ready for NSF's consideration by July 1st.

*Question 1a.* What steps is the Coast Guard currently taking to plan for the longer term replacement or recapitalization of these unique assets?

Answer. The need for any new icebreaking capability in the polar regions is currently under review by the Coast Guard in conjunction with interagency review of the current U.S. polar policy.

*Question 1b.* As you know, language was included in the Fiscal Year 2007 Continuing Resolution requiring the National Science Foundation to reimburse the Coast Guard for polar icebreaker maintenance and operations. But I understand that NSF never signed an official agreement with the Coast Guard to provide these funds. Is this the case?

Answer. The USCG-NSF Memorandum of Agreement (MOA) was signed in August 2005. Under this MOA, NSF annually sets the tasking for the vessels, informed by coordination meetings hosted by NSF and attended by the USCG and other agencies with a need for icebreaking services. The USCG submits a program plan (a

budget with operating and maintenance information, as well as supporting documentation) to NSF that addresses the tasking. The agencies then negotiate the program plan, agree upon a budget that meets the plan requirements, and NSF reimburses USCG for agreed-upon expenses. NSF's Congressionally-approved FY07 operating plan allocates \$57 million for polar icebreaking. To date, NSF has approved \$48 million through the third quarter of FY07 in reimbursements to the USCG. The Coast Guard is finalizing its fourth quarter request and will submit it to NSF shortly.

*Question 1c. If so, How can the Coast Guard assure that NSF will reimburse the full \$57 million slated for the polar icebreaker fleet under this year's Continuing Resolution?*

Answer. Coast Guard senior leadership is engaged with NSF senior leadership on polar icebreaker funding issues.

*Question 2. Do you agree that the Coast Guard should provide reporting to Congress similar to what DOD provides? Specifically, what are your thoughts on requiring Coast Guard reporting similar to the DOD's Selected Acquisition Reports and Unit Cost Reports, as was mentioned during the hearing?*

Answer. Most Coast Guard acquisition projects, with the exception of the NSC, are not at the stage or investment level that would require a Selected Acquisition Report or Unit Cost Report under DOD standards (\$2.7B). The Coast Guard is a mid-sized Federal acquisition agency and it would be unduly burdensome to hold an agency of its size to DOD reporting standards.

*Question 3. There have been concerns raised to my staff about the safety and cost of the CASA Maritime Patrol Aircraft. I understand that out of the 220 CASA-CN-235 aircraft operating around the world in 24 countries, there have been 9 crashes resulting in 92 fatalities. As you promised during the hearing, could you please provide a side-by-side comparison between the CASA CN-235 and other, similar planes considered by the Coast Guard such as the Dash 8?*

Answer. A side-by-side comparison between the CASA CN-235 and other, similar planes is provided in the table below.

Aircraft Type	Number of Aircraft Loss Occurrences	Years Since First Flight
Aérospatiale/Aeritalia ATR-42	17	23
Beechcraft 1900	22	22
CASA CN-235	9	24
De Havilland DHC-8 (Dash 8)	19	24
Dornier Do-228	30	26
Embraer 120 Brasilia	14	24
Saab 340	19	24
Shorts 360	11	26

These facts can be checked on the Aviation Safety Network site (<http://aviation-safety.net>).

*Question 3a. I understand the Inspector General of the Department of Homeland Security is doing an analysis of whether the costs of making these airframes operational are too high. Is it your opinion that continuing with the CASA is in the best interest of the Coast Guard and the American taxpayer?*

Answer. Yes, continuing with the CASA is in the best interest of the Coast Guard and the U.S. Government. The CASA CN-235 was designed and built to meet strict performance specifications in order to execute Coast Guard missions. Operational testing for the CASA will begin in November 2007.

*Question 4. It is my understanding that flight training facilities are limited for the CASA aircraft and located in Spain, and parts and qualified service personnel are also limited because of the relatively small number of these aircraft in service. What are the additional operating costs that will be incurred with the CASA because of this limitation on training, parts, and qualified service personnel?*

Answer. The CASA procurement contract includes training for Coast Guard personnel. Currently, 6 Coast Guard pilots have been trained in Spain at the facility

of the Original Equipment Manufacture (OEM). Maintenance and loadmaster training have also been provided to enlisted personnel. The OEM will provide instructor pilot training at a future date so that pilot training can be conducted at Aviation Training Center (ATC) Mobile, AL. ATC Mobile is also developing course curriculum for mechanic maintainer and loadmaster training for the enlisted personnel.

To date, approximately \$15M has been allocated for aircraft spare parts and \$2.5M for Mission System Pallet spare parts.

*Question 4a.* Will pilots have to be trained in Spain and will the aircraft have to be serviced in Spain as well? If not, has the Coast Guard invested additional funds in the CASA program to develop training and service capabilities in the United States?

Answer. Aircraft Repair & Supply Center (AR&SC) Elizabeth City, NC is currently working to establish contracts with CASA and Lockheed Martin Eagan for field service representative access until the Coast Guard program is self sustaining. The current procurement contract has provisions for training two pilots for each aircraft procured and additional maintenance and loadmaster training for enlisted crew members. Pilot training, maintenance training and loadmaster training will be provided at ATC Mobile, AL on future procurements.

The aircraft will not have to be serviced in Spain. They are currently being serviced at AR&SC Elizabeth City, NC.

*Question 4b.* Were these kinds of extra costs factored into the original estimated costs of the CASA when it was compared to (and chosen over) other aircraft?

Answer. We do not see additional costs related to the CASA procurement that would be significantly different than those incurred with other aircraft. Any aircraft procured would require spare parts, pilot training, instructor pilot training, maintenance training, loadmaster training, course curriculum and other training and infrastructure.

*Question 5.* As you know, the original Deepwater contract called for a composite FRC. We were told that the reasons for going with composites, rather than steel, were that composites have lower maintenance and life-cycle costs, a longer service life, and are lighter weight. Admiral, I'm wondering what changed in this analysis to justify moving away from composites to steel?

Answer. The Coast Guard identified high technical risks with the Integrated Coast Guard Systems' (ICGS) proposed composite design leading to suspension of the composite Fast Response Cutter (FRC) design efforts in February 2006. These risks were validated by an independent third party design review conducted by Alion—John J. McMullen & Associates (JJMA) that was completed in April 2006, and by a panel of independent composite technology experts from the U.S. Navy, private industry, academia, and the U.S. Coast Guard who participated in a Technology Readiness Assessment in December 2006. These technical risks would impact manufacture of the composite hull and had the potential to impact cost and schedule.

An FRC-A Class Business Case Analysis (BCA), which included a Technology Readiness Assessment (TRA), was also conducted. The FRC-A BCA, completed by Designers and Planners, Inc. (D&P), an independent third party, was reviewed by ICGS and comments were received in March 2007. The Coast Guard in concert with D&P reviewed the ICGS comments and determined they do not materially change the results of the BCA. The BCA and TRA results indicated there is no clear benefit to pursuing a composite-hulled patrol boat. The TRA indicated a score between 4 and 5 for the composite FRC-A, while a score of 7 or higher is preferred to keep technical risk acceptable. The BCA indicated the "break-even" point of TOC for steel versus composite patrol boat hulls occurs whenever the composite can be shown to last 15–17 years longer than the steel. The Coast Guard believes that the life span gap between composite and steel hulls would be less.

*Question 6.* You recently announced that the Coast Guard will be taking on full responsibility as the lead systems integrator for Deepwater, rather than using ICGS. But you also stated that "ICGS will have an enduring role". Could you please explain specifically how the relationship with ICGS is changing, and specifically what role you envision ICGS playing in the future? Also, will ICGS continue in its current role for all 8 National Security Cutters and all 36 CASA aircraft? As the Coast Guard takes on these new responsibilities as lead systems integrator, will you require additional funds, and how will this be reflected in the Coast Guard's budget requests?

Answer. As the Deepwater program has matured, the Coast Guard has assumed a greater role both in management and oversight to the point that the next logical and prudent step is to assume the lead role as the systems integrator. This change will involve transition over a period of time as the Coast Guard acquires additional

expertise. Specifically, the Coast Guard has taken over responsibility and control in the following areas:

- Development of the System Concept of Operations or Asset Statements of Objectives
- Responsibility for Technical Authority
- Development of Business Case Analysis decisions to validate the selection and mix of Deepwater Program assets
- Leadership of Integrated Product Teams
- Management of the Risk Management Plan
- Greater oversight of ICGS's application of accepted System Engineering principles and practices at the Deepwater System design level
- Greater oversight and control of Integrated Logistics Support

In terms of what is different contractually, the work performed by the systems integrator was accomplished under the System Engineering and Program Management Delivery Task Orders (DTOs). Future DTOs will be modified to de-scope or reduce those tasks accomplished by the systems integrator since it will now be done increasingly by the Coast Guard.

ICGS has the potential to continue to provide the goods and services already under contract, such as the MPA and the NSC; however, the Coast Guard remains open to re-competing these assets if it is in the best interest of the government to do so. ICGS may also participate in future work; however, all future assets will be competitively awarded.

It will most likely be necessary to shift additional funding to government program management as the Coast Guard assumes more system integration and oversight responsibilities.

*Question 7.* Do you currently have the authority and funding that you need to fully staff your Deepwater acquisition team?

Answer. The Coast Guard is in a transition period as it assumes greater oversight and assumes additional system integration responsibilities. We have adequate funding for FY07 and we have requested additional funding in FY08 as part of the President's Budget Request.

*Question 8.* Recent reports have indicated that the Coast Guard's Deepwater program is experiencing a massive cash backlog, carrying over \$700 million in unspent funds. It seems that we, the Congress, are funding the program at a rate faster than you can spend it. Please explain why such vast amounts of taxpayer dollars sit idle and remain unspent.

Answer. The Deepwater Program is administrating an aggressive but prudent obligation plan that will address some of the outstanding unspent or unobligated funds. Based on this plan, the Coast Guard expects to carryover approximately \$350 million into FY2008. The table below outlines our obligation plan. Unobligated funds are primarily for 3 assets:

- FRC B-Class (Replacement Patrol Boat) which will be awarded in FY 2008;
- VUAV which will not be restarting until 2012 or later; and
- FRC A-Class which will not be restarting until 2012 or later.

#### Deepwater Financial Status Prepared 9 May 2007

[FY 2007 Carryover into FY 2008]

	3 May 2007 Unobligated Balance	Obligations Planned Between 3 May 2007 and 31 July 2007	Total Projected Balance as Obligations Completed through 31 July 2007	Total Projected Balance on 30 Sept. 2007 (Carryover into FY08)
Armed Helicopter Equipment	\$41,997,062	\$39,257,062	\$1,236,276,826	\$2,740,000
C-130H Conversion/ Sustainment	\$56,611,596	\$46,328,596	\$1,189,948,230	\$10,283,000
C-130J Fleet Introduction	\$4,845,000	\$4,845,000	\$1,185,103,230	\$0
Covert Surveillance Aircraft	\$263,386	\$263,386	\$1,184,839,844	\$0
HH-60 Conversion Projects	\$46,624,602	\$34,713,602	\$1,150,126,242	\$11,911,000
HH-65 Conversion/ Sustainment	\$20,412,346	\$0	\$1,150,126,242	\$20,112,316

## Deepwater Financial Status Prepared 9 May 2007—Continued

[FY 2007 Carryover into FY 2008]

	3 May 2007 Unobligated Balance	Obligations Planned Between 3 May 2007 and 31 July 2007	Total Projected Balance as Obligations Completed through 31 July 2007	Total Projected Balance on 30 Sept. 2007 (Carryover into FY08)
Maritime Patrol Aircraft (MPA)	\$37,915,023	\$37,915,023	\$1,112,211,219	\$0
Unmanned Aerial Vehicle	\$38,608,977	\$3,608,977	\$1,108,602,242	\$35,000,000
C4ISR	\$41,139,992	\$41,139,992	\$1,067,462,250	\$0
Logistics	\$16,152,346	\$16,152,346	\$1,051,309,904	\$0
Government Program Management	\$32,144,850	\$32,114,850	\$1,019,195,054	\$0
Fast Response Cutter (FRC)— A Class	\$41,580,181	\$0	\$1,019,195,054	\$41,580,181
Fast Response Cutter (FRC)— B Class/Replacement Patrol Boat	\$116,160,369	\$0	\$1,019,195,054	\$116,160,369
FY 2006 Congressional Reprogramming (123 WPB Close, OPC, NSC)*	\$8,247,000	\$0	\$1,019,195,054	\$8,247,000
IDS Small Boats	\$1,804,137	\$0	\$1,019,195,054	\$1,804,137
Medium Endurance Cutter Sustainment	\$9,751,620	\$8,460,620	\$1,010,734,434	\$1,291,000
National Security Cutter (NSC)	\$643,587,106	\$643,587,106	\$367,147,328	\$0
Offshore Patrol Cutter (OPC)	\$105,142,331	\$6,355,331	\$360,791,997	\$98,787,000
Surface Ships Other	\$0	\$0	\$360,791,997	\$0
System Engineering and Integration	\$12,875,994	\$12,875,994	\$347,916,003	\$0
Total	\$1,275,533,888	\$927,617,885		\$347,916,003

\*Note: This reprogramming is not a stand alone CIP line item. It is accounted for in previous CIP summaries and unobligated balance questions in the "110 Patrol Boat SLEP/Fast Response Cutter—B Class" category.

It is important to have funds available and ready to obligate. Such availability helps to garner more bids and greater competition, as could be important in the upcoming FRC B-class (replacement patrol boat) and other projects.

*Question 9.* Will industry continue to self-certify any design or performance specifications for NSCs 1 and 2?

Answer. The Deepwater contract with Integrated Coast Guard Systems, LLP (ICGS) currently uses tailored Cutter Specific Certification Matrices (CSCM) to define the standards that are to be used for the design and construction of each class of surface assets. This set of standards was proposed by ICGS for each surface asset based on a generic set compiled by the Coast Guard and American Bureau of Shipping (ABS). Under the terms of the Cutter Certification Program, ICGS must use ABS to certify compliance with all ABS standards (e.g., rules, guidelines) cited in the CSCM. On the National Security Cutter (NSC), fewer than 100 of the almost 1,000 standards of the CSCM involve ABS; Federal agencies are the certification agent for six standards. The contract permits ICGS to certify the remainder of the CSCM, and ICGS has chosen that option.

Though the contractor "certifies" a line item in the CSCM, the government retains the means to protect its interest. First, the Coast Guard can challenge the certification, which is exactly what the Coast Guard did in the Integrated Product Team process. Second, the contractor is required to meet the terms of the contract; Coast Guard members and representatives from ABS, the Navy, and qualified support contractors conduct random inspections/tests as well as scheduled inspection/tests to ensure this.

The Coast Guard intends to expand the role of ABS in the Deepwater Program to increase the assurance that Deepwater surface assets are properly designed and constructed to an integrated and comprehensive set of standards.

The Coast Guard is also looking to ABS to strengthen the cutter certification program and to augment Coast Guard resources for design review and construction oversight. ABS is recognized in statute as the classification agent for U.S. Government ship owners. 46 U.S.C. 3316(a) states in part that "Each department, agency,

and instrumentality of the U.S. Government shall recognize the American Bureau of Shipping as its agent in classifying vessels owned by the Government and in matters related to classification." ABS has been participating in the design of the NSC and the Fast Response Cutter (FRC). They are a sound choice for supporting the Deepwater Program.

The Coast Guard and ABS are actively engaged in defining revised certification and/or classification plans for the NSC, Offshore Patrol Cutter (OPC) and FRC. Even with an expanded role for ABS, there are systems and equipment, (mostly in the area of C4ISR and combat systems), where ABS does not have the required expertise. For these, the Coast Guard will continue to practice its overall program of quality management, consisting of onsite Coast Guard personnel or representatives conducting random inspections, in addition to the use of independent tests and evaluations.

*Question 10.* What Deepwater assets is the Coast Guard planning on putting under contract in the next 6 months? In the Coast Guard budget hearing, Admiral Allen, you stated to me that for all contracts moving forward the Coast Guard would take on the responsibilities of the lead systems integrator, implement the Coast Guard's Systems Acquisition Manual, end self-certification, conduct independent business case analysis, expand the role of the Coast Guard's engineering and logistics center, and improve reporting to Congress. How exactly will you ensure that you meet these standards for all future contracts moving forward? How will this impact your management of the NSC and MPA program?

Answer. The Coast Guard plans to award contract modifications for NSC #1, #2, and award NSC #3. The Coast Guard also plans to put contracts in place for sustainment and conversion of legacy assets to include the HH-60J, HC-130H, Medium Endurance Cutters (for 270' and 210') Mission Effectiveness Project (MEP), and 110' Patrol Boats MEP. Even though these are not for assets, contracts for Program Management, Systems Engineering/Integration, C4ISR and Logistics are also planned for award.

The Coast Guard has significantly increased contract oversight and lead systems integrator responsibilities. Specifically, the Coast Guard has made improvements in the following areas:

- Development of the System Concept of Operations or Asset Statements of Objectives
- Definitive Role of Technical Authority
- Development of Business Case Analysis decisions to validate the selection and mix of Deepwater Program assets
- Leadership of Integrated Product Teams
- Active management of the Risk Plan
- Greater oversight of ICGS's application of accepted System Engineering principles and practices at the Deepwater System design level
- Greater oversight and control of Integrated Logistics Support

To implement these activities and assume this workload, the consolidation of the Deepwater and Acquisition offices will leverage the combined expertise of contracting and program management personnel. Together with the deployment of the "Blueprint for Acquisition Reform", we expect improvements in program management, contract execution, and obligation of appropriated funds.

Both the NSC and MPA projects will benefit from increased direct government oversight and management, CG technical expertise, and use of Coast Guard practices in total logistics support.

*Question 11.* Coast Guard personnel and resources have increased significantly since 9/11. This has resulted in increased maritime domain awareness, increased presence in patrols, increased targeting and inspection of facilities and vessels—an overall increase in field presence. The multiple mission aspect of the Coast Guard has been a tremendous benefit to our citizens. Can you detail specific steps and actions that are you taking to leverage this multiple mission tradition, to ensure personnel are cross-trained and to ensure the focus and increased budget for homeland and port security missions is also improving Coast Guard performance in traditional missions such as marine safety, environmental protection, search and rescue and law enforcement?

Answer. Following the tragic events of September 2001, and to fulfill an operations strategy from the Coast Guard's 1999 Strategic Plan, the Coast Guard shifted from a program-focused approach to policy development, mission planning and execution to an integrated cross-programmatic approach. The traditional program-focused approach led to single-mission thinking and single-mission focus. The events

of September 11, 2001 reinforced the importance of a unified command construct that increased interactions between operational commands and interagency partners to improve performance across a full range of mission activities and systems.

In 2004, the Coast Guard reorganized operational field commands across the United States to form Sector Commands. The creation of Sectors transformed a diverse array of field structures into a standard organizational architecture, consisting of Prevention, Response and Logistics components. The military, maritime, multi-mission character of the Coast Guard is reinforced and strengthened by the Sector structure. Relationships between the Sector's Prevention and Response components have improved the Coast Guard's effectiveness and efficiency across all mission areas. Coast Guard Sectors provide a unified command and control structure responsible for assessing risks across all mission areas, developing priorities, training forces to conduct operations in homeland security and non-homeland security mission areas, and allocating resources to activities in support of all Coast Guard mission areas. This current organization has proven to be an ideal alignment for coordinating our many missions.

At the beginning of each fiscal year, the Coast Guard issues Operational Planning Guidance to field units to communicate priorities and performance targets in each mission area. This guidance also includes information to assist Area Commanders in making resource apportionment and allocation decisions in support of annual performance targets across all missions.

In June 2005, the Commandant issued ten Commandant Intent Action Orders aimed at improving and sustaining mission execution across all mission areas. Each of the Action Orders represent a change to the way we do business to better prepare the Coast Guard for challenges in the future within an "all threats, all hazards" environment. The single most visible adjustment will be to the Coast Guard's command and control structure. We will focus our entire organization on improving and sustaining Mission Execution. We will do this by structuring our service as a three-pronged force: shore-based operations, maritime operations, and deployable operations. We have taken bold steps forward by creating Sectors for shore-based operations. And we have created truly deployable forces. The Coast Guard is taking a significant step toward improving the Nation's "all hazards . . . all threats" response capability by establishing the Deployable Operations Group (DOG). Across all of our forces, we will partner with other services and agencies to integrate our efforts.

We have taken similar steps by advancing the Deepwater acquisition for maritime presence, patrol, and response. Through the Coast Guard's Deepwater and other acquisition programs, we have and will continue to improve operational efficiency and capabilities across all mission areas. HH-65 helicopters, re-engined through the Coast Guard's Deepwater program, have not only enhanced homeland security missions, but have improved the Coast Guard's capabilities to perform non-Homeland Security missions such as search and rescue and environmental protection. Current acquisition projects such as the Deepwater National Security Cutter, Response Boat-Medium and Rescue 21 will further enhance not only Homeland Security missions, but also the Coast Guard's capabilities to perform its traditional missions including Living Marine Resources, Illegal Drug Interdiction, Undocumented Migrant Interdiction and Search and Rescue.

*Question 12.* The Oil Pollution Act of 1990 has led to significant reduction in oil spills throughout the country. There are still provisions, however, that need to be implemented—specifically provisions calling for Marine Firefighting and Salvage capabilities. I understand these are complex issues but the implementation of these rules has been delayed several times and now here we are in 2007 with another announced delay. These rules are not only important to my home state of Washington where the entrance from sea is a long distance from our major ports but in many other areas throughout the Nation. Can you summarize in detail what the main issues are that are holding up implementation? What is being done to resolve these issues? When do you expect to enact these important rules?

*Answer.* The Coast Guard implemented salvage and marine firefighting regulations for all tank vessels carrying oil as cargo with the publication of the Final Rule for Vessel Response Plans in 1996. These regulations were mandated by the Oil Pollution Act of 1990. After implementing the vessel response plan regulations, it was determined that a more robust and detailed regulation was needed to determine the specific equipment and response times for required salvage and marine firefighting resources. During the Coast Guard's push to implement the Maritime Transportation Security Act of 2002, we put the majority of our other rulemaking projects on hold, including the new and improved regulations for salvage and marine firefighting. An unintended result of this delay, however, was that the underlying analyses that were relied upon in the Notice of Proposed Rulemaking (environmental

and economic) became stale. We completed the public comment period for the updated environmental analysis in January of 2006, and we are working diligently to finalize the rule.

*Question 13.* I am hearing from Merchant Mariners in my state and all over the country about the excessive time it takes to apply for and receive a Merchant Mariner document. For some in the Gulf region and in the inland waterways systems, it is taking anywhere from six to 8 weeks if not longer. Additionally, when TWIC is finally implemented, there is concern that wait times will only be further exacerbated. What steps is the Coast Guard taking to reduce this backlog of applications, their process time and the transparency of the application process?

Answer. The Coast Guard Mariner Licensing and Documentation (MLD) program is diligently working to meet the increased demand for Merchant Marine Credentials (MMC's) by:

- The need to meet growing international credentialing requirements;
- More rigorous evaluations to meet post-9/11 security concerns;
- The NTSB recommendation, from Staten Island Ferry collision, for more stringent medical fitness evaluations; and

The restructuring and centralization plan currently being implemented will increase efficiencies and decrease response time. The end-state will be a more nimble program that provides better customer service and is poised to meet emerging credentialing challenges.

In an effort to reduce the backlog and decrease processing time, the following recent enhancements to data collection procedures will help the Coast Guard to better compile, process, and track application material for more responsive credentialing issuance, and will make the process more transparent to the customer:

- Electronic fingerprinting;
- Upgrades to our internal database;
- Online user fee submission via *www.pay.gov*;
- Online ability to view status of application; and
- Information exchange and assistance available to customers via 1-888 Mariner Information Help Desk.

Future initiatives include:

- Developing a combined Credential (MMC);
- Upgrading examination administration and grading; and
- Implementing additional upgrades to our internal database.

The Coast Guard does not anticipate an increase in processing time of MMCs when TWIC is implemented. We are working with TSA to establish a process to share security check information. When TWIC is implemented, applicants will be able to provide fingerprints, citizenship, and identity information at any of 131 TWIC enrollment centers nationwide and appearing in person at one of the 20 Coast Guard Regional Exam Centers (REC) or Monitoring Units. This will enhance customer service and program efficiency.

*Question 14.* There are over 5.7 million residents of America's domestic offshore communities who depend on waterborne commerce for essential supplies of energy and for virtually everything they eat, wear, and use. A security incident that closed our ports could devastate those communities. Can you tell me what steps the Coast Guard is taking to assure that the highest priority is assigned to restoring these services in the event of a catastrophe?

Answer. The Coast Guard together with the Department of Homeland Security (DHS) Customs and Border Protection and other interagency partners are developing national protocols for recovery and the resumption of trade following a significant disruption to the Maritime Transportation System (MTS). These protocols provide for improved interagency coordination and enhanced collaboration with the private sector to facilitate rapid recovery. Guidance for Coast Guard field units is also being prepared that will provide local Commanders with considerations for prioritizing vessel and cargo movements upon reopening waterways. These considerations include the need for fuels, foodstuffs and other locally important commodities.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN F. KERRY TO  
ADMIRAL THAD W. ALLEN

*Question 1.* Last year, Congress rejected the Coast Guard's request to shut down the LORAN system and directed the Departments of Homeland Security and Transportation to develop a national LORAN policy. I understand that officials from those agencies as well as others met recently as part of a committee called the National Space-Based Positioning, Navigation and Timing (PNT) Executive Committee and have reached a consensus that the United States should maintain the LORAN system. Why did the Coast Guard again request the termination of the LORAN system as part of its FY08 budget at the same time this committee was in the process of determining what the policy should be?

Answer. The submission of the Fiscal Year 2008 President's Budget pre-dated the March 28, 2007 convening of the National Space-Based Positioning, Navigation and Timing (PNT) Executive Committee. Therefore, the Coast Guard continued to recommend termination pending a final decision on LORAN's future.

*Question 1a.* Did you alert leadership in DHS and DOT of your request? Is there a disconnect between the Coast Guard and the policy departments within those agencies?

Answer. There is no disconnect among agencies. All appropriate leadership and policy departments within the Department of Homeland Security (DHS) and the Department of Transportation (DOT) have been fully involved with the Coast Guard in the process of developing the Administration's position on LORAN.

*Question 1b.* Can you provide a copy of the Committee report, along with any briefing materials that were used to inform DOT/DHS and other affected agency officials about the team's work?

Answer. The minutes of the March 28, 2007 National Space-Based PNT Executive Committee are controlled by the National PNT Coordination Office. The Coast Guard does not have authority to release this document or any of the briefing materials used during deliberations.

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

*Question 1.* How does the Coast Guard intend to meet the mandate of the 2006 SAFE Port Act to create Interagency Operations Command Centers at all high priority ports within 3 years of the date of enactment if you don't request any funding for this in the 2008 budget?

Answer. Leveraging prototype Interagency Operations Command Centers in Charleston, SC; San Diego, CA; and Hampton Roads, VA, the Coast Guard developed an acquisition project called *Command 21*. *Command 21* is a five-year project that will meet the SAFE Port Act requirements for interagency operations centers in 24 high-priority Coast Guard Sectors. The Coast Guard is currently refining project requirements and milestones; construction should begin in 2009 as outlined in the Fiscal Year 2008 President's Request Capital Investment Plan (CIP).

*Question 2.* What are your plans for the Port of New York and New Jersey, the largest port on the East Coast, with some 40-50 public agencies coordinating in the region?

Answer. The Port of New York and New Jersey is included in the *Command 21* acquisition proposal for Coast Guard Sector New York. *Command 21* is designed to field:

1. A surveillance network of radars and cameras covering critical areas;
2. An information system for situational awareness and collaboration (conceptually called *WatchKeeper*); and
3. Command center facility upgrades to host port partners.

*Question 3.* Has the Coast Guard made available its Maritime Security Risk Assessment Model to ports, so they can evaluate project risk scores on a level playing field? If not, when will it be made available? If so, has anybody used it?

Answer. MSRAM is used by the Coast Guard Sector Commander/Captain of the Port (COTP) and the Port Security Specialist with the maritime stakeholders through the Area Maritime Security Committees (AMSCs). If a maritime stakeholder requests a risk analysis of their facility, the AMSC facilitates the request and Coast Guard Port Security Specialists provide the analysis using the MSRAM tool. The Coast Guard conducted outreach meetings at each AMSC in early 2007. These

meetings provided briefs on MSRAM the FY 2007 Port Security Grant Program and port risk management.

Coast Guard COTP use MSRAM to evaluate port security grant applications to determine their potential risk reduction. With the 2007 round of grants announced in May, the Sector Commanders will engage grant applicants and provide feedback on how individual projects were scored.

*Question 4.* What is the status of the Coast Guard's establishment of the Delaware River and Bay Oil Spill Advisory Committee? When will that Committee be formally established?

Answer. The charter to establish the Delaware River and Bay Oil Spill Advisory Committee is under review at Coast Guard Headquarters. The review is expected to be complete by the end of June 2007. After charter establishment, solicitation for committee members will be promulgated via the *Federal Register*, which is estimated to occur in June 2007. When solicitation is complete, committee members will be nominated and the Committee formally established.

*Question 5.* I understand the Coast Guard has made certain approvals for a new liquid natural gas facility in Logan Township, New Jersey, so long as certain security measures are taken, including armed U.S. Coast Guard escorts. Is there funding in the proposed budget to manage the security escorts for this and other planned LNG facilities? If not, who will pay for these operations, and how? Is the Coast Guard meeting its current escort requirement for existing LNG facilities?

Answer. The Coast Guard has not issued an approval for the LNG terminal proposed for Logan Township, NJ. Coast Guard "approval" comes in the form of a Letter of Recommendation (LOR) attesting to the suitability of the waterway for LNG vessel traffic. In December 2005, the local Coast Guard Captain of the Port (COTP) provided the Federal Energy Regulatory Commission (FERC) with a Waterway Suitability Report (WSR) that made a *preliminary determination* that the Delaware River was suitable for LNG vessel traffic *provided* certain security measures, including armed USCG vessel escorts, are in place.

In June 2006, FERC approved the construction of the proposed Logan Township, NJ, LNG facility, with certain conditions to be satisfied prior to the commencement of facility construction and/or operation. These conditions include issuance of the LOR from the COTP, and resolution of certain jurisdictional issues related to a 1905 Interstate Compact between New Jersey and Delaware in a region of the Delaware River belonging to the State of Delaware.

The LOR, and an accompanying LNG vessel transit management plan (TMP) that precisely establishes the amount of CG and other government agency resources necessary to responsibly manage the safety and security risks of LNG vessel operations, is not expected to be issued until the interstate jurisdictional questions are ultimately resolved by the Supreme Court. Pending completion of the TMP, it is unclear what the ultimate costs of CG security resources will be for the Logan Township LNG facility.

As background in April 2007, a Special Master appointed by the Supreme Court to examine the jurisdictional issues determined that the state of Delaware has jurisdiction over the proposed LNG vessel pier. Delaware has stated that construction of the LNG pier is inconsistent with its federally approved Coastal Zone Management Plan, and will not issue the necessary permits for pier construction. New Jersey has indicated it will appeal the Special Master's determination to the Supreme Court.

The Coast Guard strives to meet its current escort requirements for all Certain Dangerous Cargoes (of which LNG is one). Coast Guard Captains of the Port weigh these responsibilities, together with statutory responsibilities for other legislatively-mandated missions, to optimally balance resource allocation with risk mitigation.

*Question 6.* Can you highlight some aspects of the Deepwater program which have been successful so far?

Answer. Examples of the Integrated Deepwater System Acquisition include:

*Legacy CAISR upgrades*

- Four shore-side command centers upgraded; significantly enhancing operational effectiveness and Maritime Domain Awareness.
- Initial upgrades of secure Internet, commercial satellite communications, and automatic vessel identification equipment have been completed on all 39 legacy cutters (378' HECs, 270' and 210' MECs).
- Successfully demonstrated core capabilities Increment 1 at the Maritime Domain Awareness Center.

- Two Communications Area Master Stations delivered and Sector San Juan and District 7 command centers completed upgrades that are being certified for delivery.

*HH-65 Helicopter Re-Engining*

- 84 re-engined operational HH-65Cs delivered (as of May 2007).
- All HH-65 equipped units are now operating the HH-65C.

*Medium-Range Surveillance Aircraft (CASA CN-235)*

- The first eight CASA CN-235s have been placed on contract along with the first three mission pallets. (Aircraft 4 & 5 were awarded in Jan. 2007. Aircraft 6, 7, and 8 were awarded in April 2007.)
- The first aircraft arrived at the Coast Guard Aircraft Repair and Supply center (AR&SC) in Dec. 2006. The second aircraft arrived in Feb. 2007. Mission pallets will be integrated on the aircraft at AR&SC.
- Official readiness status at the first air station (3 A/C) is projected to occur by January 2009.

*Question 7.* I am aware that some of the new communications equipment developed as part of the Deepwater program has already been implemented. Do you believe that the Coast Guard's mission performance has improved because of this equipment? If so, how? And is it possible to accelerate funding for this part of the program?

*Answer.* The Coast Guard's mission performance has improved because of the communications upgrades on legacy cutters. The Deepwater program has provided an avenue to implement critical C4ISR system upgrades much earlier than originally planned within the Coast Guard's organic planning and upgrade cycle. The upgrades have significantly improved the ability to exchange mission essential information in a timely manner and improved interoperability with other government agencies.

Installation of a classified Local Area Network and access to the Department of Defense's classified network provides access to near real-time intelligence information during operations and a means to quickly exchange information between cutters and shore units. Upgrades to the existing commercial satellite communications systems double the data throughput and now allows two cutters to share a single satellite channel, thereby providing greater access to a limited number of channels. The addition of the Automatic Identification System (AIS) has improved situational awareness, maritime domain awareness, and navigational safety.

The Coast Guard supports full funding of the President's FY 2008 budget (\$89.6M for C4ISR), which is necessary to keep the projects on track to meet objectives.

*Question 8.* How are you encouraging the contractors developing the communications equipment to expedite the delivery of these products? Have these efforts been successful?

*Answer.* The Coast Guard has been able to implement a number of communications upgrades on legacy cutters through the Deepwater program. These improvements include:

1. Installation of a classified Local Area Network and access to the Department of Defense's classified network providing access to near real-time intelligence information during operations and a means to quickly exchange information between cutters, aircraft and shore units.
2. Upgrades to the existing commercial satellite communications systems doubles the data throughput and now allows two cutters to share a single satellite channel, thereby providing greater access to a limited number of channels.
3. The addition of the Automatic Identification System (AIS) has improved situational awareness, maritime domain awareness, and navigational safety.

The Coast Guard has been unable to provide an incentive for contractors to further expedite delivery of communication capabilities due to limited C4ISR program funding. Moreover, a planned CG-C2 (Tactical and Communications Suite) Upgrade for legacy cutters and additional SATCOM technology improvements has been deferred due to funding levels. The Coast Guard desires to restore these additional Command, Control, and Communications (C3) improvements in order to improve mission performance and interoperability.

C4ISR Comparison between President's Budget and Congressional Appropriation

Fiscal Year (\$M)	2006	2007	Total
President's Budget Request	74.4	60.8	135.2
Appropriated (Includes Rescissions through 2006)	44.0	50.0	94.0
Difference (Requested vs. Enacted )	(30.4)	(10.8)	(41.2)

*Question 9.* There appears to be a mixed record on some early problems combined with more recent successes in the aviation, communications, and logistics sectors of the Deepwater program. What lessons have both the Coast Guard and the involved contractors learned based on these successes and failures, and how will you use these lessons to improve the performance of the program going forward?

Answer. The Coast Guard has engaged in a collaborative manner with ICGS to review and change the terms and conditions of the contract for the upcoming award term. As an example, CG-4 will lead an interim logistics support plan for MPA 1-3. This effort is a mix of organic Coast Guard support, use of other government agencies (NAVAIR), and ICGS (through operations & sustainment CLINS). The interim support plan is being managed from the MPA Product Line at the Aircraft Repair and Service Center (AR&SC). An example of a lessons-learned was the Commandant's decision to terminate the ICGS FRC-B proposal and designate G-A (office symbol for the "Coast Guard Acquisitions Directorate") as the lead directorate to acquire the FRC-B/Replacement Patrol Boat. This decision ensures increased government management and oversight, while leveraging CG-4 technical expertise in shipbuilding & design. The "parent craft" approach will deliver a much needed capability sooner as both design and production stages can be combined.

Most of these changes reflect lessons-learned from the business practices that have developed during the first 4 years of the program. For instance, in the original concept, ICGS developed the asset performance specifications and the Implementation Plan for how those assets would be fielded. For a variety of reasons, the Coast Guard has taken ownership of the performance specifications and the Implementation Plan. In the original concept, the Coast Guard provided performance based Statements of Objectives; in this award term, the Coast Guard will issue Statements of Work which contain specific requirements. Finally, the Coast Guard has mandated the use of Earned Value Management, competition at the Northrop Grumman Ship Systems (NGSS) and Lockheed Martin (LM) level (via the award term metrics) and use of a "make-or-buy" analysis, all of which have elements that will improve cost control and performance.

Since the specification will be known more explicitly, the type of contract action or contract order will also be shifting from "cost plus" to "fixed priced" contracting. The shift to fixed-price will depend on how extensively the Statement of Work is detailed and how stable the specification of the asset or component is in terms of requirements and production. This shift to more fixed-price contracts will be accompanied with clauses for inflation adjustments, known as Economic Price Adjustments. Overall, the more detailed Statements of Work with fixed-price contracting will reduce the risk of cost increases that are not tied to inflation.

The Coast Guard has also implemented improvements to Deepwater program management. The major improvements to help the program move forward include:

- Merge Deepwater with the Acquisition Directorate to form one Acquisition Organization to increase efficiency and improve processes.
- Designate the Assistant Commandant for Engineering & Logistics Resources (CG-4) as the Coast Guard's technical authority for all new ship acquisition designs.
- Add staff on the government side to the Deepwater Program to perform greater contractor oversight and assume some of the system integrator duties.
- Initiate a Business Case Analysis for all new acquisition decisions to ensure that Deepwater is building and buying the right tools for our Coast Guard men and women for a fair and reasonable price.
- Increasing application of Independent Third Party Review and Analyses.
- Coast Guard personnel will chair all Integrated Product Teams.

*Question 10.* How will the Coast Guard's experiences with Deepwater contractors thus far affect the actions you will take during the next award term of the program?

Answer. The Coast Guard has engaged in a collaborative manner with contractors to review and modify contract terms and conditions for the next award term. Most of these changes reflect lessons learned from the business practices that evolved

during the first 4 years of the Deepwater Project. For instance, in the original concept, ICGS developed the asset performance specifications and the Implementation Plan for how assets would be fielded. The Coast Guard has now taken full ownership of the performance specifications and the Implementation Plan. In the original concept, the Coast Guard provided performance-based Statement of Objectives. In the next award term, the Coast Guard will issue Statements of Work that contain specific requirements metrics. Finally, the Coast Guard has mandated the use of Earned Value Management, competition at the Northrop Grumman Ship Systems and Lockheed Martin level (via the award term metrics) and use of a “make-or-buy” analysis; each of these have elements that will improve our ability to control costs.

The type of contract action or contract order will likely shift from cost-plus contracting to fixed-priced contracting. The shift to fixed-price will depend on how detailed the Statement of Work is as well as how stable the specification of the asset or component is in terms of requirements and production. This shift to fixed-price contracts will be accompanied with clauses for inflation adjustments, known as Economic Price Adjustments. Overall, the more detailed Statements of Work combined with fixed-price contracting will reduce risk of cost increases not tied to inflation.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. OLYMPIA J. SNOWE TO  
ADMIRAL THAD W. ALLEN

*Question 1.* One of the reasons the Coast Guard structured the Deepwater contract using a lead systems integrator was the shortage of trained and experienced acquisitions staff within the service. S. 924 includes language that would permit you to expand or contract your acquisitions staff as you see fit. How will this help alleviate the problem of staff shortage? By how much will you need to increase your acquisitions staff in order to provide the vigorous oversight that Deepwater has lacked to date?

*Answer.* The Deepwater Program has conducted a preliminary analysis and identified a need for an additional 31 government billets for FY 2008, beyond those already approved, to efficiently obligate Deepwater Program funding and ensure successful delivery of new assets to the fleet. However, this preliminary analysis has not considered the Deepwater Merger with the Acquisition Directorate to form one Acquisition Organization. The staffing needs of the new organization will be identified and implemented as this initiative evolves.

The Coast Guard’s assumption of greater oversight and more system integration responsibilities is in the transitional stage, and therefore, we have not completed an assessment or identification of all necessary staff changes. However, the increased funding in FY 2007 is adequate for this year and we have requested additional funding in FY 2008.

*Question 2.* A case could be made that the missteps Deepwater has experienced since its inception are all symptoms of a larger problem—the reason why this program has gone so wrong. What is the heart of this issue? Please explain how it can come to pass that we have invested so much in this program, yet we have to little to show for it.

*Answer.* Before addressing the question asking about a single reason for problems with Deepwater, it is prudent to address some of what Deepwater has accomplished for the Nation. A discussion of the accomplishments will set the stage appropriately to address the challenges. The Deepwater Program is the top capital priority for the Coast Guard. The program, only in its fifth year of execution, is *the* modernization and recapitalization solution for the Coast Guard’s aging fleet of cutters, aircraft and mission systems. The Coast Guard’s ability to save lives, prevent and respond to terrorist attacks, interdict drugs and alien smugglers, and to protect the environment are completely dependent on the assets and capabilities provided by the Deepwater program. Secretary Chertoff and I remain one hundred percent (100 percent) committed to the success of this crucial endeavor.

The Deepwater aviation projects have been successful, delivering assets early and on cost. For example, all eighty-four of 95 HH-65 helicopters have been re-engined and modernized, as part of their eventual conversion to the Multi-mission Cutter Helicopter (MCH) configuration, which is one and one-half months ahead of schedule and within the projected budget. The Multi-mission Cutter Helicopter (MCH) configuration starts with the HH-65 Dolphin helicopters and is upgraded to the C-model aircraft, which features new Turbomeca Arriel 2C2 engines and upgraded gearboxes. The aircraft have 40 percent more power than the B-models, and greater operational reliability. Already the HH-65C has proven itself in challenging mis-

sions. The re-engined HH-65Cs with their improved performance characteristics have saved lives across the Nation, over 300 in Hurricane Katrina for example.

The Coast Guard has accepted delivery of two new HC-144A medium-range Maritime Patrol Aircraft. The aircraft are undergoing missionization at AR&SC Elizabeth City, N.C. Six aircraft are under contract. Additionally, the first of six new, more capable HC-130J long-range search aircraft has begun modifications for Coast Guard missions, with delivery expected later in 2007. Meanwhile, Deepwater is modernizing the existing fleet of HC-130Hs.

Since contract award in 2002, the IDS program has made significant progress toward improving the capabilities of the legacy force, even as the Coast Guard and industry work on the next generation of assets. For example, all medium and high endurance cutters have received the Deepwater Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) upgrades—which already are making a difference in operations. A recent success was in March 2007, when the cutters SHERMAN and HAMILTON and a Coast Guard C-130 aircrew executed a record seizure of 19.5 metric tons of cocaine aboard the motor vessel GATUN, off Panama.

The C4ISR upgrades installed on the SHERMAN through the Deepwater program contributed to mission success by improving communications and situational awareness among the cutters' and aircraft's crews. The Deepwater C4ISR upgrade included new equipment—such as digital radios—as well as additional computer processing bandwidth (which allowed the cutter crew to share classified information, and to monitor other activities in the operating space).

The SHERMAN also was equipped with the Nationwide Automatic Identification System, enabling the crew to locate the GATUN near the heavily-trafficked approaches to the Panama Canal. Additionally, the system enabled the cutter's crew to monitor the GATUN while maintaining the element of surprise, until the crew received permission to halt and board the target.

But there were challenges to overcome, highlighting the continued need for new assets. The SHERMAN, a 40-year-old vessel, operated with significant mechanical casualties, including the loss of one main engine—reducing speed and maneuverability. The SHERMAN also had problems with its evaporation system resulting in the inability to make fresh water. Additionally the crew overcame a problem with a small boat that affected end-game capability.

The crew's success in spite of materiel adversity was a tribute to their competency and commitment. Yet the situation also underscored the urgent need to recapitalize and to modernize the Coast Guard's fleet assets, which the Deepwater program is accomplishing today.

There are two National Security Cutters (NSC) under construction at the shipyard in Pascagoula, MS. The NSC is designed to operate away from homeport for approximately 230 days per year, contrasted with 185 days per year for 378' WHECs. The NSC also is much more capable than legacy platforms, in terms of its aviation, C4ISR and other mission systems capabilities.

As is the case with many Deepwater-provided assets, the NSC is a good example of cooperative development, with the taxpayers gaining best value by a concerted effort between government stakeholders and industry. For example, based upon a standing agreement between the Deepwater Program Executive Officer, and U.S. Navy and U.S. Marine Corps counterparts, Deepwater is able to share common systems, technologies and processes for improved interoperability and cost avoidance.

No core factor has been identified as singularly responsible for the Deepwater problems or setbacks. The findings and information presented by the GAO, DHS-OIG, and the Coast Guard initiated Defense Acquisition University Study are acknowledged as the factors responsible for the problems and setbacks. The GAO reported in March 2004 that the CG's Deepwater Program needed increased attention to management and contractor oversight. The CG has started implementing the recommendations that GAO suggested in order to improve program management.

The GAO indicated in a follow-on report issued in April 2006 that these changes to Deepwater appear sound and that program management has improved but continued monitoring is warranted. The Coast Guard has taken the same approach and intensity to the DHS-OIG findings and recommendations. Overall, the results have been similar to the GAO results in that the DHS-OIG indicates that improvements have been made while others require more information or longer-term monitoring.

Implementing these recommendations will improve Deepwater and the rest of the CG acquisition system to obtain the appropriate cutters, aircraft, and information systems for the service to the Nation.

*Question 3.* In the Coast Guard's FY08 authorization proposal, you outline a strategy that proposes a considerable realignment of your operational forces to comprise

what you refer to as the “strategic trident.” However, what is missing is a description of what the final re-alignment will look like and how these pieces will integrate.

Can you describe what these changes will mean to the Coast Guard once the operations are complete? If there will be geographic changes to individual stations, please explain, to the extent possible, what those will be. Given that you are still finishing up your establishment of Sectors and trying to get a handle on the problems of Deepwater, how will this initiative further disrupt the day-to-day operations of your service?

Answer. *Background:*

The “strategic trident” is a management concept that aligns with the proposed transformation of the Coast Guard’s command and control structure, as well as, the enhanced emphasis on readiness and mission support to improve Coast Guard operational capabilities.

*Description of Realignment:*

Notional plans are to transform the Coast Guard command and control structure so that it will ultimately be more flexible, nimble, and capable of operating with multiple partners to respond to incidents, surge operations, and increased threat levels while continuing to sustain performance in traditional areas.

Key to enhancing these operational capabilities is the development of a clear, coherent method to employ Coast Guard forces. This strategic trident provides the layered defense our Nation needs through:

- Shore-based, multi-mission forces assigned to Sectors
- Maritime Patrol and Interdiction Forces (High/Medium Endurance Cutters and Maritime Patrol Aircraft)
- Deployable specialized forces organized into a single unified operational structure, the Deployable Operations Group (DOG)

Other than the establishment of the DOG, the realignment into the “strategic trident” does not create or move any new operational field commands. Rather, it realigns the management of existing forces to better prepare the Service to meet emerging threats and challenges through an adaptable packaging system of capabilities, established competencies, authorities, and strong partnerships.

This planned organizational structure will transform the Service’s Atlantic and Pacific Area Commands, aligning operational mission execution command functions into a single command entitled Coast Guard Operations Command (CG OPCOM), and mission readiness functions into a single command entitled Coast Guard Forces Readiness Command (CG FORCECOM).

There will be one commander responsible for Coast Guard operational mission execution. This same commander will also coordinate and optimize mission execution and unity of effort with external partners at the operational level *i.e.*, DOD, DHS agency partners, EPA, etc. CG OPCOM will serve as the Service’s one single point of accountability, completely focused on planning and executing operations.

CG FORCECOM will be responsible for the current and future readiness of the Coast Guard’s workforce, platforms, and infrastructure, and ensuring the Service maintains the capabilities to execute its missions. This one single command will direct and manage the overall Coast Guard readiness posture, doctrine and force allocation; including equipping the Service’s work force. Unifying readiness in this manner will eliminate geographical variances that exist in current practices and provide a single point of accountability for Coast Guard readiness, just like CG OPCOM will do for all Coast Guard operations.

Re-aligning our command and control structure in this manner will do away with current east coast/west coast organizational boundaries that are irrelevant to drug trafficking organizations, and other transnational threats, and are not aligned with the other armed services. It will streamline the Service’s operational decision-making, and better facilitate the timely and accurate flow of information and direction between the strategic, operational, and tactical levels of mission execution.

*Conclusion:*

While the proposed reorganization constitutes a substantial change in the way the Coast Guard manages operations, readiness, and support functions, it will have no disruption to the day-to-day execution of our missions. Districts and units at the Sector level and below will continue operations without any disruption of service to the public. Similarly, major cutters will face a change in reporting and support structure, but will continue to conduct operations in support of District Commanders, Joint Interagency Task Forces and DOD Combatant Commanders.

Overall the proposed reorganization will improve the Coast Guard’s ability to serve the public, and provide appropriate support to the Service’s workforce.

*Question 4.* Your FY08 request includes the creation of a command cell to manage your deployable assets. You have mentioned that there is a potential to wrap other Department of Homeland Security assets into this concept. Which particular assets do you have in mind, and what is the rationale for transferring those assets?

Answer. To clarify, the command cell referred to in the question will be a deployable command and control (C2) element that provides tactical commanders expertise regarding the capabilities of deployable forces under their control. Additionally, the C2 element would be immediately available to assist operational and tactical commanders in managing during an attack, disaster, or other contingencies.

There are no specific assets identified at this time. However, the Deployable Operations Group (DOG) staff is conducting outreach to agencies within the Department of Homeland Security (DHS), interagency and Department of Defense (DOD). The primary purpose of this outreach is to familiarize other agencies with the capabilities of the DOG and to lay the foundation for future partnerships where possible.

*Question 5.* Your FY08 Authorization proposal seeks to close gaps in Nation's Maritime Alien Smuggling law to close gaps in law enforcement activities. Why, specifically, is current law insufficient and what tangible benefits will the provision bring to enforcement of immigration laws and border security?

Answer. Each year, maritime smugglers transport thousands of aliens to the United States with virtual impunity because the existing law does not sufficiently punish or deter such conduct. Only a small fraction (less than 3 percent) of interdicted maritime alien smugglers are referred for prosecution because the smugglers successfully circumvent the elements necessary for the Government to prevail on existing felony offenses.

Professional maritime smugglers often charge large fees and use high-speed craft and increasingly sophisticated deception techniques to avoid detection and apprehension, rapidly modifying their methods to counter changes in law enforcement tactics. Smuggling routes primarily involve transit from the Dominican Republic, Cuba, Haiti and the Bahamas, but routes include travel from Canada, Ecuador, Guatemala, Mexico and other countries as well.

Smugglers use various deceptions to conceal from law enforcement that the venture is for-profit, including "coaching" smuggled aliens in how to respond to law enforcement interviews and feigning rescues at sea. Employing these and other methods and routes, maritime smugglers, including organized crime syndicates, often evade criminal prosecution while realizing annual revenues possibly ranging up to billions of dollars from these activities.

Presently, 8 U.S.C. § 1324 is the principal Federal criminal statute under which alien smugglers, including maritime smugglers, are prosecuted. That law was not designed for prosecuting the unique evidentiary and jurisdictional issues associated with maritime smuggling cases. Many of the difficulties encountered by the Coast Guard in maritime smuggling enforcement stem from a statutory framework that fails to consider the unique aspects of extraterritorial maritime law enforcement operations. Further, under § 1324, alien smuggling is only a felony if the Government can prove beyond a reasonable doubt that an alien smuggler sought commercial advantage or private financial gain, caused serious bodily injury, or placed in jeopardy the life of any person.

Maritime smuggling is inherently dangerous. Smugglers treat the migrants like cargo; typically packing migrants into overcrowded, un-seaworthy vessels, with little or no life saving equipment available, no provisions for sanitation and little or no food or other basic necessities. Moreover, smugglers often engage in efforts to evade maritime law enforcement at high speeds, further subjecting migrants to serious risks. Given the inherent dangers of this illegal trade of human trafficking, felony prosecution should not be predicated on additional proof of injury or risk. Likewise, maritime smugglers have exploited the "profit" requirement for felony prosecution by offering incentives to the aliens to lie and coaching the aliens to tell criminal investigators that the smuggler was a "good Samaritan" who "rescued" them.

Thus, in the majority of cases, the Coast Guard is able to rescue and interdict the smuggled aliens, but the Government is not able to prosecute the crew or others involved in the smuggling operation. Such actions have little deterrent effect on the crews or the trafficking organizations. In the highly lucrative human smuggling trade, smugglers consider such occasional seizures as a cost of doing business.

In 1980, Congress recognized and cured similar shortcomings in the Comprehensive Drug Abuse Prevention and Control Act of 1970 by enacting the Maritime Drug Law Enforcement Act. The Administration's proposal, as well as several other bills now pending before the House and the Senate, would provide the Government with the ability to enhance our national security and ensure the safety of lives at sea by providing maritime law enforcement and prosecutors the tools necessary to bring meaningful consequences to human smugglers interdicted at sea. In pertinent part,

the Administration's proposal, as well as the other pending bills, would: (1) remove the requirement to prove "profit" "inducement" or subjecting migrants to specific risks of serious bodily injury to reach a felony level prosecution; (2) establish reasonable mandatory minimum penalties that would provide a genuine deterrent to human smugglers and appropriately reflect the criminality of the conduct; and (3) eliminate the possibility of smugglers using a fabricated "Good Samaritan" defense while preserving such a defense for legitimate rescues by requiring Good Samaritans to provide notice to appropriate authorities of any rescue. The Coast Guard considers these elements essential to any bill that Congress may enact.

*Question 6.* In the FY08 budget, the inland river tenders emergency sustainment project is not funded nor is there recapitalization funding for these rapidly aging vessels which, among their many duties, provide critical ice-breaking services on Maine's rivers each spring. What is your plan to address the needs of your aging inland river buoy tender fleet, 140' ice breakers, and utility tugs?

Answer. The Coast Guard intends to continue to use maintenance funding to correct casualties aboard individual cutters of all classes when they arise.

Additionally, the Coast Guard will use maintenance funding for subsystem renewal on all cutter classes in order to contain maintenance costs.

The Coast Guard is evaluating a range of options for accomplishing the AtoN mission throughout the inland river system that may or may not necessarily require replacement of inland assets.

The first groups of cutters to be addressed in this evaluation are the Inland River Tenders and Construction Tenders. After completion of this mission analysis, the Coast Guard expects to plan for a replacement vessel that may approach AtoN in a different manner from existing River Tenders, and will likely have increased capabilities to address a wider mission set.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TRENT LOTT TO  
ADMIRAL THAD W. ALLEN

*Question 1.* Both the FY07 supplemental appropriations bill and S. 924 would prohibit the Coast Guard from executing certain Deepwater contracting actions until the Coast Guard completed certain reports, studies or consultations. Do you believe such legislative contingencies are necessary in order to compel the Coast Guard to take those required actions? Would the Coast Guard be responsive to legislation imposing reasonable deadlines for completing such reports, studies, or consultations without the Deepwater contracting contingencies?

Answer. No, legislative contingencies are neither necessary nor preferred. The potential for unintended consequences is high.

Yes. The Coast Guard would prefer reasonable deadlines that did not preclude timely contract actions that were in the best interest of the Government.

The Coast Guard Acquisition Program has utilized the GAO Framework for Acquisition Management (GAO-05-218G "Framework for Assessing the Acquisition Function at Federal Agencies") as a tool to assess and improve Coast Guard acquisition in the four areas of Organizational Alignment and Leadership, Policy and Process, Human Capital, and Knowledge and Information Management. As a result, the Coast Guard has aggressively implemented a series of improvements in contract and program management to ensure effective management oversight, sound stewardship of taxpayer dollars and timely delivery of much-needed assets. The improvements already underway include:

- Consolidation of Coast Guard acquisition activities (Deepwater, Office of Acquisition, acquisition policy, Research and Development Center) into one directorate to increase efficiency;
- Designation of the Assistant Commandant for Engineering and Logistics Resources as the Technical Authority for Deepwater;
- Extensive progress in the implementation of the GAO recommendations resulting from the 2004 Deepwater Contract Management audit;
- Development of new evaluation criteria for follow-on Deepwater contract term;
- A commitment to seek independent, third party evaluations of new asset designs in Deepwater;
- Increasing funds for Government Program Management for Deepwater;
- Increasing Government staffing at Deepwater manufacturing facilities focusing on contract/quality management;

- Contracted for Defense Acquisition University sponsored panel of experts to assess current state and propose strategic planning elements to improve Rescue 21 and Deepwater contract executions;
- Leadership focus on Human Capital to include Workforce Training and Certification, Pay Incentives, Direct Hire Authority and Recruitment and Retention of qualified contracting and program management personnel;
- Lessons Learned Exchange between Coast Guard and the Department of Homeland Security staff;
- Adoption of a DOD 5000 based revision to Coast Guard's Major System Acquisition policies;
- Extensive consulting with Defense Acquisition University experts regarding training and program management competency development.

*Question 2.* You testified that you plan to use the current Deepwater contract with Integrated Coast Guard Systems to continue ordering additional assets and systems of the types that are already under production through that contract. Please describe these plans in greater detail and describe the impact on the Coast Guard's plans to replace legacy assets if the Congress prohibited the Coast Guard from continuing to use the current Deepwater contract for that purpose.

*Answer.* The Coast Guard is assuming a greater role both in management and oversight and will assume the lead role as systems integrator. Specifically, the Coast Guard has taken over responsibility and control in the following areas:

- Development of the System Concept of Operations or Asset Statements of Objectives
- Definitive Role of Technical Authority
- Development of Business Case Analysis decisions to validate the selection and mix of Deepwater Program assets
- Leadership of Integrated Product Teams
- Active Management of the Risk Plan
- Greater oversight of ICGS's application of accepted System Engineering principles and practices at the Deepwater System design level
- Greater oversight and control of Integrated Logistics Support

In terms of what is different contractually, the System Integrator work performed by Integrated Coast Guard System (ICGS) was accomplished under the System Engineering and Program Management Delivery Task Orders (DTOs). Future DTOs will be modified to de-scope or reduce those tasks accomplished by the systems integrator since it will now be done by the Coast Guard, which is moving as rapidly as possible to assume lead systems integrator responsibilities. A combination of time and funding is required to develop the necessary staff competencies and capabilities for the Coast Guard to assume all of the systems integrator responsibilities. The Coast Guard will accomplish this gradually over the next few years in conjunction with the consolidation of the Deepwater and Acquisition Directorates to form one Directorate for all Coast Guard acquisitions. The staffing required for the new organization to accomplish the system integrator role will be identified and implemented as this initiative evolves.

ICGS has the potential to continue to provide the goods and services already under contract, primarily the MPA and the NSC. However, the Coast Guard remains open to re-competing these assets, if it is in the best interest of the government to do so. ICGS also has the potential for future work, but all future assets will be competitively awarded. If the Coast Guard is prohibited from using the current Deepwater contract, the best case scenario will take another five plus years to get a NSC or MPA. A delay of 5 years in delivering assets will have a serious operational impact on the Coast Guard and the service provided to the American taxpayers.

*Question 3.* Please describe: (1) the condition of the legacy cutters and aircraft that would be replaced by the NSC and MPA; (2) how the maintenance expenses and operational availability of these legacy assets have changed over the past several years; and (3) how you expect the maintenance expenses and operational availability of these legacy assets to change until they are completely taken out of service upon replacement.

*Answer.*

#### NSC

1. The 378' WHEC will be replaced by the NSC with the first NSC scheduled for operations in 2010. The 378' WHEC fleet is aging and equipment obsolescence

issues are degrading overall performance. In 1999, a ship structure and machinery evaluation board (SSMEB) was convened on two WHEC 378' cutters to determine the condition and estimate the remaining service life of the cutter class. In August 2003, a fleet sustainment conference was held to re-evaluate the condition and remaining service life and identify all systems and components that were difficult or becoming too expensive to reliably maintain. The conference estimated the fleet's remaining service life at 11 years using four criteria—safety, readiness, payback and probability. To assure the capability and reliability of these cutters until their decommissioning, the Coast Guard is dedicating OE funding to address specific sub-system issues, (see table 1 below).

2. The 378' WHEC has consistently exceeded its Standard Support Level (SSL) maintenance funding due to old and obsolete systems and sub-systems. The chart below depicts fiscal year SSL funding per cutter, the actual maintenance expense per cutter and maintenance expenses plus re-capitalization project expenses per cutter. The SSL is the budgeted amount for depot level maintenance and is increased each year by Cost of Living Adjustments (COLA). COLA increases have been inadequate to meet the actual maintenance expenses fleet wide. Due to the high cost of a WHEC Mission Effectiveness Project (MEP) sustainment initiative, the Coast Guard has decided to target specific replacement of sub-systems identified as the most troublesome through ongoing engineering and technological assessments.

Table 1.—WHEC 378—SSL vs. Actual Expenses (FY03–FY06)

	Standard Support Level (SSL)	Actual Maintenance Expense	Actual Maintenance & Re-cap Projects Expenses
FY03	\$1,137,577	\$1,937,812	\$2,604,789
FY04	\$1,126,394	\$1,967,451	\$2,758,164
FY05	\$1,104,150	\$2,055,975	\$2,879,913
FY06	\$1,104,409	\$1,725,885	\$2,623,121
FY07	\$1,142,953		

The operational availability of the 378' WHECs as determined from the Coast Guard Business Intelligence Data Base is depicted below.

MEASURES as values	Percent Time Fully Mission Capable (PTFMC)*		
	2004	2005	2006
WHEC (entire fleet)	26.4%	48.2%	41.0%

\*PTFMC is defined as the percent of time the cutter has no category 3 or 4 equipment casualties during operational days. Major equipment casualties are category 3 or 4, which are defined as "deficiency in mission critical equipment which caused a major degradation or loss of a primary mission." The Coast Guard's PTFMC goal for WHECs is 86 percent, with lower percentages indicating a decrease in operational readiness.

3. The worst conditioned WHEC 378' are to be decommissioned starting in 2009. Maintenance and re-cap projects are expected to remain above SSLs until the entire class is decommissioned. The operational availability is expected to remain fairly constant as the worst conditioned WHECs will continue to be assessed and targeted for removal from service. Maintenance expenses are expected to increase in real dollars as inflationary pressures in this sector of the economy outpace normal inflation.

Answer.

#### MPA

1. Under the current Integrated Deepwater System plan, the number of fully operational HU-25's will gradually decline until all are decommissioned in 2014. The HU-25 airframe is aging but maintains full operating capability through an operating expense (OE) funded unit and depot level maintenance and repair program. A recent Supplemental Structural Inspection Program (SSIP) study determined that critical airframe structural components are at less than half of their life limit. However, the engines, many sensors, and aircraft systems are becoming more difficult to maintain. These systems will continue to be supported through the OE funded maintenance programs.

2. The operational availability has remained relatively stable over the past several years, but falls short of the COMDT's goal of 71 percent. However, as the HU-25 ages, it becomes more maintenance intensive as reflected by the increasing Labor Hour Per Flight Hour (LHPFH) and cost per flight Hour (CPFH) The CPFH represents the variable costs of spare parts and depot-level maintenance associated

with operating each aircraft type per flight hour. The HU-25 product line is able to minimize support costs by cannibalizing high value, hard to procure components from Coast Guard HU-25's stored at the Aircraft Maintenance And Regeneration Center (AMARC) in Tucson, AZ.

	2002	2003	2004	2005	2006
AVAILABILITY	64.0%	67.2%	66.2%	68.7%	68.1%
LHPFH	12.9	12.8	13.5	13.3	14.5
CPFH	\$1,807	\$1,780	\$1,896	\$2,081	\$2,178

3. Operational availability has stabilized and is expected to remain constant as long as the Coast Guard can afford rising maintenance expenses. Maintenance expenses will continue to increase as parts become obsolete or difficult to procure. The Coast Guard will maintain the current 60 month OE Program Depot Maintenance (PDM) cycle incorporating a PDM extension program during the last year of the aircraft's service. The product line has initiated several engineering modifications and reviewed maintenance procedures to decrease maintenance hours and reduce costs.

Additionally, efforts to minimize operational impacts are underway, including a long-term engine overhaul contract with the Original Equipment Manufacturer (OEM). The ATF-3 engine reliability and overhaul expense continues to be the most significant HU-25 cost factor, and engineering modifications by the OEM are being negotiated as part of the new contract. The OE funded engine overhaul contract will provide sufficient replacements until 2014 when the aircraft is completely phased out. The annual Non-pay inflation and PPA VI industry specific inflation funding increases are crucial for the Coast Guard to keep pace with escalating maintenance costs.

*Question 4.* The failure of the 110-foot to 123-foot patrol boat conversion program has left the Coast Guard with a significant patrol boat gap. To date, the Coast Guard has mitigated the gap by extending the lease of three of the five Navy Patrol Craft and initiating the FRC-B program. Please provide timelines and expected results for these and any other planned actions to mitigate the patrol boat gap.

*Answer. Approved Mitigating Initiatives:* The Coast Guard has approved two initiatives to assist in the mitigation of the patrol boat gap. These initiatives will recoup 18,700 operational hours.

1. *Multicrewing:* The Coast Guard is utilizing crews from the non-operational 123' WPBs in a multi-crewing effort to help reduce both the overall Patrol Boat gap and the hour gap specific to the District Seven Area of Responsibility (AOR). Specifically, two crews are attached to each of the eight D7 Florida multi-crewed 110' WPBs and they operate at a pace of 3,600 hours per year thereby (recouping 11,200 hours) annually. Multi-crewing began in February 2007.

2. *Extending 179' WPC Memorandum of Agreement with Navy:* After Commandant/CNO discussions, negotiations with the Navy to modify the current 179' WPC MOA to extend use until 2011 has occurred. An Addendum to extend the use of three 179' WPCs for a period of 3 years has been signed by both parties. Three of the WPCs will remain in Pascagoula, MS until the end of Fiscal Year 2011. This will provide 7,500 programmed hours each year.

*Potential Near-term Mitigating Options:* There are five potential options that the Coast Guard is analyzing to mitigate the loss of hours and hulls in District Seven:

1. *Adjust WPB MEP Timeline:* A Coast Guard decision to shorten the WPB Mission Effectiveness Project (MEP) timeline is being considered. By reducing the number of 110' inducted per year into MEP from four hulls to three hulls and decreasing the time spent undergoing MEP from 12 months to 9 months, the Coast Guard can reduce the need for 110' WPBs in MEP by 21 months per year recouping approximately 3,000 hours per year. If approved, the schedule change would take effect in September 2007.

2. *Procurement of Additional 87' Coastal Patrol Boats:* The GWOT Supplemental provided funds for the procurement of four 87' Coastal Patrol Boats (CPBs) which are now under contract. The additional 87' CPBs would be homeported in District Seven to allow the most positive impact on Southern Florida AOR and would add 7,200 programmed hours per year to the 87' CPB fleet. One 87' CPB will be operational by the end of Fiscal Year 2008 with the remaining three becoming operational in Fiscal Year 2009.

3. *Lease of Commercial Vessels:* Lease four commercial high-speed boats with similar characteristics of a Patrol Boat for execution of Coast Guard missions in the District Seven Area of Responsibility (AOR). Each leased vessel would be multi-crewed using the former 123' WPB crews and operate 4,400 hours per year. This option provides 17,600 hours per year (6,400 more hours than the current multi-crewing initiative) and would replace half of the hull and surge capacity lost by the non-operational 123' WPBs. The Coast Guard Office of Acquisition is currently conducting a lease vs. buy analysis to determine the feasibility of leasing commercial vessels. If approved, the lease vessels are projected to be available for Coast Guard operations by February or March 2008.

4. *Increase 87' Coastal Patrol Boat Programmed Hours:* The Coast Guard is assessing the costs and impacts of increasing programmed operating hours for the entire fleet of sixty-five 87' CPBs from 1,800 hours to 2,000 hours per year. This would provide an additional 13,000 hours per year to assist in the mitigation of the WPB Op Hour Gap. If approved, this initiative would take effect on October 1, 2008.

5. *Increase 110' Patrol Boat Programmed Hours:* The Coast Guard is assessing the cost and impacts of increasing programmed operating hours for all non-District Seven 110' WPBs by 400 hours which will provide 5,400 hours per year to assist in the mitigation of the WPB Op Hour Gap, a timeline when this option could begin has not been determined. A specific funding source has not been identified as these options are still being studied and evaluated.

*Long-term Mitigating Options:* The Coast Guard's primary long-term mitigation strategy is procurement of the Fast Response Cutter.

*FRC-B:* The Coast Guard's Office of Acquisition (G-A) is developing the Request for Proposal (RFP) package for the FRC-B. Overall, the Coast Guard is planning to acquire twelve FRC-B assets. The first FRC-B is anticipated to be delivered in Fiscal Year 2010 with the final hull delivered by the end of Fiscal Year 2013.

*Question 5.* The Deepwater contractor raised several questions concerning the validity of the Coast Guard's third party Business Case Analysis for a composite hull FRC-A design. The Department of Homeland Security Science and Technology Directorate has requested FY08 funding to begin construction of a composite demonstrator vessel to reduce technical risk and construction cost risk for a composite hull FRC-A. I also understand that the Coast Guard has assigned a senior officer to assist DHS S&T. Does the CG plan to request or reprogram Deepwater funds to accelerate the construction of this demonstrator vessel? Will the Coast Guard provide DHS S&T with performance requirements for the demonstrator vessel?

*Answer.* The DHS S&T Scalable Composite Vessel Prototype (SCVP) program is designed to mitigate technical and manufacturing risks identified in the FRC-A Business Case Analysis (BCA). The actual design, production, and repair costs could be used to validate the calculated values used in the BCA. DHS S&T will develop the performance specification and requirements for the prototype vessel and has asked for Coast Guard input. A decision to request or reprogram Coast Guard funding would be made if S&T and USCG develop a Memorandum of Agreement (MOA). No reprogramming is in development at present.

*Question 6.* More than \$130 million has been appropriated for Deepwater vertical unmanned aerial vehicles (VUAV) since the program's inception. I understand that the development of the Eagle Eye VUAV is behind schedule and will not be ready to deploy on the first NSC. Is the Coast Guard planning to evaluate alternative existing VUAV designs for shipboard use? If so, is the Coast Guard prepared to use Deepwater funds to adapt an existing VUAV design for Coast Guard missions? Please provide a timeline for how the Coast Guard plans to proceed.

*Answer.* Last Fall, the Deepwater Program Executive Officer commissioned an independent study to assess the viability of the VUAV program and to address the shortfalls in capability if the VUAV program was postponed or canceled. The study was divided into three phases. Phase 1 of the study, completed in February 2007, compared the Eagle Eye to the U.S. Navy's Fire Scout Vertical Takeoff and Landing (VTOL) program. After close evaluation, the study recommended not to procure either the Eagle Eye or Fire Scout due to technical risks and estimated costs beyond the Coast Guard's VUAV program baseline. A stop-work order has been issued to discontinue further development of the Eagle Eye VUAV. The Coast Guard will not seek further funding for the VUAV until cost, schedule, and risks associated with development have been more thoroughly considered and addressed.

The Coast Guard is continuing with Phase 2 of the independent study to explore alternatives to the VUAV program, including cutter-based and land-based Unmanned Aerial Systems (UASs), as well as manned aviation assets. The Phase 2 re-

port is due August 2007. The Coast Guard is considering Phase 3 to the independent study, which would be a 2-year effort to refine alternative solutions to the VUAV through UAS proof of concept demonstration flights, operational simulation modeling, and UAS air safety analyses.

*Question 7.* Why does the Coast Guard FY08 budget request include funding for four MPAs? What is the impact of buying these aircraft earlier than previously planned? Would similar benefits apply to buying NSCs faster as well?

Answer. The original Deepwater Acquisition Plan of 2002 had seven (7) MPA operational by CY-2007. Since these were not funded at levels necessary to meet that original plan, an "MPA Flight Hour Gap" was created where the declining availability of the HU-25 fleet has not been offset by the expected arrival of CASA CN-235 300M aircraft. There is a compelling need to fill this gap, which is currently estimated at 44,000 flight hours annually. Continued production and delivery of the new MPA will increase the Coast Guard's Maritime Domain Awareness capabilities.

The Coast Guard will benefit from maintaining steady production lines at the CASA facility. Continuous production ensures experienced engineering and manufacturing teams remain intact, and maximizes efficiencies which can be translated to faster production and higher quality deliveries.

This strategy will also allow the Coast Guard to maintain its phase-out plan of the HU-25. There have been no plans to invest in the HU-25 to extend its service life, and support contracts for major aircraft systems, such as the engine, will expire at the end of FY 2007. There will, however, be sufficient sparing and support to maintain a reduced fleet until 2012.

There are additional benefits to maintaining steady production on the NSC. As the sole customer of the NSC, breaks in production would have major cost and schedule impacts for the Coast Guard. Again, no investment in 378' High Endurance Cutters has been made and the 378' decommissionings start in FY 2009, so keeping the NSC production steady is the best investment given limited funding.

*Question 8.* Some are advocating that the Coast Guard should make greater use of the Naval Sea Systems Command in procuring Deepwater cutters. However, The Navy's handling of its Littoral Combat Ship program has shown that its own program management capabilities need improvement, and that its requirements for similar sized ships are significantly different from the Coast Guard's. It seems to me that, while the Navy has expertise that could benefit the Deepwater Program, buying cutters to meet Coast Guard mission requirements require Coast Guard oversight. Please describe the Coast Guard's previous and planned use of Navy ship-building expertise with respect to the Deepwater Program?

Answer. There has been extensive collaboration between the Navy and the Coast Guard Deepwater Program, and the Deepwater Program will continue to consult with the Navy as vessel acquisitions move forward. In particular, the Coast Guard has received extensive support from Superintendents of Shipbuilding, Conversion, and Repair Management Group (Supships) at the Naval Sea Systems Command (NAVSEA) Gulf Coast for on-site management of the production of NSC 1 and NSC 2. The attached table describes recent and continuing support from multiple resources within the U.S. Navy. As the FRC and the OPC move into production, there will be increased consultation with the Navy to provide the necessary support that the CG requires.

Navy Organization	Description
ATG San Diego Afloat Training Group	Crew Readiness for Sea Training.
COMOPTEVFOR Commander, Operational Test & Evaluation Forces	Supporting CG-3 and DPM in performance of Operational Testing.
DOD International AIMS Program Office Robins Air Force Base	Will conduct IFF Platform Certification for WMSL Class.
INSURV Board of Inspection and Survey	Manage Acceptance Trials.

Navy Organization	Description
<i>Magnetic Silencing Facility</i> Naval Stations Norfolk & San Diego	Degaussing and deperming.
NAVAIR Naval Air Systems Command, Patuxent River, MD	NSC aviation facilities certification and helicopter dynamic interface testing (HDIT).
NAVAIR Norfolk Field Office	Aviation System Inspection Representative (ASIR).
NAVAIR PMA2133D	ILS, AN/URN-25 TACAN. Funding provided by SPAWAR.
NAVAIR PMA251	Navy PARM for Visual landing Systems being procured for the WMSL Class. Provides hardware, logistics, and engineering support.
NAVICP	Navy Supply agent for all spares for the WMSL, WPC, and WMSM Classes for Navy equipment being provided as GFE to these classes.
NAVSEA SEA062	Program guidance on NSC platform certification.
NAVSEA PMS 317	Provides electronic database TSME, for documentation of discrepancies, trial card management and support of test, trials & DD250 development.
NAVSEA PMS501	Provides detailed data on LCS Freedom Class for feasibility studies for OPC.
NAVSEA SEA04L	Navy PARM for Radiological Equipment being procured for the WMSL Class.
NAVSEA SEA05T1	Radar cross section technical assistance.
NAVSEA SUPSHIP Gulf Coast Supervisor of Shipbuilding, Conversion & Repair	PMRO support covering all aspects of engineering, ship design, ship construction, QA, program & production management, contract admin. & financial management.
Navy Interoperability Center	Interoperability Certification.
Navy Supply Center Detachment Yorktown	Navy ISEA and depot for Radiological Equipment being provided to the WMSL Class. Funded via SEA 04L.
NAWC-AD Naval Air Warfare Center, Aircraft Division	Navy PARM and ISEA for the UPX-36/UPX-29A being procured for the WMSL Class. Provides systems, logistics, and engineering services in support of the integration and installation of the system on the WMSL Class. PARM for APX-118 being installed on the WPC. Developing IFF Certification Stage 5 & 7 Test Procedures for WMSL Class.
NAWC-AD Naval Air Warfare Center—Aircraft Division Lakehurst	Navy ISEA for Visual Landing Aids, provides technical and logistics support to the ICGS ship integration and installation efforts. Supports Aviation Certification on WMSL Class. VLA effort funded via PMA 251.
NOSSA Naval Ordnance Safety and Security Office	Weapons System Explosive Safety Review Board review of the NSC weapons system.

Navy Organization	Description
<i>NSWC Crane</i>	Navy PARM and ISEA for the AN/SLQ-32 Electronic Warfare System being procured for the WMSL Class. Provides systems, logistics, and engineering services in support of the integration and installation of the system on the WMSL Class.
<i>NSWC-CD</i> Naval Surface Warfare Center, Carderock Division	WPC (FRC original) cost estimations from: a parametric model; using ship yard actuals; and Total Ownership Cost (TOC), to support the IPT; and special tradeoffs, such as Steel vs. Composite [soon to be mod' to add Combatant Craft Department (CCD) support on the FRC B efforts.] —WMSM (OPC) cost estimations from: a parametric model; using ship yard actuals [NSC]; and TOC, to support the IPT; and special tradeoffs, such as number of engines; [additionally supported an assessment of NSC actuals and EAC for PM and REA input.] —NSC Structures to determine fatigue life and special detailed studies on issue areas, such as the hanger racking.
<i>NSWC-CD</i>	Degaussing system technical support.
<i>NSWC-CD</i> Philadelphia Detachment	Board of Inspection and Survey (INSURV)—Technical Assist Support.
<i>NSWC-DD</i> Dahlgren Division	Providing System Engineering and Integration support for integrating the Mk 48 Gun Weapon System for the WMSL Class. Funded via PEO IWS 3C. USCG DW funds NSWC DD support for Gun Weapon System Cut-outs, WMSL-750 Principal for Safety, EMC/RADHAZ Surveys, Gun Structural Firing Tests. Also supports WSESRB effort for WMSL Class. When funded will support CG-2 System Software IV&V and certification.
<i>NSWC-PHD</i>	Navy ISEA for the SPQ-9B, provides technical support to the ICGS ship integration and installation efforts. Funded via PEO IWS 2.0.
<i>NSWC-PHD</i>	Supporting the USCG in the planning and execution of the Combat Systems Ship Qualification Test (CSSQT) for WMSL-750. Develops Combat System Alignment Manual. Funded via PEO IWS 1.0.
<i>NSWC-PHD</i> Louisville Detachment	Navy ISEA for the Mk 15 CIWS BLK 1B provides technical and logistics support to the ICGS ship integration and installation efforts. Funded by PEO IWS 3B.
<i>NSWC-PHD</i> Louisville Detachment	Navy ISEA for the Mk 160 GCS, Mk 38 Gun, MK 110 Gun and Mk 46 OSS provides technical and logistics support to the ICGS ship integration and installation efforts. Funded via PEO IWS 3C.
<i>NSWC-PHD</i> Louisville Detachment	Navy ISEA for the Mk 53 Decoy Launching System provides technical support to the ICGS ship integration and installation efforts. Funded via PEO IWS 2E.
<i>NWDC</i> Newport Naval Warfare Development Center	Supporting the USCG in development of the Tactical Manual for the WMSL Class.
<i>ONR</i> Office of Naval Research	Composite hull R&D/Risk Mitigation for FRC Program. The FRC also utilized the MOU between CG and ONR for data sharing, production inspection and joint design reviews during the CHSV project and FRC composite design. Also OPTEVFOR participated during several FRC design reviews . . .

Navy Organization	Description
<i>OPNAV N76</i> Chief of Naval Operations	Navy Resource Sponsor for Navy Type/Navy Owned Equipment going on WMSL, WPC, and WMSM Classes. Sponsors USCG-Navy Permanent Joint Working Group and the Naval Operations Capabilities retirements for the DW Cutters.
<i>PEO IWS 1.0</i> Program Executive Officer, Integrated Warfare Systems	Navy Program Manager for CSSQT activities in support of the WMSL Class.
<i>PEO IWS 1A5</i>	PEO IWS Program Manger for USCG NTNO equipment and resource allocation of Navy WPN/WPN funds. Lead POC for all NTNO technical, logistics, and financial issues and requirements for WMSL, WPC, and WMSM Classes.
<i>PEO IWS 1B</i>	Navy PARM for BFTT Electronic Warfare Trainer (BEWT) being procured for the WMSL Class.
<i>PEO IWS 2.0</i>	Navy PARM for Mk SPQ-9B Radar being procured for the WMSL Class.
<i>PEO IWS 2E</i>	Navy PARM for Mk 53 Decoy Launching System being procured for the WMSL Class.
<i>PEO IWS 3B</i>	Navy PARM for MK 15 CIWS Blk 1B being procured for the WMSL Class.
<i>PEO IWS 3C</i>	Navy PARM for MK 160 Gun Control System, and Mk 46 Optical Sight System, being procured for the WMSL Class. Procuring the Mk 38 Gun for the WPC class. Procuring the Mk 110 57 MM Gun for the WMSL 752 thru 757.
<i>PEO IWS3C</i>	56MM Gun Weapons System—ammunition & system development, safety and integration. U.S. Navy Funded.
<i>SPAWAR</i> Charleston	ILS, AN/SYQ-26(V)4 Tactical Messaging System (NAVMACS II).
<i>SPAWAR</i> San Diego	Navy PARM for TACAN and SRR-1 Communication systems being procured for the WMSL Class.
<i>SPAWAR</i> San Diego	Navy PARM for SCIF systems being procured for the WMSL Class. Providing systems and engineering support to the integration and installation of SCIF on the WMSL Class.
<i>SPAWAR C4I</i> Philadelphia	CG-C2 Software.

*Question 9.* There has been much criticism of the Coast Guard's Deepwater program. Please describe the Deepwater Program's success stories.

*Answer.* Successes from the Integrated Deepwater System Acquisition include:

*HH-65 Helicopter Re-Engining:*

- 84 re-engined operational HH-65s delivered (as of 16 May 2007).
- All HH-65 equipped units are now operating the HH-65C.
- Cost, Schedule, and Performance requirements were met.

*Medium-Range Surveillance Aircraft (CASA CN-235):*

- The first 8 CASA CN-235s have been placed on contract along with the first three mission pallets. Aircraft 4 & 5 were awarded in Jan. 2007. Aircraft 6, 7, and 8 were awarded in April 2007.
- The first aircraft arrived at the Coast Guard Aircraft Repair and Supply center (AR&SC) in Dec. 2006. The second aircraft arrived in Feb. 2007. Mission pallets will be integrated on the aircraft at AR&SC.

- The contract calls for delivery of the third aircraft no later than Aug. 2007 but a May 2007 delivery is anticipated. Aircraft 4 & 5 have an expected delivery date in the second quarter of CY09.
- Official readiness status at the first air station with CASA CN-235s is projected to occur in January 2009 or earlier.

*HC-130J Missionization:*

- Program originally outside of Deepwater and the estimate for Missionization was over \$300M with available funding being only \$120M.
- Project transferred to Deepwater.
- Deepwater developed new missionization approach using architecture/equipment designs that existed in Deepwater.
- Now projected to be completed within the \$120M baseline.

*National Security Cutter:*

- Delivery scheduled despite impacts of hurricanes and recent labor strike.
- Post 9/11 additional capabilities.

*Legacy C4ISR Upgrades Afloat and Ashore:*

- Four shore-side command centers upgraded; significantly enhancing operational effectiveness and Maritime Domain Awareness.
- Initial Upgrades of secure Internet, commercial satellite communications, and automatic vessel identification equipment have been completed on all 39 legacy cutters (378' HECs, 270' and 210' MECs).
- Successfully demonstrated core capabilities of Increment 1 at the Maritime Domain Awareness Center.
- 2 Communications Area Master Stations delivered. Sector San Juan and District 7 command centers completed upgrades and are being certified for delivery.

*Shore Facilities Constructed to Support Assets:*

- Maritime Patrol Aircraft (MPA) Hangar at Aviation Training Center, Mobile, Alabama has been completed and will be used for the MPAs that will be assigned there for training and operations.
- Training Facility (referred to as Building 500) has been completed in Petaluma, California for National Security Cutter (NSC) electronic equipment training.

*Question 10.* Your budget request asks for \$130 million for the Deployable Operations Group (DOG). What problem is this designed to fix and how does it intend to fix it? Will the establishment of the DOG lead to the consolidation or relocation of any operational assets?

Answer. The \$132.7 million is a base re-allocation, not a request for new funding. The Deployable Operations Group (DOG) will resolve challenges within the Coast Guard's Deployable, Specialized Forces (DSF) pertaining to training, equipment, interoperability, and coordination by unifying under a single command. The DOG will oversee, coordinate, and integrate adaptive deployable force packages from the following Coast Guard specialized teams: Maritime Security Response Team, Maritime Safety and Security Teams, Port Security Units, National Strike Force, and the Tactical Law Enforcement Teams.

The coordination and integration of DSF's under the DOG will provide increased standardization of training, tactics, and equipment providing increased opportunities for cross-training and more effective and efficient interoperability. Additionally, the DOG will focus on contingency planning and cooperation with interagency partners to develop multi-agency force packages. The establishment of the DOG does not include the consolidation or relocation of any operational assets.

*Question 11.* I understand that the Coast Guard plans to reorganize several major commands. What is the purpose and ultimate goal of this reorganization?

Answer. The Coast Guard has embarked on an extensive transformation effort to shape the service into a more agile, capable, and responsive agency in the areas of mission support and mission execution. Lessons-learned from Hurricane Katrina, and Deepwater program prompted this cause for action, and the end result will be an agency that is better prepared to meet the Nation's maritime safety and security needs into the future.

*Question 12.* Why does the Coast Guard want authority to de-link its Vice Admirals from specific assignments? How would this authority compare to that of other armed forces?

Answer. The Coast Guard’s vice admiral legislative provision will proactively eliminate the redundancy and inefficiencies inherent in its legacy, geographic-focused command structure. Currently, the Coast Guard’s Area Commands each have a staff for command and control, force readiness and training and exercise planning—creating redundancy. Similarly, the separate Maintenance and Logistics Command staffs for vessel maintenance and personnel support functions result in additional redundancy and too many support systems that are not fully integrated. The legislative initiative will provide the necessary flexibility for the Coast Guard to reorganize these command staffs along functional lines to eliminate redundancy and improve efficiency and mission effectiveness. The proposed vice admiral positions will have specific functional responsibilities, which will be described in detail upon nomination of each officer.

The Coast Guard now operates in an evolving, dynamic multi-mission environment that requires both increased alignment with the other armed forces and inter-agency partners and greater organizational flexibility than the existing, geocentric command structure provides. The geographically-driven area of responsibility leadership model is out of alignment with that of our interagency partners and does not reflect the reality of current Coast Guard missions and functions. The limitations of the existing command structure became apparent, for example, as the Coast Guard flowed forces from each Area Command during the response to Hurricanes Katrina and Rita in 2005.

The Coast Guard’s legislative proposal would provide for temporary appointment of vice admirals to “positions of importance and responsibility,” similar to like appointments in the other armed services, to provide organizational flexibility, while preserving executive command and congressional oversight. This proposal would allow the Coast Guard to move toward a more functionally-driven leadership structure and provide the flexibility, with appropriate congressional oversight, to adapt the structure in the future as mission demands and circumstances may require.

The proposed authority would align the Coast Guard leadership structure more closely with that of the other armed forces. Specifically, the amendments to 14 U.S.C. § 47 would fix the grade of the Vice Commandant at admiral, aligning with the grade of the deputy service chief with that of each of the other services. *See, e.g.,* 10 U.S.C. §§ 5035, 5044. Further, the proposed amendments to 14 U.S.C. § 50 would establish a leadership structure parallel to the Deputy Commandants of the Marine Corps, and fixing the number of vice admirals at no more than four. *See* 10 U.S.C. § 5045. Each position will be held by officers who, like the existing Chief of Staff and Area Commanders, will have the grade of vice admiral, while so serving, and perform such duties as the Commandant prescribes. *See* 14 U.S.C. §§ 50(a) and 50a(a).

*Background:*

10 U.S.C. § 601 provides, in pertinent part:

**§ 601. Positions of importance and responsibility: generals and lieutenant generals; admirals and vice admirals**

“(a) The President may designate positions of importance and responsibility to carry the grade of general or admiral or lieutenant general or vice admiral. . . .”

\* \* \* \* \*

10 U.S.C. § 5045 provides, in pertinent part:

**§ 5045. Deputy Commandants.**

“There are in the Headquarters, Marine Corps, not more than six Deputy Commandants, detailed by the Secretary of the Navy from officers on the active-duty list of the Marine Corps.”

\* \* \* \* \*

Coast Guard proposed text, regarding vice admiral positions:

**§ 50. Vice admirals**

“(a)(1) The President may designate no more than four positions of importance and responsibility that shall be held by officers who—

(A) while so serving, shall have the grade of vice admiral, with the pay and allowances of that grade; and

(B) shall perform such duties as the Commandant may prescribe.”

*Question 13.* The Coast Guard has stated that its FY08 budget request is a “current services” budget. Please explain what that means and how that request would

or would not cover the cost of the Coast Guard responding to a major operational requirement, such as a mass migration from Cuba or Haiti.

Answer. A “current services” budget means that the Fiscal Year 2008 President’s budget request will ensure the Coast Guard is able to maintain current operational performance levels while continuing vital recapitalization projects and aligning strategically for enhanced mission effectiveness. The Coast Guard does not budget for incidents of national significance since it is speculative when incidents might occur. The Coast Guard requested additional funding in all four supplemental appropriations following Hurricane Katrina, of which the Coast Guard received funding in Katrina Supplemental #3 (P.L. 109–148) and #4 (P.L. 109–234)

