THE FISCAL YEAR 2006 BUDGET FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS, AND H.R. 889, THE COAST GUARD AND MARTIME TRANSPORTATION ACT OF 2005

(109–4)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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CONTENTS

TESTIMONY

	Page
Blust, Steven R., Chairman, Federal Maritime Commission	8
Collins, Admiral Thomas H., Commandant, U.S. Coast Guard	4
Moravec, Joseph, Commissioner of Public Building Service, U.S. General Services Administration	10
Welch, Master Chief Franklin A., Master Chief Petty Officer, U.S. Coast Guard	6

PREPARED STATEMENTS SUBMITTED BY MEMBERS OF CONGRESS

LoBiondo, Hon. Frank A., of New Jersey	75
Young, Hon. Don, of Alaska	89

PREPARED STATEMENTS SUBMITTED BY WITNESSES

Blust, Steven R.	24
Collins, Admiral Thomas H	31
Moravec, Joseph	77
Welch, Master Chief Franklin A	84

SUBMISSIONS FOR THE RECORD

Collins, Admiral Thomas H., Commandant, U.S. Coast Guard:	
Rescue 21 Project Summary-Deployment Schedule, chart	44
Legacy National Distress Response System vs. Rescue 21, chart	45
Nationwide AIS (NAIS) Projected Deployment FY05-FY10 (FOC), chart	46
Responses to questions	47

ADDITIONS TO THE RECORD

Fleet Reserve Association, statement	97
National Association of State Boating Law Administrators, statement	94

THE FISCAL YEAR 2006 BUDGET FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS, AND H.R. 889, THE COAST GUARD AND MARITIME TRANSPORTATION ACT OF 2005

Thursday, March 3, 2005

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION, WASHINGTON, D.C.

The committee met, pursuant to other business, at 10:00 a.m. in room 2167, Rayburn House Office Building, Hon. Frank LoBiondo [chairman of the subcommittee] presiding.

Mr. LOBIONDO. Good morning. The Subcommittee on Coast Guard and Maritime Transportation will now come to order. The Subcommittee is meeting today to hear testimony on the fiscal year 2006 budget for the Coast Guard and Maritime Transportation programs, and H.R. 889, the Coast Guard and Maritime Transportation Act of 2005.

We are reviewing the President's fiscal year 2006 budget request for the Coast Guard and Department of Homeland Security's Port Security Grant Program and the Federal Maritime Commission. I am pleased to see that the Administration has recognized the critical work done by both the Coast Guard and the Federal Maritime Commission and is requesting increases in funding for both of these organizations in fiscal year 2006.

Nevertheless, the Subcommittee has concerns with some areas of the Coast Guard budget that finds the amount requested for port security grants to be inadequate to meet our maritime security needs. The Administration has requested $8.1 billion for the Coast Guard in fiscal year 2006. That is an increase of $571 million or approximately 8 percent more than the amount appropriated for fiscal year 2005.

This increase is divided between operating expenses and capital improvements. Under capital improvements, the Administration's request of $242 million is an increase for the Deepwater Program. While it is nice to see that we are finally making some progress, it is disappointing that this increase is still less than the amount needed to get the program back onto its original 20-year schedule.

I am also very frustrated that we have yet to be provided with the program's re-baselined implementation plan. The plan provides the blueprint for changes in asset capabilities to reflect the post-9/11 environment. Before the Subcommittee can move forward with its annual authorization for the service, we need to be provided

with this information. It is imperative that we have a complete understanding of what we are buying.

I urge the Service, the Department and the Office of Management and Budget to work out their issues with the plan and get it to Congress as soon as possible. In the absence of the new implementation plan, the Committee and the Subcommittee leadership have introduced legislation to authorize $1.1 billion for Deepwater acquisition. We believe that this level would allow the program to be completed in 15 years.

We understand that number may change once we see the plan. Completing Deepwater in less than 20 years is critically important if the Coast Guard is expected to successfully carry out its missions. These aging assets are suffering operational failures at an alarming rate and putting the lives of their crews and the public they serve in grave danger. Accelerating the replacement of legacy assets will enhance mission performance and reduce rapidly escalating operational and maintenance costs.

The homeland security mission of the Coast Guard continues its post-September 11 growth. This year, the service should complete the planning processes required under the Maritime Transportation Security Act and move forward with full implementation of the Act. The Subcommittee is still concerned that we are focusing on protecting our shores once vessels are here, rather than pushing out our oversight as far as possible and preventing terrorists and any dangerous materials in their possession from reaching our shores. Prevention is always easier and safer than response.

Despite the particular attention placed on the Coast Guard's homeland security-related missions in recent years, the service continues to perform at a much broader range of responsibilities. In the past three months, much media attention has been focused on the Coast Guard's response to oil spills in the Delaware River and in Alaska. In Alaska, the service successfully rescued at great personal risk, 20 of 26 members of a crew of a vessel drifting without power in the Bering Sea. The Coast Guard then immediately began an oil spill response once the vessel broke apart. In the Delaware River, the Coast Guard responded to the environmental damage from a spill when the hull of the Athos I was breached by an uncharted submerged object or objects. We are still not sure which.

The subcommittee will be looking further in to the lessons we have learned from these spills and will pursue legislative remedies later this spring. These spills are a reminder that the Coast Guard's traditional missions must remain priorities for the service. The strength of America's commerce relies on waterborne trade and the Coast Guard protects that trade not only from terrorism, but also from other threats. We need to make sure these programs also receive the attention that they deserve in the budget.

Of particular concern is the request to transfer Research and Development Test and Evaluation funds from the Coast Guard to the Science and Technology Directorate of the Department of Homeland Security. Congress rejected this flawed proposal last year, and this Subcommittee will lead the effort to do so again this year. We were assured initially that we would not have to face this kind of a challenge when the Coast Guard came under Homeland Security,

but unfortunately we have to deal with it once again and we will be very vigorous in pursuit of this.

The Maritime Transportation Security Act authorizes grants to help ports improve security. More than $735 million has been appropriated over the last four years under this provision. The Administration proposes a single multi-sector grant program for fiscal year 2006. I am concerned that such a program would pay little attention to the maritime needs. I hope we can protect funding for the Port Security Grant Program at no less than the fiscal year 2005 appropriated level of $150 million. I look forward to an explanation of the effects this proposal would have on implementing the port and facilities security plans called for under the Maritime Transportation Security Act.

We will also hear this morning from the General Services Administration about the proposed move of the Coast Guard's headquarters to property formerly used by St. Elizabeths Hospital. I also look forward to learning more about this proposal.

Finally, the President's fiscal year 2006 budget for the Federal Maritime Commission proposes $20.5 million, an increase of $1 million. This increase will allow the Commission to continue vigilant enforcement of foreign shipping rules and regulations to protect U.S. shipping concerns.

I want to thank the witnesses for coming this morning. We look forward to your testimony. Now, I would ask Mr. Filner for any opening statement.

Mr. FILNER. Thank you, Mr. Chairman. I look forward to working with you and the other members of the committee this year in this session of Congress. We have the important role, now, of looking over the budget for the Coast Guard.

Of course, the President's proposed budget is 8 percent higher than we appropriated last year. I wish he did equally well in other parts of the budget, but that is not a discussion here today. You have, I think, recommended increased funding for the Deepwater Acquisition Program. It may not be enough to accelerate the program as much as we have expressed in the past, and I am especially concerned that the Administration has not given to the Congress the so-called re-baselining of the Deepwater Program so that Congress will understand what changes need to be made to that program in the post-9/11 world. As it stands, it looks to us like we are buying new vessels and aircraft without a proper consideration of what is needed to meet the new challenges.

Let me just mention a couple of other things which I have mentioned to the Admiral over time in personal conversations, and I appreciate the time, Admiral, you have given to us to explain the Coast Guard's budget and the programs.

I have talked over the last couple of years about the HITRON helicopter. That is the fast-moving helicopters that could deal with drug interdiction. We have I guess not made the advances that I thought we should in terms of having more of those HITRON helicopters. I represent, of course, San Diego and we have through South America and the sea right off our coast many drug runners. The HITRON helicopters would be a great benefit to us. We know they have interdicted, in fact, up until this time $6 billion worth of drugs, so we know how effective they are. I still am not sure why

we have not leased any additional ones to deal with this threat on the West Coast.

Chairman LoBiondo and Chairman Young of the Appropriations Committee last year agreed that we put in $39 million in the Coast Guard and Maritime Transportation Act authorization to lease that additional squadron. Of course, it has not occurred.

Another issue that I look at, Admiral, is that when you gave us the Budget in Brief with the pie charts here, we appropriated in fiscal year 2005 $2.48 billion for non-homeland security missions. The Coast Guard spent $2.05 billion. That is, over $430 million was put in the non-homeland security. It was shortchanged, perhaps the search and rescue, marine safety, aids to navigation kind of programs. Of course, we have the benefit up here of saying you are not spending enough on homeland security, and then if you spent more, we say you have not spent enough on non-homeland security, but that is our privilege, I guess, as Congress members. But I do not think Congress intended when we enacted the Homeland Security Act that there should be a decrease in the non-homeland or traditional missions of the Coast Guard. So I hope you may speak to that, too.

So Mr. Chairman, thank you for your leadership on these issues. I look forward to working with you.

Mr. LOBIONDO. Okay, thank you, Mr. Filner.

I would like to take this opportunity to welcome our new members that are here today. We have some new faces and we are thrilled that they are with us. We believe they can help us in what we are trying to do with authorization and oversight. On our side of the aisle, we have four new members to our Subcommittee. We have Vice Chairman Dave Reichert from the State of Washington. Thanks for being with us. We have Connie Mack from the great State of Florida. We have Louis Fortuno, who is on his way. Okay. And we also have Charles Boustany from the State of Louisiana.

Mr. Filner, do you want to introduce?

Mr. FILNER. They have all given me their proxies.

Mr. LOBIONDO. Okay.

Mr. FILNER. We have only one true freshman on our committee, Congressman Higgins from upstate New York. We have two red shirt freshmen who are not true freshmen, but are new to this committee. That is Congressman Weiner of New York City and Congressman Honda from San Jose, California.

Mr. LOBIONDO. Okay.

We will welcome our panel now. We have Admiral Collins, Commandant of the United States Coast Guard. We thank you for joining us again. We also have Master Chief Franklin A. Welsh, Master Chief Petty Officer of the United States Coast Guard. We have the Honorable Steven R. Blust, who is the Chairman of the Federal Maritime Commission. And we have Mr. Joseph Moravec, who is the Commissioner of Public Building Service for the U.S. General Services Administration.

Admiral Collins, please start off.

STATEMENT OF ADMIRAL THOMAS H. COLLINS, COMMANDANT, UNITED STATES COAST GUARD

Admiral COLLINS. Thank you, Mr. Chairman.

Good afternoon. It is a pleasure to be with you and distinguished members of the committee. Thanks for the invitation to be with you today to discuss issues that are near and dear to our heart, and that is the 2006 budget request. From our view, it is a great budget and will have a positive impact on how the Coast Guard delivers services across America for all our missions.

Since 9/11, we have made great progress in securing America's waterways and making America's waterways safe at the same time. There is absolutely no doubt that there is a lot of work that remains, but there is also no doubt that we have improved maritime homeland security every day. That in large measure goes to the strong policy and budgetary support of the Administration and Congress, and very importantly, this committee. We appreciate that support.

The Coast Guard 2006 budget continues our progress, proposing discretionary budget authority of $6.9 billion. This budget provides the necessary resources to continue recapitalizing, as you noted, Mr. Chairman, the Coast Guard's aging cutters, boats, aircraft and supporting infrastructure, while building up maritime safety and security capabilities essential to meeting present and future demands.

The overarching goal here is to secure America's borders by managing and ultimately reducing risk. It is a very risk-based focus that we take, risk in the maritime domain. Doing so requires that we identify and intercept threats well before they reach our shores by conducting a layered, multi-agency security operation, while strengthening the security posture of our strategic economic and military ports. As we reduce maritime risk we continually balance, and we area always involved in this balance equation of each of the Coast Guard missions in how we deploy assets so there is no degradation in the service that America expects across our missions.

The 2006 budget will positively impact our ability to deliver these type of services, both safety and security, to America. We have three priorities as reflected in the Budget in Brief document: recapitalizing the Coast Guard, primarily through the Deepwater Program, but there are other obviously capital initiatives within this budget; implementing or to help implement maritime security for homeland security; and enhancing mission performance across the board.

Obviously, the central feature, as you mentioned and underscored, Mr. Chairman, is Deepwater. It not only serves to recapitalize the Coast Guard, it is the foundation for and necessary precursor to implementing the maritime strategy for homeland security and enhancing our mission performance across the board.

I would be remiss if I failed to acknowledge the outstanding service provided by extremely dedicated Coast Guard work force, a total team of uniformed active duty, reserve, auxiliary personnel, dedicated civilian employees, and I would also add talented contractors, to help us do our job.

My written statement that you have addresses the Coast Guard's many accomplishments of last year. I think from my perspective, they are impressive. Looking at those accomplishments, it is clear that Coast Guard men and women continue to rise to the challenge

and deliver results across both homeland security and non-homeland security missions.

Let me just give you up-to-date examples in addition to that annual total that is in the written statement. The events over the last four days of the past week give a great snapshot of the multi-mission Coast Guard at work. In 152 cases in those four days, our men and women saved 87 lives in distress. Protecting our homeland on both East Coast and the West Coast in 12 different cases, they interdicted a total of 308 migrants from four different countries who were attempting to enter this country illegally.

In another hand, they investigated a Greek tanker carrying over 23 million gallons of crude oil which ran aground in the lower Mississippi. They detained four foreign-flag vessels for failing to comply with the Maritime Transportation Security Act. In two separate cases in the Caribbean, they interdicted more than 6,000 pounds of cocaine. That was just this past week in four days. It is typical of the type of across-the-board, multi-mission service that our Coast Guard is delivering to this Nation.

Obviously, Coast Guard men and women are unwavering in their commitment to our service and our country. We still have six patrol boats, as you know, over in the Arabian Gulf providing service there. We ensure that they are properly compensated and that they develop both professionally and personally. That goal is my highest priority, my very highest priority. The budget before you is about placing the right tools, the right equipment, the right policy in the hands of our dedicated men and women. They have shown time and time again that when we do put the right equipment, right policy in their hands, they know just what to do with it.

With your continued support, I am confident that we will be successful with our men and women, with our missions, and in service to America, and deliver the robust maritime safety and security America expects and that America deserves.

Thank you, Mr. Chairman, for the opportunity to testify. I would be happy to answer any questions you have at the appropriate time. Thank you.

Mr. LOBIONDO. Thank you, Admiral.

Master Chief, welcome.

STATEMENT OF MASTER CHIEF FRANKLIN A. WELCH, MASTER CHIEF PETTY OFFICER, UNITED STATES COAST GUARD

Master Chief WELCH. Good afternoon, Mr. Chairman and distinguished members of the Subcommittee. Thank you for the opportunity to present my views in support of the service members and their families that I am very honored to represent.

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

Despite increased operational tempos experienced by all components of our work force, our recruiting and retention continue to remain impressive. In fiscal year 2004, we slightly exceeded our active duty recruiting mission, while making significant progress to

further diversify our work force. Minority accessions totaled 36 percent of our overall recruiting efforts, representing an 11 percent increase from fiscal year 2003. Our reserve accessions were also equally successful.

Retention rates also remain extremely high. The current retention rate within the enlisted work force is 89.6 percent, with 1.2 percent of those accessing to our officer corps. While there are many factors contributing to our high retention, I view our successes as being key and measurable results of our Commandant's commitment to our people.

We have invested to nationally advertise and promote the roles and missions of the Coast Guard and we have made great strides in providing our people with enhanced professional development opportunities. Recent accomplishments include the establishment of a senior enlisted command master chief course and the introduction of a formal enlisted professional military education program, increased throughput of our leadership and management school, the establishment of a comprehensive unit leadership development program, and continued aggressive support of tuition assistance funding. We consider these human capital investments key to the continued development of our work force and essential for us to remain attractive to those contemplating military service.

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

Child care is also an expensive and problematic issue for our service members with children. High child care costs impact our work force throughout all geographical areas, but particularly those assigned to location in accessible to Coast Guard or Department of Defense child care facilities. We have a child care study ongoing to assess the needs of our work force and to identify areas in which we may make appropriate interventions.

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

In addition to quality of life concerns, we also remain committed to the needs of our people in the workplace, specifically and most critically, our responsibility to provide our service members with safe, reliable and effective cutters and aircraft from which to oper-

ate. As I have testified before, our front line fleet of cutters continues to deteriorate, resulting in significantly degraded readiness capabilities and equally degraded crew morale. Fleet readiness issues are having an adverse impact on our presence in the maritime domain and are causing our good men and women to work even harder to overcome the deficiencies associated with our fleet.

In fact, if it were not for the ingenuity, the professionalism, and the sacrifices made of our crews, our cutter fleet simply would not be in service today. The well-predicted demise of our major cutter fleet can no longer be overcome at the expense of our people, though we are very grateful for your historical support and understanding of the urgency of need for our Deepwater recapitalization initiative.

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

Mr. LoBiondo. Master Chief, thank you very much.

A little bit of housekeeping. We have been notified that around 1:00 p.m., we are going to enter into a series of votes that could last up to one hour. So with that in mind, we will proceed to the next two members on our panel, and for the committee members when we get to the questions, try to think if you can narrow it down a little bit. Remember, that we can always submit questions in writing, so if you have something burning that you want to know about that we are not going to have time for, then we will take a pulse when the vote comes about whether we continue or come back or not.

So Chairman Blust, thank you for being here.

STATEMENT OF STEVEN R. BLUST, CHAIRMAN, FEDERAL MARITIME COMMISSION

Mr. Blust. Thank you, Mr. Chairman. Good afternoon, Mr. Chairman and distinguished members of this Subcommittee. It is a pleasure to appear before you today to present the President's fiscal year 2006 budget for the Federal Maritime Commission.

With me today I have two of my fellow commissioners: Commissioner Paul Anderson and Commissioner Hal Creel, and a number of our staff members who represent our whole organization and have done a great job during this last year.

The President's budget for the commission provides for $20,499,000 for fiscal year 2006. This represents an increase of 6 percent or just over $1 million over fiscal year 2005 appropriations. This amount will allow us to continue to perform our vital statutory functions and meet the responsibilities Congress has entrusted to the agency.

I would like to highlight for you some of the commission's significant accomplishments of the last year. I am pleased to advise that on January 19 of this year, non-vessel operating common carriers, NVOs, are now permitted to enter into confidential arrangements with their shipper customers detailing the terms and conditions of their international ocean transportation. As you know, the Shipping Act permits ocean common carriers, or VOCCs, to enter into

service contracts with one or more of their shipper customers, and the Ocean Reform Act of 1998 provides that these contracts are filed confidentially with the commission.

While NVOs may enter into service contracts and shippers with ocean carriers, the Act does not grant the NVOs the right to offer service contracts in their capacity as carriers. As you might recall from last year's hearing, the commission had received eight petitions from seven individual NVOs and one trade association requesting relief from this disparity. We received at the commission hundreds of comments from the industry, as well as Congress. The petitions asked for a range of solutions, and it also raised the issue of whether the commission had the statutory authority to grant the relief that they were requesting.

During the process last fall, several of the petitioners, along with the Transportation Intermediary Association and the National Industrial Transportation League, filed a joint proposal with the commission suggesting a unified approach to this issue which recognized the potential limitations that the commission had. After assessing the proposal, the commission issued a proposed rule to grant the relief the industry was seeking within the parameters of the Shipping Act. In order to grant an exemption from the requirements of the Shipping Act, the commission found that it did not result in a substantial reduction in competition or be detrimental to commerce.

Based on these criteria, the proposed rule set forth in a conditional exemption from Sections 8 and 10 of the Shipping Act was put forth. After receiving comments from the industry, minor modifications were made to the proposed rulemaking and a final rule became effective in January. I am pleased to report that we have had a number of the NVOs take advantage of this new non-vessel service arrangement approach that they now have available. We have, I believe, over 250 NVOs who have signed up to take advantage of this new program. It has allowed parity and additional competitive activity within the marketplace, so it is a very good solution to a situation that had been out there for a number of years and is being well received and taken advantage of by the industry.

Also in January, the commission implemented new regulations governing agreements among ocean common carriers and marine terminal operators. The new rules reduce the burden and cost of complying with the agreement filing requirements of the Shipping Act, while ensuring that the commission receives the information necessary for effective oversight. The rules provide the shipping industry with certainty as to the FMC requirements, continued flexibility in commercial relationships, and sufficient confidentiality for sensitive commercial information.

The provisions governing modifications and exemptions have been clarified, including a new exemption for low market share agreements among ocean common carriers that do not contain pricing or capacity rationalization authority. It has provided flexibility and limited reduced requirements on their part, while still allowing us to maintain sufficient oversight.

Finally, with respect to China, last year when I was here I advised you that there were several pending proceedings concerning China and that the Department of Transportation Maritime Ad-

ministration and the Chinese Ministry of Communications had signed a bilateral agreement resolving a number of the issues that we had identified. Subsequent to last year's hearing, in April the bilateral agreement went into effect through the exchange of diplomatic notes. After the implementation, the commission requested comments from the industry to determine whether the bilateral agreement had met their needs and had satisfied their concerns. I am pleased to report that the feedback we have received from the industry, both from the vessel operators and the non-vessel operators has been very positive and what was agreed to in the agreement is being upheld. Both the carriers and the non-vessel operators are moving forward with opening their branch offices and taking over arrangements and taking advantage of the additional bonding capabilities that were put forth.

In conclusion, I would like to thank you for the opportunity to testify before the committee today. I would be happy to answer any questions that you may have.

Thank you.

Mr. LOBIONDO. Thank you.

Commissioner Moravec, thank you for being here.

STATEMENT OF JOSEPH MORAVEC, COMMISSIONER OF PUBLIC BUILDING SERVICE, U.S. GENERAL SERVICES ADMINISTRATION

Mr. MORAVEC. Good afternoon, Mr. Chairman and members of the Subcommittee. I am Joe Moravec. I am the Commissioner of Public Buildings Service at the General Services Administration.

I am pleased to be here today to discuss the Administration's plan to consolidate elements of the U.S. Coast Guard on the West Campus of the former St. Elizabeth's Hospital in Southeast Washington, D.C. My prepared statement has been submitted for the record and should be before you. If you will allow me, I will briefly summarize its salient points and hopefully shed light on how the plan developed, how it fits into our overall plans for meeting the housing needs of our Federal agency customers in the National Capital Region, and what some of the challenges are to its successful implementation.

GSA became the West Campus's landholding agency of record in December of last year. We recognize that the West Campus's 182 acres was unique. It is the last parcel of Federally owned land in the District, with a capacity to house large agencies with high-level security requirements. As the Government's landlord, GSA has identified a potential need for about nine million square feet of such space over the next decade. Just as a matter of fact, we turn over about five or six million square feet of Federal leases in the National Capital Region every year. Our inventory is so large here, so there is no question of continuing need.

The West Campus, given its size and its topography and its acres of open green space, providing secure stand-off distances from surrounding development, provides us with an unparalleled opportunity to build a secure, highly functional state-of-the-art Federal campus facility at comparatively low cost within the District of Columbia, the seat of Government, near Capitol Hill and the central business district. It provides GSA with the opportunity to fulfill our

mission of providing a superior workplace for the Federal workers and superior value for the American taxpayer.

Of our customer agencies in need, the Coast Guard was deemed a particularly good fit, in fact the best fit for the West Campus, given Coast Guard's need for about one million square feet of workspace, which they in some cases are in desperate need of, given the timing of their expiring leases, given their present inadequate, functionally obsolescent facilities, especially at Transpoint, which is their main building in Southeast Washington, their present fragmented configuration in several buildings, which is diminishing operational efficiency, and especially given the urgency occasioned by their high-priority national security mission, and related to this, their highest level installation security criteria.

Also especially given the long-term headquarters nature of the proposed facility for which there is no obvious private sector equivalent, the Coast Guard emerged as the ideal candidate to begin the renaissance that we envision will take place over the next decade at St. Elizabeth's West Campus.

We will be able to meet their exacting state-of-the-art specifications that we feel, based on our cost-benefit analysis, represents a clear best value for the American taxpayer, over an $80 million present-value difference between the cost of leasing space for 30 years for the Coast Guard.

Their requirement gives us an opportunity to design and build a distinctive, world-class hundred-year headquarters facility, while at the same time preserving and enhancing a unique national historic landmark. It also enables us to be, as we say, a good neighbor to the District of Columbia. Coast Guard will anchor with about 4,000 jobs, ultimately growing to over 10,000 Federal jobs as we build out the balance of the campus and economic revitalization of the Anacostia area, which is entirely supportive of the city's economic development plans.

We plan to work closely with the Coast Guard to continue to develop and refine their program of requirements, which will translate into building blueprints and ultimately into bricks and mortar as part of an overall campus Master Plan that will invite input from the city, the historic preservation community, and the surrounding neighbors. We hope to break ground in fiscal year 2007 and begin moving the Coast Guard in in fiscal year 2010, and assuming adequate funding, complete the campus in the 2014 time frame.

We have a number of challenges. The buildings and grounds on the West Campus have not been used in years and have been somewhat neglected. They have fallen into a state of disrepair. There is much deferred maintenance on the site. The infrastructure, which is to say the roadways and sidewalks and the sewer water utility conduits, lighting, signage, and landscaping all need extensive work to support occupancy by the Coast Guard.

Also, the historic landmark status of the property will require special handling. Access to the site, both access to the two green line Metro stations to the north and south of the site, and vehicular access off of I-295 and the Suitland Parkway will require some careful consideration.

However, in summary, we believe that the West Campus provides the best, most cost-efficient long-term solution for the Coast Guard and other high-security profile agencies that need to stay near the seat of Government.

I would be pleased, of course, to answer, Mr. Chairman, whatever questions you or other members of the Subcommittee may have.

Thank you.

Mr. LOBIONDO. Thank you, Commissioner, very much.

In consultation with Mr. Filner, we are going to try to wind up before we have votes so we do not detain the panel for an unnecessary amount of time. So with that in mind, I will ask the committee members to please be mindful of colleagues who would like to ask questions.

We will start off with you, Mr. Filner.

Mr. FILNER. Thank you, Mr. Chairman.

Bienvienidos [Greeting given in native tongue]. Thank you to all of you for being here. Admiral, we have discussed an issue for a long time in public and in private. We have two persistent and stubborn people here, so I will keep trying. I do not give up.

As you know, we have seen the capability of the so-called HITRON helicopter for drug interdiction. We authorized money for you to have another fleet and you did not take it. And now we are in the process, I take it, of re-engining these HH-65s. The Chairman and I had asked for basically data which would justify on a cost-effective basis that decision. I think we just got it and we have not had a chance to really read it yet.

But it seems to me, still, that the data and the advice that you had as this decision was being made of re-engining the HH-65s rather than going out with a whole new generation of helicopters, as I read the ICGS report, it makes the recommendation that the dollar differential cost a little more for new ones, was more than made up for by an increase in capability. I was just wondering why you rejected that recommendation.

Admiral COLLINS. I would be glad to answer that one, sir. We have supplied you with data on the H-65 and we have a report coming to you within a matter of a week or so, hopefully, as we clear it through the Administration, that details the analysis associated with a HITRON squadron in Jacksonville, a HITRON squadron on the West Coast, or one in Jacksonville and the cost-benefit of that. That is on its way, and I think you will see the numbers are pretty convincing.

The issue at hand is on the 65, we had a fleet of 90-some helicopters, 84 operational, 11 support helicopters that had an engine that was beyond its day. It was not safe. It was not reliable. It was marginally safe, and we had to operate on the margins and we had to restrict operations. We have a force with a fleet that does the bulk of the Coast Guard's job, and we had an engine that did not service our men and women or the people that they rescued. They had to be changed. That was the IG, the GAO, all looking at it, said that was the absolute right decision for us to make.

We had an existing fleet, the engine was not performing, it had to be replaced. We did not have the luxury of waiting for a six-or seven-or eight-year time frame to buy a new system. That is what

it cost, at least that time frame, to define the requirement, get the performance specification, go through all the major systems acquisition, and get the thing awarded. We are looking at that way down the pike. It was a now issue that had to be resolved. And so we made the right decision and I think, again, most of the audits say that it was the right decision.

So now we have a helicopter, we are investing over $350 million in, that is structurally very, very sound helicopter. We have already received the first two re-engined helicopters that are magnificent in performance, great thumbs up from all our operators. We are making this investment, let's get the return on investment for the taxpayer out of it. That is the basic answer there. We were caught up in a time thing and had to make the right decision. I think we made the right one.

Mr. FILNER. Again, we have discussed this before. I am not sure that the time frame is exactly as you laid out, but we have put in a French engine in a French helicopter. There are no American engines that do this job?

Admiral COLLINS. We of course went out with the solicitation, an invitation for information, request for information. That was the best fit and the best value.

Mr. FILNER. You went out with a public competition on that?

Admiral COLLINS. We went through

Mr. FILNER. You went to the French manufacturer.

Admiral COLLINS. No, we went to our Deepwater contractor, because this is a Deepwater asset. It has to be integrated in the Deepwater system now and into the future. It made great sense to use that system as integrated. That is what we are paying for them to do is integrate.

Mr. FILNER. I understand that. It looked to me that the people who have some vested interest in that decision made the recommendation and there was not really a public competition over that. We are going to spend $500 million in the re-engining versus buying in a full transparent competition of maybe a new generation. Something does not make sense still with me.

We have tried. We have talked about this for a while. We do not have time, giving respect to my colleagues, to really go over this. I still think, Mr. Chairman, something is fishy about this, if I can use that metaphor. We are spending a lot of money and a lot of time re-engining helicopters. There are available now a newer generation. There was not an open competition as it were, recommendations down the line seemed to recommend something else. So I still am going to look further into this with your permission and help, Mr. Chairman.

Thank you.

Mr. LOBIONDO. Thank you, Mr. Filner.

Mr. Simmons?

Mr. SIMMONS. Thank you, Mr. Chairman, and thank you gentlemen for your testimony.

Admiral, it is great to see you. I drive by the Coast Guard Academy almost every day that I am in the district, and it looks great. I cannot wait for the renovations on Chase Hall. It always looks good on the outside, but it needs work on the inside. I commend you on that.

Two issues: one, R&D money. When we transferred the Coast Guard to the Department of Homeland Security, the understanding was it would be transferred intact. A couple of years ago, or at least in the last Congress, R&D money was taken out of Coast Guard line-item budget and placed in Department of Homeland Security with the idea that the R&D Center would compete for those dollars. This subcommittee and the T&I Committee felt that that violated that agreement and we restored those dollars back into the Coast Guard.

Now, the Administration has submitted once again where the Coast Guard R&D is zeroed out with the idea that we compete. In an effort to cover my bases, Mr. Chairman, I have gotten on the Homeland Security Committee so I can watch this issue from both sides. Kind of like watching tennis, and bouncing back and forth.

Mr. LOBIONDO. Well, we considered it solved then, if you are on that committee.

[Laughter.]

Mr. SIMMONS. Well, I will be your lead man because I believe those dollars ought to go to Coast Guard. Do you have a comment to make on that issue?

Admiral COLLINS. I think the intent here within the Administration is to try to build a very cohesive, synergistic, coordinated approach to R&D within the Department of Homeland Security. Certainly, that is the mission of the Under Secretary for Science and Technology, is that over-arching kind of coordination, let's make sure we are all rowing in the same direction with R&D. I think the intent is right there.

From our perspective, I have absolutely no anxiety level that we would not get roughly $24 million on a reimbursable basis from them. We are in the process of developing a memorandum of agreement between us that will talk about that. It prescribes certain amounts of that money that would be allocated for homeland security and non-homeland security-type activity. So I really have very, very low anxiety that we would run into trouble.

Having said that, we can work this either way that the committee feels is appropriate. The one little snag is the money that we get from the Oil Spill Liability Trust Fund. Right now, under a departmental budget for R&D that gets reimbursed to us, that roughly I think it is $3.5 million that is sourced from that, cannot be sourced from the department. So that is one wrinkle in this new arrangement.

Mr. SIMMONS. Which leads me, Admiral, to believe that what we should do is have a line item for Coast Guard R&D and put it in for Coast Guard R&D and then let the R&D Center compete with DHS for those other projects. In other words, we need to look at it in that fashion.

Admiral COLLINS. Sir, I would not argue with you one bit on that.

Mr. SIMMONS. Great. In conclusion, and I will let my other colleagues speak, I agree completely with Mr. Filner in his comments. Pratt & Whitney had an engine available. Pratt & Whitney is obviously a U.S. company and not a French company. I guess my feeling is that when those Pratt & Whitney workers work on an engine for a Coast Guard helicopter, they are thinking of the young men

and young women that are on that bird and they want them to be safe. They want them to be safe in their mission. They want them to come home safe because those young men and women are Americans. It is their friends' and neighbors' children. I am not sure that the folks over in France working on that engine have the same feeling about it. So I concur with Mr. Filner on that subject and I would be happy to join him in looking into that issue further.

I yield back, Mr. Chairman.

Mr. LOBIONDO. Okay. These votes came up a little bit sooner than we thought. We are going to go to Mr. Taylor next, but I am going to ask the committee how many members want to come back after votes, or can come back, if we should hold the panel.

Mr. TAYLOR. Mr. Chairman, I will come back. If you do not mind, I would prefer to ask my questions when we come back.

Mr. LOBIONDO. For the panel then, I apologize, but we are going to ask you to come back. We will break for the votes and we will be back as soon as we can. We will stand in recess for the votes. Thank you.

[Recess.]

Mr. MACK. [Presiding] The committee is now back in session. We left off with questions. I believe Mr. Taylor, if you are ready?

Mr. TAYLOR. Thank you, Mr. Chairman.

I want to thank you for sticking around. I know it has been a long day for you.

Two things I would like to ask you. One is I know you have a very ambitious shipbuilding plan in place, and I am sure from past experience know that you need the ships. The recent announcement by the Navy of the possibility and quite possibly probability of reducing the buy on the DDX program and the possibility of going to a single-source program could, if enacted, absolutely wreak havoc on the Nation's maritime shipbuilding industrial base.

My question is, given that very real possibility, has the Coast Guard given much thought to the possibility of coming before this committee or coming before the appropriators and saying, we can help preserve that industrial base during this lull caused by the delay of the DDX, the reduction of the DDX, by expediting the purchase and building of some ships that I know I need anyway. Chances are if they are built in more of a series, that there will be some economies of scale that you might not have had otherwise. A, have you looked at that? I know it is a rather recent phenomena coming out of the Secretary of the Navy's office, but it does indeed create an opportunity for you. That would be question number one.

The second question is, we have been working with your office, unfortunately with varying degrees of lack of success, on trying to have a navigation project on the Pearl River in Mississippi included in the Truman Hobbs Program. One of the hurdles that we are looking at, and it is a fair observation on the part of the Coast Guard, as they say, under existing law, we do not really need to replace this swing bridge which is the shortest path to the sea through an authorized channel. Well, there is an alternative that although it is not an authorized channel, you do have an alternative, and therefore Truman Hobbs really does not apply.

Two things come to mind. The alternative is through an extremely shallow lake that requires periodic dredging by the Corps

at enormous expense. The alternative I would guess the Corps could put a pencil to and would show that over the years will cost us a heck of a lot longer to maintain that unauthorized channel than to maintain the channel which is the quickest and shortest path to the sea.

So what I am asking for, and would hope that you would consider, is a willingness on your part or on the part of the Coast Guard to consider some changes to the Truman Hobbs Act that would take into account all of the factors, including environmental, including long-term dredging at the citizens' expense by the Corps of Engineers, environmental impacts, quickest and safest route to the sea. I think it has been some time since that Act has been amended. I would just ask if you would be willing to work with us on that. I see a nod on that one. I will take that as a yes.

On the first one, your thoughts on whether or not we should try to alleviate some of the problems that could be caused by the small buy on the DDX by expediting the delivery of the ships that we know you need.

Admiral COLLINS. Of course, we do have an ambitious program, as you have stated. We are subject to the same budget constraints and downward pressures that the Department of Defense is, maybe more so, in our program. I feel very, very fortunate to have the Deepwater Program submitted at the level it was in the 2006 budget that shows, given on a relative basis, what is happening across the national budget, the Federal budget, pretty sound support from the Department of Homeland Security and the President and OMB on our program.

What we can do in the out-years is a function of what we can fit in, obviously, the Federal budget in terms of capacity. A year or so ago that we submitted to Congress, I think it was the first report submitted by the new department as a matter of fact, several years ago, a report to Congress on the ability of Deepwater to be executed in a more rapid way, more compressed way, and did the Nation have the shipbuilding capacity to do it, and was it a return on investment thing that made sense.

We submitted that report over and said the answer to the first question is yes, the shipbuilding industry in the United States was talented and had the capacity to do it. And second, that it made sense from getting a capability sooner that this Nation needed, you know, the capability that Deepwater builds give us, which is a network-centric, much more capable, and particularly C4-ISR business.

So that report is up here on the Hill, and I think kind of speaks for itself on what we could do. Right now, how fast and aggressive we can be with Deepwater is a function of the over-arching priorities in the Federal Government. I think for any agency in this government over the next couple of years it is going to be a challenging budget time.

So again, to get $966 million in it, I am absolutely thrilled that we are at that level. I think, of course a lot of the shipbuilding is going to happen down in the beautiful State of Mississippi in Pascagoula.

Mr. TAYLOR. What a coincidence.

Admiral COLLINS. What a coincidence. So we are thrilled with that and we have the keel being laid on the national security cutter next month, the first one. We have the middle cutter being designed and that is robustly funded within the 2006 budget to get that designed and to get that production going, and ultimately build 25 of those, 25 to 28 depending on the ultimate plan.

So I think we are doing pretty good with that. Clearly, Deepwater does offer an opportunity to level out the ups and downs of the production curve. As you know, when you have more downs than ups, you pay more and get less. That is not a pejorative statement on any of the shipbuilders, but the burdened overhead rate goes up. When you have less production, the head-rate goes up. So you pay more and you get less. So it is to the advantage of the taxpayers, the advantage of the Federal Government, it is the advantage to the people that are building ships to try to dampen out those big swings. Deepwater does offer an opportunity to do that.

Mr. TAYLOR. To what extent, Mr. Chairman, if you do not mind, to what extent, I deeply regret that there is going to be another round of base closure. Based on what I am seeing with the B-22,the F-22, the littoral combat ship, the DDX and the C-130J, which are all being either reduced or cancelled, I just have a gut feeling this is going to be the mother of all BRACs. I think it is going to end up being somewhere between one out of three and one out of four bases in America.

To what extent is the Coast Guard involved as some of these bases, and there are going to be some nice bases closed, I regret to say. To what extent are you allowed to look at that and get first pick, should some other government entity no longer want that installation? Governors Island comes to mind, but by the time the Coast Guard got it, it was pretty worn out. There are some new bases that are going to----

Admiral COLLINS. We do have an opportunity, as part of the process. The problem is that most of the Department of Defense facilities, quite frankly, the scale of their services and ours is like we are on a different planet. The scale of their bases are significant. It is more infrastructure than we can afford or manage. It is a mismatch.

Mr. TAYLOR. Home port Pascagoula come to mind, which is, again, brand new housing. Some of the offices still have plastic on the furniture. I mean, it is going to be great for someone.

Admiral COLLINS. As you know, we have just moved three additional ships to Pascagoula. Two of them are already there, another one will be there in the next year or so. Those are PC-179s that transferred to us from the Navy. We have a medium endurance cutter there in Pascagoula, and we have a Coast Guard station there. It is a great fit. I could not agree with you more, Congressman, that the people love being there. It is a reasonable cost of living. Mississippians are friendly. They like their Coast Guard. It is a great place to be for us.

We will look at opportunities over the years ahead, if there are opportunities there for a larger footprint. But again, most of the scale of Navy bases come with a big price tag when you own a whole bunch of real estate. It is an expensive proposition for us.

Mr. TAYLOR. The war in Iraq, what, if any, effect has that had on your recruiting and retention?

Admiral COLLINS. I just got back from, both the Master Chief and I, several weeks ago from visiting our men and women in the Arabian Gulf. We got a little sea pay. We were underway. We got a little wet. We got off-shore on the patrol boats there. Our men and women are doing incredibly. They are highly regarded by the other services, very, very professional, and regarded as so by the Navy, Army and everybody else. They are doing a tremendous, tremendous job. We are very, very proud of them. Their spirits are incredibly high. They understand the mission they are doing is important. They are there for about 12 months, then they rotate back. They are very proud of what they are doing. By the way, they get their first assignment choice coming out of theater, so that makes them a little happy at tail's end.

They are well-supported. We are taking care of them. We are taking care of the boats very well. I think the message back to the rest of the force is, this is important duty, this is good duty, meaningful duty. The Coast Guard has never been more relevant to this Nation, whether it is overseas or at home. And that is the message. It is influencing our retention rate, Congressman.

Mr. TAYLOR. I hope positively. That is what I was trying to get at. Is it a positive effect or negative effect?

Admiral COLLINS. I think it is a positive across the board. We did not hear one negative, or at least I did not hear. Maybe they were afraid of talking negative to me, but I did not hear one negative vibe or see one negative vibe coming from our forces there.

The other very attractive thing, quite frankly, is that we are going to have, those junior officers and enlisted folks on those boats, when they come back, their resume is much fuller. Their experience set is much fuller. They are going to be much more valuable Coast Guard folks that have just a broader view of the world, and engaging with the rest of the services and the coalition folks. I think they are going to be incredibly valuable Coasties for a long time.

Mr. TAYLOR. Last question, Mr. Chairman.

Admiral COLLINS. I did not answer your question on the waterway and the Truman Hobbs, but we will be glad to work with your staff, sir, to see what is the art of the possible on that.

Mr. TAYLOR. Okay, two things. The Special Forces have a program run mostly through charitable organizations, which is called the Special Warrior Fund, where corporations or individuals contribute to see to it that if the child of a Special Forces person, a Special Forces person dies while on active duty. I do not know all the details, but they know that their kid is going to go college. That is the purpose of this fund. A, does the Coast Guard have something similar? And B, I was a bit surprised to find out that in those circumstances, if a member of the United States Armed Forces is killed in the line of duty, that they cannot transfer the educational benefits that they earned, that that cannot be transferred to their children. That troubles me. How would you, A, if the question was, do you have a similar organization, of course then we are counting on charity, which as you know, is a roller coaster. How would you feel about amending it so that those benefits could be transferred

so that that young Coast Guardsman knows, God forbid something bad happens, that his kids are going to college?

Admiral COLLINS. I think it is a reasonable approach, Congressman, and it seems very, very attractive and something that we should provide our members. Maybe I would defer to the Master Chief, because you are familiar with the program in question and if it applies to us as well.

Master Chief WELCH. If I may, Mr. Congressman, I, on behalf of our work force, think that is a wonderful, wonderful and much-needed idea. Our men and women work hard. Our men and women sacrifice their lives for the good of this country. It is my opinion that we owe them everything that we possibly can pay them for their service. In addition, I think we also would be well-served to not only offer dependents the Montgomery GI bill benefits. I think we would also be well-served to include educational benefits for some 65,000 active duty members today that do not have educational benefits.

Mr. TAYLOR. Why is that, Master Chief?

Master Chief WELCH. Most of the situation, Mr. Congressman, results from people entering the Coast Guard on what we call the VEAP era, Veterans Educational Assistance Program, who were advised or otherwise did not accept the educational benefits offered to them, and therefore were left out Montgomery GI bill eligibility.

Mr. TAYLOR. I am making a request of you. As a former First Class Petty Officer, this is kind of fun, but Chief, do you think you could get me a recommendation on that, get your lawyers to? That needs to be addressed.

Admiral COLLINS. We will get our staff looking at that and we will do a staff-to-staff thing, sir.

Mr. TAYLOR. Okay. Thank you very much. Unfortunately, I have to go to Armed Services, but thank you for sticking around.

Admiral COLLINS. Thank you, sir.

Master Chief WELCH. Thank you.

Mr. LOBIONDO [Presiding]. Thank you.

Mr. Fortuno, you are recognized for questions.

Mr. FORTUNO. Thank you, Mr. Chairman.

Admiral, I visited with some of the men and women you have in the San Juan operations, and I commend you for the work they are doing. Actually, I was accompanying Chairman Young last Friday, visiting, and I must tell you that we both were very much impressed by what we saw they are doing. They are certainly doing more with less, but they are doing it because they are definitely committed to their job and to the defense of our Nation.

Among other things, we saw other than ice-breaking. They pretty much do everything else down there. We had a special interest in the drug and migrant interdiction operations in the area. The information they gave us is that 45 percent of the migrant interdiction efforts of the Coast Guard nationwide are performed out of the San Juan operations. In your presentation, you say that there were 11,000 undocumented migrants that you intercepted last year. I have numbers for fiscal year 2004 that tell me that out of the San Juan operations, about 8,000 were intercepted out of San Juan operations, so the numbers do not necessarily match. I would like to

understand better. It does not have to be now, but later on if possible to get some information on this.

Admiral COLLINS. We would be glad to provide you our best records that we have relative to the outcomes out of San Juan and others, and give you a full profile of what that represents.

Mr. FORTUNO. The other item that we discussed having to do with migrant interdiction is that originally we would get mostly migrants from the Dominican Republic. Now, we are getting a lot of them from Cuba, the People's Republic of China, the Middle Eastern countries. We do have a serious national security concern that this may be a wide open porch in the backyard. Once they get in San Juan, they are in Kansas. That is just the way it is.

I do have a concern, and certainly I am sure that whomever prepared the maps, then leave the U.S. VI and Puerto Rico purposely, it is just that it is included in one of the regions. But I was concerned not to see the U.S. VI and Puerto Rico, given the fact that this operation covers from the Dominican Republic to Haiti, all the way down to the Venezuelan-Colombian coast, with not just a migrant interdiction, but a drug interdiction operation that they are carrying out. I must tell you, I commend you again for the job that they are doing. We went out on a cutter. They do the best they can with the equipment they have there, and they are very proud of the job they are doing.

Admiral COLLINS. Thank you. Clearly, the area in and around San Juan, the windward pass, every day I get an operational brief and there is a force lay-down of where our ships and planes are focused. I can tell you that that area has recurring Coast Guard presence. That is where the business is growing, the illegal movement of people business is growing. We have a very robust presence there. We will continue to have a very robust presence there.

The 110-foot patrol boat, the 123, the extended 110-foot boat, our medium-endurance cutters in particular and helicopters. We have what is called Op Bah, Operations Bahamas and Turks out of Great Inagua. We have a forward operating base in Great Inagua and a recurring helicopter presence there that gives us that good forward-operating location for our helicopters.

So we are dedicated to a robust presence. We know those are where the threat vectors are coming from, whether it is moving illegal goods or illegal people or counter-drugs. Those are the primary threat vectors. We have, again, a robust presence on a recurring basis.

Our Deepwater, I keep coming back to this because it really is our future, the capabilities that Deepwater will give us, we will be even more effective than we are now. We will have vertical unmanned airborne vehicles, two to each one of our ships. They will give us the eyes and ears to have total visibility of those kinds of things, those kind of threat vectors, along with helicopters and high-speed boats, a coordinated package. So we are excited about the future, a little impatient about these capabilities, but in the meantime we are investing in our Legacy systems, the existing systems, to make sure that our men and women have equipment that runs and works. I tell you, they are doing great things. I agree with you. I continue to be impressed every day with our men and women.

Mr. FORTUNO. Thank you.

Admiral COLLINS. Thank you for your comments.

Mr. FORTUNO. I would like to switch to another topic. That has to do with security, having to do with the cruise ships that visit some of our ports. In the case of San Juan, we are talking about 1.3 million passengers a year on those cruise ships. Ninety-plus percent of those passengers are U.S. citizens. This is happening on U.S. soil. I would like to understand better what is the Coast Guard doing in terms of managing that threat, which is complicated further by what I am saying, actually. The numbers for illegal migrants coming from countries other than Caribbean countries in the last couple of years has skyrocketed, according to the numbers that we were given. It is starting to include Middle Eastern countries, as well as the People's Republic of China. So that is a concern that I have, and I wonder if you have any comments on that.

Admiral COLLINS. The large-capacity cruise ship, of course, is a popular phenomenon in the United States, a popular business line, an important part of the Southeastern United States economy. Heck, it is important to the State of Alaska, by the way, because the cruise ship industry in Alaska is big.

There are large numbers of people that move on those cruise ships. On a given day in the Port of Miami, on a Friday, and you see the five huge cruise ships lined up with up to 3,000 passengers a pop. You know that they could be vulnerable or targets.

So that security is important. We have been attentive to that from day one. One of the interesting comments, of all the aspects of the maritime community on 9-10-01, the one that had the most advanced security feature to it, a security regime, was the cruise industry. That happened from an Act that was passed in the late 1980s as a result of the Achille Lauro. That spawned legislation and enhanced security requirements for cruise ships.

So when 9/11 happened, we already had a security regime in place and a relationship with the large-capacity cruise ships to build off of. So it was more advanced than other elements of the maritime community. Immediately, we invoked 100 percent screening of baggage and passengers. We had three levels of security, we called them maritime security condition one, two and three that can be invoked at any time. We oversee the security operation. We do not do the screening. It is done by the private sector, but we oversee it from an oversight perspective. The companies, I think, are pretty aggressive and responsive to the security requirements.

We spend a lot of time worried about their waterfront security in places like Miami and San Juan and others, to ensure that the right waterfront protection is there when they are in port, and the necessary patrols and so forth. We do inspections of those vessels, not only from a safety perspective, but also a security perspective. The crew lists are vetted. The passenger lists are vetted.

So I think they are getting pretty substantial coverage. We continue to look at the threat, at the risk, and to put the appropriate amount of resources to the threat and the risk as it evolves.

Mr. FORTUNO. Thank you, Admiral.

I yield back my time.

Mr. MACK. [Presiding]. Thank you.

Admiral, Master Chief, Chairman and Commissioner, I will never forget this day, because I have not been here 60 days yet, and look at me.

[Laughter.]

Admiral COLLINS. It is great when you are good, Mr. Chairman.

Mr. MACK. Who knew?

I just, for a point of reference, I am from Southwest Florida. I appreciate everything that the Coast Guard does to protect our shores and to protect this country. So thank you for the work that you do.

I do have a question that I would like to ask you, and just again for a point of reference. I know this is something that is pretty important to the Chairman as well. The Coast Guard and Maritime Transportation Act of 2004 authorized the Coast Guard to establish a pilot program to develop and test procedures to improve the processing and issuance of merchant mariners documents. Currently, there are some zones, I guess, examination zones that they have to travel to, and there is quite a bit of distance in some cases where they have to travel.

There are also, with the advancements of technologies recently, not recently, really, but with the advancements of technologies and private companies now offering this type of solution, has the Coast Guard or the Department of Homeland Security budgeted funding to carry out this pilot program? Has the Coast Guard taken steps to improve the process by which the mariners documents are issued? And has the Coast Guard investigated the possibility of allowing merchant mariners to submit necessary information and documentation using Internet-based systems and technologies?

Admiral COLLINS. A great set of questions, and a lot of the details, I would be glad to brief you and the Chairman on. The answer to a lot of those questions is yes, largely for security concerns. We had some fraudulent document concerns about mariners from a security perspective, and it launched on coordination with the FBI and others an extensive review of all merchant marine documentation. We did hundreds of thousands of reviews and everything else, to sort out the fraudulent part.

The reason I mention that, it launched us in a whole process reexamination of the merchant marine document process. A tiger team put together prototypes, ES launched to see how we could tweak it. We submitted to the Appropriations Committees in both the House and the Senate an unfunded priority list. It is a new phenomena, a requirement in last year's bill for me to support the high priority things that did not make it into the budget, but still remain high priority. Obviously, the President's 2006 budget represents our highest priorities. These are the next tier.

On that, you will see merchant marine documentation initiative, with significant FTP people and dollars associated with it. So at this point, the robust funding of the process improvements that we have examined, and we have a list of process improvements we would like to launch, are subject to that out-year initiative.

We also have a plan to centralize some of the functionality embedded in our regional exam. We have these regional exam centers around the country. We have done a study that says some of the functionality of that lends itself to centralization, where we could

rip it out, consolidate it and make it central, but leave the personal contact part back at the centers, make that more robust, and make the central processing more robust, and lean on information technologies to help you out.

So that consolidation plan is in the works. It is part of this out-year thing that we would like to do. I think it is a good return on investment. It is the right thing to do. It is the subject of a future budget, obviously.

Mr. MACK. Sorry, real quick. Are you talking about the pilot program or what you have learned from the pilot program taking forward?

Admiral COLLINS. The pilot program, pilot initiatives are underway. We owe you a report on that, as I recall, too. But this would be the full restructuring of the program that I think has safety benefits, security benefits, efficiency benefits that will ultimately accrue. We would be more than happy to give the Chairman and committee members a brief on that plan. In response to direction from Congress, they wanted to do a cost-benefit on us, to consolidate and centralize this thing, particularly whether we would do it in Washington or we would do it Martinsburg, West Virginia at the operations center we have out there. We have submitted that already up on the Hill that shows you the cost-benefit and what would accrue.

So the bottom line, we have done a lot of thinking and a lot of work on this already. We have done a lot of process improvement. We have incorporated the process improvement where we can, where it does not involve a lot of money.

We are also looking at some fundamental changes through regulatory effort of the document itself, you know, what the document is and what is embedded in it, and how it is used.

So we would love to give the Chairman and yourself a brief on that whole structure, and so you get a good feel with the breadth and dimension of the effort. Quite frankly, Congressman, the Coast Guard and the Nation is under-invested in this particular process and I think let it get into a state of disrepair. It is one of these back-office things, a function in the back office and maybe did not get the front office attention it should. I think what turned the light bulb on for us was the security dimensions involved. You want to make sure it is not only to document the experience and the training and the capabilities of the member, but also is it the member who has said he is, and is it a valid seafarer, et cetera.

So that security dimension has created a greater sense of urgency about this issue for us.

Mr. MACK. Certainly with the advances in technology and imaging and everything, and authenticating, the technology is there and it is just working it into the system and getting it funded is what I am hearing.

Admiral COLLINS. Yes, sir.

Mr. MACK. Okay. Thank you very much.

If there is no further business, the Chair again thanks the members of the Subcommittee and the witnesses. The Subcommittee stands adjourned.

[Whereupon, at 2:58 p.m. the subcommittee was adjourned, to reconvene at the call of the Chair.]

STATEMENT OF
THE HONORABLE STEVEN R. BLUST
CHAIRMAN, FEDERAL MARITIME COMMISSION
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BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 3, 2005

Mr. Chairman and members of the Subcommittee, it is a pleasure to appear before you today to present the President's fiscal year 2006 budget for the Federal Maritime Commission. With me today are Amy W. Larson, the Commission's General Counsel, Austin L. Schmitt, the Director of Operations, and Bruce A. Dombrowski, the Director of Administration.

The President's budget for the Commission provides for $20,499,000 for fiscal year 2006. This represents an increase of 6%, or $1,158,968, over our fiscal year 2005 appropriation. This budget provides for 133 workyears of employment.

Our fiscal year 2006 budget request contains $15,218,000 for salaries and benefits to support the Commission's programs. This is an increase of $874,968 over our fiscal year 2005 appropriation. This includes all salaries, including those for the employees hired in fiscal year 2005, promotions, within-grade increases, and an anticipated cost of living adjustment. The funding includes annualization of the fiscal year 2005 cost of living adjustment increase, and an anticipated 2.4 percent fiscal year 2006 cost of living adjustment. Further, it does not contain funding for any additional positions; it only will fund the number of positions anticipated to be on board at the beginning of fiscal year 2006.

Official travel has been straight-lined at our fiscal year 2005 level. Travel remains an essential aspect of our effort to provide better service to the ocean transportation industry and to accomplish our oversight duties more effectively. Lastly, administrative expenses will have increased $284,000 over fiscal

year 2005. The Commission is planning for an increase in rent to accommodate GSA rental rate increases, as well as an increase to fund Homeland Security charges. Other administrative expenses will be incurred in fiscal year 2006 to support increases in our customary business expenses, such as maintaining government and commercial contracts, and for items such as telephones, postage, and supplies, as well as to pay for the lease-to-purchase of agency computers.

As we have noted in prior years, the Commission's budget contains primarily non-discretionary spending. It is composed of mandatory or essential expenses such as salaries and benefits, rent and guard services, health services, accounting services, telephone and other communication costs, supplies, mandatory training, and printing and copying costs. These items represent the basic expenses any organization faces in order to conduct its day-to-day operations, and are crucial to allow us to meet the responsibilities Congress has entrusted to the agency.

As you know Mr. Chairman, the Commission is responsible for the regulation of oceanborne transportation in the foreign commerce of the United States. Since 1916, the Commission and its predecessor agencies have effectively administered Congress' directives for the ocean transportation industry, and its long-standing expertise and experience have been recognized by Congress, as well as by the industry the Commission oversees, courts, and other Nations. Working with the industry, we have developed a regulatory system that allows for necessary oversight with minimal disruption to the efficient flow of U.S. imports and exports. I would like to highlight for you some of the significant activities in which the Commission is involved.

I am pleased to advise you that as of January 19th of this year, non-vessel-operating common carriers ("NVOCCs") are now permitted to enter into confidential arrangements with their shipper customers detailing the terms and conditions of their international ocean transportation. As you know, the Shipping Act permits ocean common carriers, or vessel-operating common carriers ("VOCCs"), to enter into service contracts with one or more of their shipper customers, and the Ocean Shipping Reform Act ("OSRA") provides that these contracts are filed confidentially with the Commission. While NVOCCs may enter into service contracts as shippers with ocean carriers, the Act does

not grant NVOCCs the right to offer service contracts in their capacity as carriers to their shipper customers.

As you might recall, the Commission had received eight petitions, seven from individual NVOCCs and one from the National Customs Brokers and Forwarders Association of America, a national trade association representing NVOCCs, seeking various types of relief from this disparate treatment. These petitions generated hundreds of comments from the industry as well as Members of Congress. Subsequently, several of the petitioners, along with the Transportation Intermediaries Association and the National Industrial Transportation League, filed a joint proposal with the Commission suggesting a unified approach to this issue. After assessing that proposal, the Commission issued a proposed rule to grant the relief the industry was seeking within the parameters of the Shipping Act.

In order to grant an exemption from the requirements of the Shipping Act, the Commission must find that it will not result in a substantial reduction in competition or be detrimental to commerce. Based on these criteria, the proposed rule set forth a conditional exemption from the tariff publication requirements of sections 8 and 10 of the Shipping Act. The Commission made minor modifications to the proposal based on comments received from the industry, and I am pleased to report that a final rule is now in effect. NVOCCs otherwise in compliance with the licensing, financial responsibility, and tariff publication requirements of the Shipping Act may now enter into confidential NVOCC Service Arrangements ("NSAs") with their shipper customers in lieu of publishing those rates in a publicly-available tariff, provided that the NSA is filed confidentially with the Commission and the essential terms are published in the NVOCC's tariff. This new regulatory scheme is consistent with the regulations governing service contracts between ocean common carriers and their shipper customers, and we anticipate that it will result in greater competition in the shipping industry.

To ensure that NSAs are consistent with the statutory scheme established by Congress in the Shipping Act, the regulations proscribe certain types of discriminatory conduct similar to the prohibitions applicable to service contracts in section 10 of the Shipping Act. In addition, the rule does not permit unrelated NVOCCs from jointly offering NSAs, nor does it allow NVOCCs or shippers associations with NVOCC members to participate in NSAs as shippers. We are certainly mindful of

industry concerns over these limitations. However, we believe they are necessary as a result of recent judicial interpretations which construe the antitrust provisions of the Shipping Act in a manner we believe to be much broader than what was envisioned by Congress, this Commission, and indeed even the industry. As we indicated when we issued the final rule, we will monitor the judicial developments and continue to work with the industry to address this issue as circumstances warrant.

Also in January, the Commission implemented new regulations governing agreements among ocean common carriers and marine terminal operators. The new rules reduce the burden and cost of complying with the agreement filing requirements of the Shipping Act while ensuring that the Commission receives the information necessary for effective oversight. The rules provide the shipping industry with enhanced certainty as to FMC requirements, continued flexibility in commercial relationships, and sufficient confidentiality for sensitive commercial information. The provisions governing modifications and exemptions have been clarified, and include a new exemption for low market share agreements among ocean common carriers that do not contain pricing or capacity rationalization authority. Further, the information, monitoring report and minutes reporting requirements have been reformulated, reducing the overall burden of complying with the Commission's rules. We continue our vigilant review of carriers' utilization of their antitrust immunity to ensure that their collective activities do not result in market-distorting practices, and the new regulations will further our efforts in this area, while permitting the agreement parties the flexibility they need for successful commercial relationships.

The Commission continues to address restrictive or unfair foreign shipping practices under section 19 of the Merchant Marine Act, 1920 ("Section 19"); the Foreign Shipping Practices Act of 1988 ("FSPA"); and the Controlled Carrier Act of 1978. Section 19 empowers the Commission to make rules and regulations to address conditions unfavorable to shipping in our foreign trades; FSPA allows the Commission to address adverse conditions affecting U.S. carriers in our foreign trades that do not exist for foreign carriers in the United States. Under the Controlled Carrier Act, the Commission can review the rates and rules of government-controlled carriers to ensure that they are not unjust or unreasonable.

When I was here last, I advised you of several pending proceedings related to shipping conditions in China. In particular, the Commission was investigating whether Chinese laws and regulations might discriminate against and disadvantage U.S. vessel operators and NVOCCs with regard to a variety of maritime-related services. In December of 2003, the United States, through the Secretary of Transportation, and his Chinese counterpart, the Minister of Communications, signed a bilateral maritime agreement which appeared to address many of the concerns raised by the Commission, including issues affecting vessel operators, NVOCCs, and other industry interests. That agreement became effective with the exchange of diplomatic notes in April of 2004.

Subsequently, the Commission requested comment from the industry on whether the commitments made in the bilateral agreement, which would have relieved the impediments to U.S. companies identified by the FMC, were being honored. The Commission will issue its final decision in this matter shortly; in addition, I am pleased to report to you that many of the issues we raised have been adequately addressed. Thus far, we have received positive feedback from the U.S. industry in this regard. In particular, 29 U.S. NVOCCs have availed themselves of the opportunity provided for in the Commission's rules to file proof of additional financial responsibility with the Commission as an alternative to meeting China's requirements for the deposit of at least $96,000 in a Chinese bank.

We will continue to monitor practices in China and elsewhere to determine whether formal action is warranted. I am encouraged that the Commission's traditional practice of allowing for a diplomatic resolution to the issues we have raised in the foreign trades has again been fruitful.

I have previously informed you about the agency's public outreach initiative involving a series of informational seminars hosted by the Commission's Area Representatives and other Commission personnel at various locations around the country. These seminars have been successful in creating a forum for continued and enhanced dialogue between the industry and the Commission. I am pleased to report that we have started a new program where we have invited representatives from various segments of the industry to brief our staff on current issues and concerns affecting U.S. international liner shipping. Thus far, we have met with representatives from the ocean

intermediary and vessel operator communities, and we are planning additional briefings later in the year with shippers, marine terminal operators, port authorities, passenger vessel operators, and other segments of the maritime industry. I am confident that these briefings will provide the Commission and its staff with a greater awareness and understanding of the most current issues facing the maritime community.

Likewise, the agency's new organizational structure has proven beneficial. As I reported to you last August, the Commission refined the agency's organizational structure to reallocate existing resources to maximize the effectiveness of the staff and facilitate agency efforts to better serve the ocean transportation industry. This was the result of a several-month effort to review the Commission's work processes and practices in light of changes in the industry. To better carry out the Commission's compliance and outreach initiatives, our Area Representatives, previously assigned to the Bureau of Enforcement, now report to the Director of Operations. In addition, to more effectively address the rapid growth of the Commission's consumer complaints program, that program and the alternative dispute resolution function were combined into a new Office of Consumer Affairs and Dispute Resolution Services. As I have mentioned in the past, we are able to provide a mechanism for parties involved in ocean transportation to settle their disputes without the need for costly and time-consuming litigation. The Commission's consumer affairs staff is able to assist in the resolution of informal disputes and formal proceedings involving cruises and the shipment of cargo. Additionally, the Office of Administration now has oversight over the four administrative offices: the Office of Budget and Financial Management; the Office of Human Resources; the Office of Information Technology; and the Office of Management Services. I am pleased to report that these modifications have resulted in greater communication and effectiveness between the Commission and the shipping public. Our new structure not only provides an effective regulatory structure suitable for today's shipping industry, it also allows us the flexibility necessary to grow and change as the industry continues to evolve.

Lastly, the Commission recognizes that its oversight of ocean common carriers, ocean transportation intermediaries, including ocean freight forwarders and non-vessel-operating common carriers, and marine terminal operators, is an important element in the effort to protect our Nation's seaports. We are

continuing our efforts to combat unlawful participation in the U.S. ocean transportation system by ensuring that all entities engaged in the U.S. foreign commerce are in compliance with the requirements of the Shipping Act. In addition, we submitted a report to Congress in November of 2004 detailing our cooperation with other agencies involved in maritime transportation, including the Department of Homeland Security, Department of Transportation and intelligence agencies, regarding information-sharing and other possible FMC contributions to the efforts to ensure a safe and efficient maritime transportation system.

Mr. Chairman, I hope that my comments have served to give you a clear indication of the important work to be accomplished by the Federal Maritime Commission. I respectfully request favorable consideration of the President's budget for the Commission so that we may continue to perform our vital statutory functions in fiscal year 2006.

U. S. Department of Homeland Security

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DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

ADMIRAL THOMAS H. COLLINS

ON THE

FY06 BUDGET REQUEST

BEFORE THE

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORATION & INFRASTRUCTURE

U. S. HOUSE OF REPRESENTATIVES

MARCH 3, 2005

DEPARTMENT OF HOMELAND SECURITY
U. S. COAST GUARD
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COMMITTEE ON TRANSPORATION & INFRASTRUCTURE
U. S. HOUSE OF REPRESENTATIVES
MARCH 3, 2005

Introduction

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

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

The Coast Guard's 2006 budget continues that support, proposing budget authority of $8.15 billion, an eleven percent increase over 2005 comparable discretionary funding. The budget provides the resources necessary to continue recapitalizing the Coast Guard's aging cutters, boats, aircraft, and supporting infrastructure, while building out maritime safety and security capabilities essential to meeting present and future mission demands.

Getting Results

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

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

- In response to a maritime gap in national law enforcement and counter-terrorism (LE/CT) capability, the stood up an offensive force able to execute across the full spectrum of LE and CT response in support of homeland security and homeland

defense objectives. This capability was a critical force addition in protecting the maritime boundaries of several National Special Security Events including the G8 Summit and Democratic and Republican National Conventions,

- Prevented more than 376,000 pounds of illegal narcotics from reaching the U.S. including
- Seized over 241,000 pounds of cocaine, shattering the previous record of 138,000 pounds,
- Interdicted nearly 11,000 undocumented migrants attempting to enter the country illegally by sea,
- Dispatched several assets and personnel for four months as part of U.S. efforts to stabilize Haiti after the departure of President Aristide,
- Aggressively conducted more than 36,000 port security patrols, 6,900 air patrols, and 19,000 security boardings; escorted 7,200 vessels; and maintained more than 115 security zones,
- Provided humanitarian assistance and disaster relief, including 42 personnel, one 378-foot High Endurance Cutter (WHEC), and four C-130 aircraft, to the governments of Indonesia, Sri Lanka, Thailand in the aftermath of the devastating tsunami of December 26, 2004,
- In support of Operation Iraqi Freedom the Coast Guard protected, safely secured, and escorted to sea over 200 military sealift departures at ten different major U.S. seaports, carrying over 25 million square feet of indispensable cargo,
- Deployed two additional patrol boats and two additional LEDETs to Central Command joining four Coast Guard patrol boats, two LEDETs, one Port Security Unit (PSU), and supporting logistics and command and control support elements already participating in Operation Iraqi Freedom, and
- Leveraged the Coast Guard's 34,000 member Coast Guard Auxiliary workforce, receiving approximately 3 million volunteer hours of maritime safety and security services.

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

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

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

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

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

Reducing Maritime Risk

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

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

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

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

Since 9/11 the Department of Homeland Security (DHS) and the Coast Guard have made significant strides to secure our homeland. However, maritime safety and security gaps remain. For example, only 4 of the 137 Coast Guard owned helicopters have Airborne Use of Force (AUF) capability necessary to stop non-compliant vessels and maritime terrorist threats prior to attack, a capability required across the entire spectrum of maritime security missions (e.g., drug interdiction). Furthermore, the Department has no sustainable, organic maritime counter-terrorism force capable of rapid/covert insertion onboard known surface vessel threats. Each of these gaps present risks that we must work to reduce, and we continue that work within the 2006 Budget.

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

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

Recapitalize the Coast Guard

The 2006 Budget continues the urgently needed recapitalization of our cutters, boats, aircraft and support infrastructure to reverse declining readiness trends and enhance operational capabilities to meet today's maritime safety and security threats. As detailed in the *National Strategy for Homeland Security*, this remains a critical need in protecting the homeland.

The majority of the Coast Guard's operational assets are reaching the end of their anticipated service lives by 2008, resulting in rising operating and maintenance costs, reduced mission effectiveness, unnecessary risks, and excessive wear and tear on our people. Listed below are some specific examples highlighting alarming system failure rates, increased maintenance requirements, and the subsequent impact on mission effectiveness:

- HH-65 helicopter in-flight engine power losses occurred at a rate of 329 mishaps per 100,000 flight hours in FY 2004. This is up from a FY 2003 rate of 63 mishaps per 100,000 flight hours. The comparable Federal Aviation Administration acceptable standard for a mishap of this severity is approximately 1 per 100,000 flight hours. The engine loss rate has resulted in flight and operational restrictions and high levels of risk to our aircrews. Re-engining the

HH-65 will remain the Coast Guard's highest legacy asset priority until every HH-65 aircrew is flying safely with a fully capable aircraft. (The FY 2006 budget addresses this issue.)

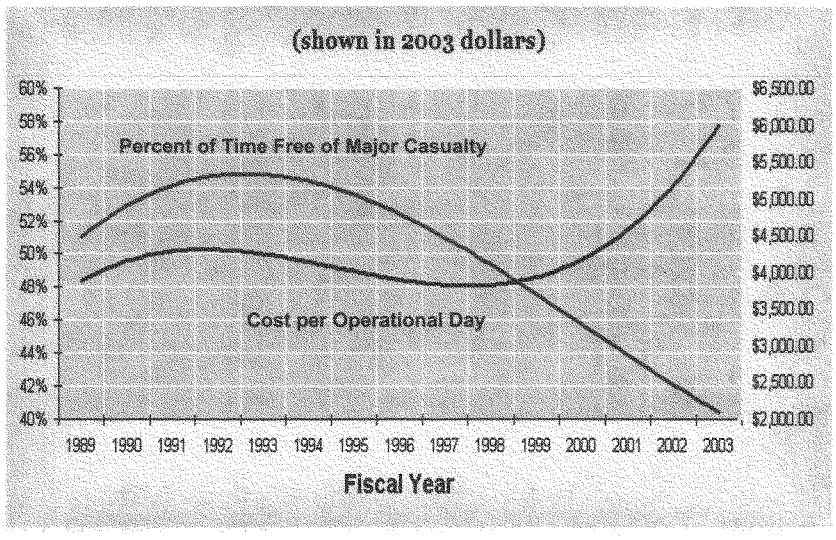
- The 110-foot Patrol Boat fleet has experienced 23 hull breaches requiring emergency dry docks. The resultant loss in operational days is unsustainable, and risks to our personnel are unacceptable. (The Deepwater fast response cutter initiative helps eliminate this issue.)
- Our high and medium endurance cutters are experiencing sub-system failures due to old and unserviceable systems. The 378-foot WHEC fleet averages one main space casualty, with potential to escalate to main space fire, on every patrol. Three out of a total class of twelve ships have recently missed operations due to unscheduled maintenance required to repair failing sub-systems. The total number of unscheduled maintenance days for the major cutter and the 110' Patrol Boat fleet has skyrocketed from 267 days in FY 1999 to 742 days in FY 2004 (175% increase over FY 1999). This loss of operational cutter days in 2004 equates to losing four cutters, or 10% of our major fleet for an entire year. (The FY 2006 budget addresses this issue through increased investment in out legacy systems.)

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

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

Despite spending increasing amounts maintaining operational assets, the Coast Guard is experiencing a continuing decline in fleet readiness. As displayed in the graphic below, legacy cutters are now operating free of major equipment casualties (equipment failures that significantly impact mission performance) less than 50% of the time, despite the investment per operational day increasing by over 50% over the last six years. The resulting "readiness gap" negatively impacts both the quantity and quality of Coast Guard "presence" – critical to our ability to accomplish all missions. If declining readiness trends continue, Coast Guard capability and capacity will continue to be reduced exactly when the nation needs it most.

Spending More – Getting Less



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

The original Deepwater contract baseline sought to replace Coast Guard assets operating at their 1998 performance levels. The post-9/11 national strategic security environment demanded that the original Deepwater solution be revised to defeat terrorist threats, address contemporary mission demands, and satisfy current and emergent operational priorities. In early July 2003, I directed an internal Coast Guard study to analyze operational capability and capacity gaps and the impact these gaps have on mission performance. This process, known as the Integrated Deepwater System Performance Gap Analysis (PGA), identified significant capability and capacity gaps in the existing Deepwater system implementation plan designed to meet the 1998 performance baseline.

Based on the results of the PGA, the Coast Guard, working with the Department, updated Deepwater capability and capacity requirements through development of a revised Mission Needs Statement (MNS). The revised MNS, approved by the Department of Homeland Security on January 24, 2005, calls for additional system-wide capabilities to extend the borders of our ports and reduce maritime homeland security risk. Based on the revised MNS, the Coast Guard began developing a revised Deepwater Implementation Plan to reflect new post-9/11 system requirements, as directed by

Congress (FY 2005 Department of Homeland Security Appropriations Act, P.L. 108-334). The Coast Guard is working with the Department and the Administration to finalize this plan for submission to Congress.

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

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

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

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

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

Implement the Maritime Strategy for Homeland Security

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

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

DHS Strategic Goal	Maritime Homeland Security Pillars
Awareness	1. Enhance Maritime Domain Awareness (MDA)
Prevention	2. Build and administer an effective maritime security regime – both domestically and internationally
Protection	3. Increase military and civil operational presence in ports, coastal areas, and beyond – leverage other Federal, state, local and private sector assets
Response & Recovery	4. Improve our response posture in the event a security incident occurs and lead efforts to restore services, natural disasters, or other emergencies

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

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

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

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

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

Enhance Global Maritime Domain Awareness (MDA). The core of our MDA efforts revolve around the development and employment of accurate information, intelligence, and targeting of vessels, cargo, crews and passengers – and extending this well beyond our traditional maritime boundaries. All DHS components are working to provide a

layered defense through collaborative efforts with our international partners to counter and manage security risks long before they reach a U.S. port. The 2006 Budget significantly advances our efforts to implement comprehensive MDA, including funding for:

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

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

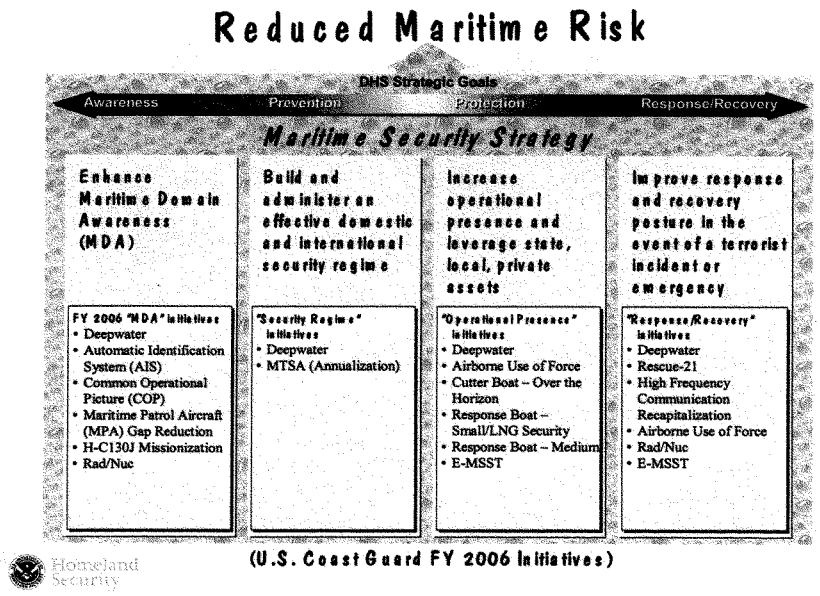
- Continued verification of an estimated 3,100 domestic facility and 9,500 domestic vessel security requirements (plans must be revalidated every five years, upon a change of ownership, or significant change in operations), including working with vessel, company, and facility security officers;
- A robust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

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

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

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

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



Enhance Mission Performance

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

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

- Rescue 21 - continues implementation of Rescue 21, vastly improving coastal command and control and communications interoperability with other Federal, state, and local agencies.
- Great Lakes Icebreaker (GLIB) – provides funding to operate and maintain the new GLIB scheduled to be commissioned in FY 2006, greatly enhancing the Coast Guard's ability to conduct essential icebreaking activities and maintain aids-to-navigation to facilitate maritime commerce and prevent loss of life, personal injury, and property damage on the navigable waters of the Great Lakes.

- Maritime Law Enforcement School Co-location – enhances law enforcement training through co-location with the Federal Law Enforcement Training Center, increasing Coast Guard law enforcement training throughput and promoting better coordination among field activities with other Federal, state, and local agencies.
- Polar Icebreaking Funding Transfer - shifts base funding for the two Polar Class icebreakers (USCGC POLAR SEA and USCGC POLAR STAR) and the USCGC HEALY to the National Science Foundation. The National Science Foundation is the resident agency with responsibility for the U.S. Antarctic Program and the current primary beneficiary of polar icebreaking services. Under this arrangement, the National Science Foundation will reimburse the U.S. Coast Guard for maintenance and operation of the polar icebreaking fleet.

Conclusion

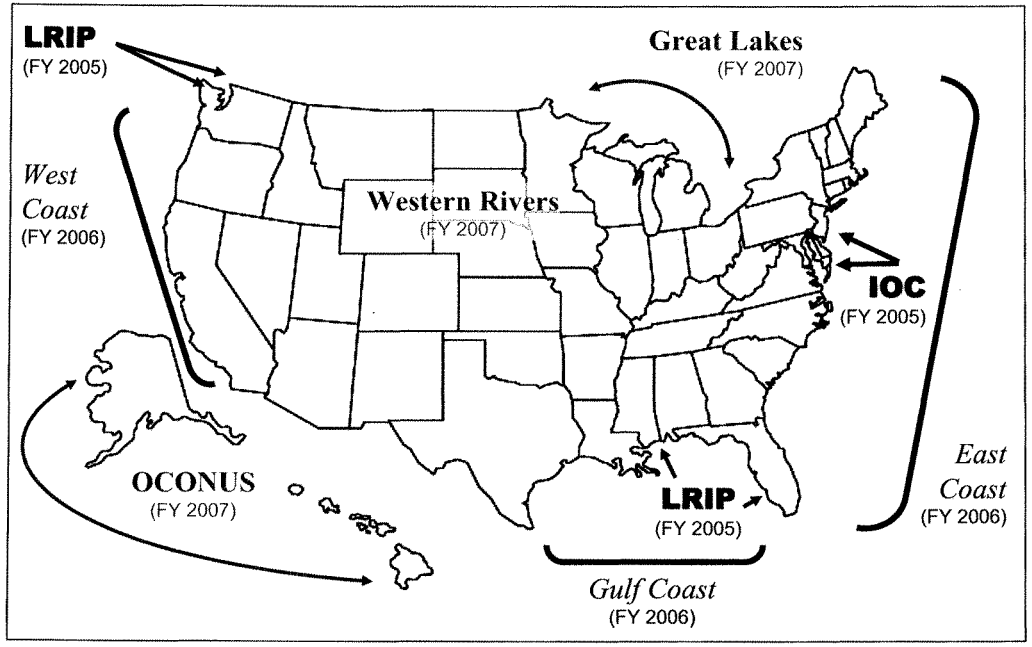
I appreciate your strong support over the past several years in providing the Coast Guard with the tools necessary to meet our multi-mission and military demands. I am extremely proud of our Coast Guard's accomplishments since 9/11 as we strive to increase maritime homeland security while continuing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

I continue to be impressed with the professionalism and achievements of our personnel. Coast Guard men and women are unwavering in their commitment to their Service and country. Ensuring these same people are properly compensated and given the opportunity to grow both personally and professionally is my single highest priority. With your and the President's support, we have done much in recent years, from pay raises, improved housing allowances to better medical care, to support our men and women. The 2006 Budget builds upon those results and provides a pay raise and important funding for Coast Guard housing projects through the shore recapitalization request. Coast Guard members volunteer in order to serve, secure, and defend this great nation. Our personnel are faced on a daily basis with a daunting set of mission requirements and challenges. We owe them not only fair compensation and benefits; we owe them the capabilities and tools to get the job done. Budget priorities such as recapitalizing the Coast Guard, implementing the maritime security strategy and enhancing mission performance are not theoretical concepts or marketing buzzwords; they are about putting the right tools in the capable hands of our personnel. They have shown time and again that they know just what to do with them.

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

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

Rescue 21 Project Summary – Deployment Schedule



FY 2005: **IOC** (Initial Operating Capability), **LRIP** (Low Rate Initial Production)

FY 2006: *Coastal CONUS Full Operational Capability (FOC)*

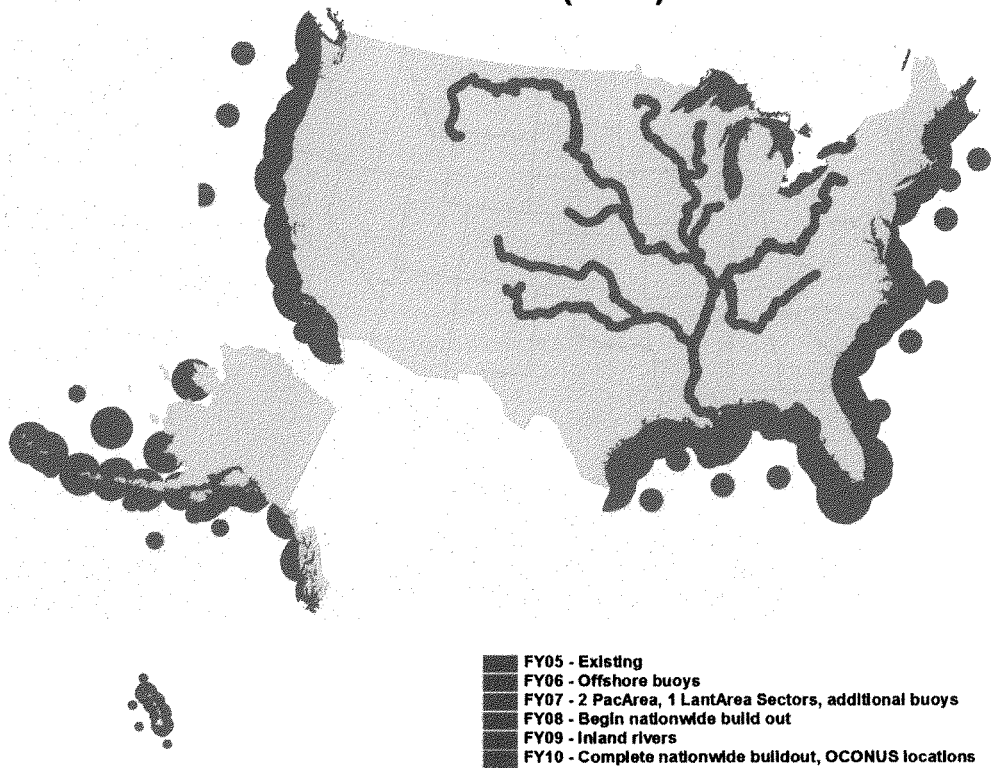
FY 2007: **OCONUS, Great Lakes, Western Rivers FOC**

U.S. COAST GUARD RESCUE 21 SAVING LIVES IN THE 21st CENTURY

Legacy National Distress Response System vs. Rescue 21

National and Distress Response System Capabilities		Existing NDRS	Rescue 21
Monitor Distress Calls	Continuous uninterrupted Channel VHF-FM Guard	**No**	Yes
	Channel 70 VHF-FM DSC	**No**	Yes
	Communications coverage	Numerous Gaps	20NM (98%)
	Direction Finding (DF)	**No**	Yes
Alert Response Assets	Automatic asset tracking	**No**	Yes
	Data communications	**No**	Yes
Coordinate Response Activities	Public safety interoperability	**No**	Yes
	Full coverage protected communications	**No**	Yes
	Automatic marine broadcasts	**No**	Yes
	Geographic display	**No**	Yes
	Number of simultaneous communications channels	**One**	Six
	Archiving/recording	**Voice**	Voice/Data
	Operational availability	**Unknown**	99.50%
	Recoverability	**No systematic plan**	24-hrs for critical functions

Nationwide AIS (NAIS) Projected Deployment
FY05 - FY10 (FOC)



FY06 ASSET CONSISTENCY WITH POST 9/11 IMPLEMENTATION PLAN

QUESTION:
Are the items requested for planning, design and acquisition in fiscal year 2006 consistent with the post-9/11 implementation plan? If not, what changes in asset acquisition, planning and design do you anticipate?

ANSWER:
Yes. The Deepwater fiscal year 2006 budget request is consistent with the post-9/11 implementation plan. The Coast Guard does not anticipate requiring any changes to its fiscal year 2006 budget request to reflect the post 9/11 implementation plan.

CHANGING OPA LIABILITY LIMITS

QUESTION:
The Oil Pollution Act of 1990 requires the President to adjust oil spill liability limits not less than every three years to reflect changes in the consumer price index. This responsibility was delegated first to the Secretary of Transportation and now to the Secretary of Homeland Security; however, no adjustments have been made since the Act became law in 1990.

(a) Does the Secretary plan to delegate this authority to the Coast Guard? If so, when? If not, why not?
(b) Once delegated, do you intend to carry out the Act's mandate, and adjust the liability limits?
(c) How long would it take to publish regulations to implement such an adjustment?

ANSWER:
(a) The Coast Guard anticipates the delegation from DHS to the Commandant will be signed soon.

(b) Yes. The Coast Guard has begun preliminary work on a rulemaking project to adjust vessel liability limits in anticipation of a delegation from the Secretary. When the delegation is complete, we will work with the Department and Administration to promulgate a rule in a manner consistent with the legal requirements for new regulations.

(c) The Coast Guard will work to complete the rulemaking as soon as possible. Considering required notice, comment, and review periods, the Coast Guard anticipates up to a two-year timeline to finalize this rule.

BALANCING LEGACY AND NEW ASSET FUNDING

QUESTION:
How does the CG plan to sustain both the rapidly increasing costs of maintaining legacy assets and the costs of replacing them?

ANSWER:
The Coast Guard plans to sustain both the rapidly increasing costs of maintaining legacy assets and the costs of replacing them by continuing to balance four factors: funds available, legacy fleet status, current Deepwater acquisition priorities, and the scope of required legacy asset work. Through sound resource planning, business case analyses, and performance assessments the Coast Guard will manage the funds provided in its budget and request the appropriate amount of funds as necessary in the out years. To continue to meet our mission demands, the Coast Guard will invest necessary resources to sustain operational assets until they can be replaced/recapitalized through the Deepwater project.

The Coast Guard is also taking steps to mitigate legacy asset issues through advancing recapitalization of certain asset classes within the Deepwater program. For example, the fiscal year 2006 Deepwater request includes $108 million to advance the acquisition of the Offshore Patrol Cutter by completing the design and purchasing long lead materials for the first cutter.

The Coast Guard recently submitted a report to Congress on legacy asset maintenance concerns and will be submitting regular updates in the future.

TRANSPORTATION INFRASTRUCTURE PROTECTION PROGRAM FUNDING

QUESTION:
Will the Coast Guard play any role in determining Transportation Infrastructure Protection Program (TIPP) funding priorities?

ANSWER:
The Office of State and Local Government Coordination and Preparedness (SLGCP) staff responsible for the TIPP program recently sought out the Coast Guard's opinion on maritime transportation related issues. Discussions focused on what passenger ferry systems should be eligible for funding under the TIPP program. SLGCP indicated that the Coast Guard would play a role in review of maritime applications submitted under the TIPP program. The particulars of that role have not yet been finalized.

The efforts under the TIPP would also be coordinated with the Transportation Security Administration (TSA) through its role as the Sector-Specific Agency for the Transportation Sector under Homeland Security Presidential Directive-7, and with the Coast Guard in their leadership role of the maritime mode within the Transportation Sector.

COAST GUARD PERFORMANCE GOALS

QUESTION:
What performance goals have you established to ensure the Coast Guard will effectively carry out its traditional missions as well as its expanded homeland security role?

ANSWER:
The Coast Guard has performance goals for all eleven of its mission-programs, as follows (including their FY 2005 performance target):

Search and Rescue (SAR): Save at least 86% of mariners in distress.

Marine Safety: Reduce the Maritime Injury and Fatality Index to 1,317 or lower.

Aids to Navigation (ATON): Reduce the five-year average of collisions, allisions, and groundings to 1,831 or lower.

Ice Operations: Limit number of days waterways are closed due to ice conditions to 2 days (average winter) or 8 days (severe winter).

Marine Environmental Protection (MEP): Reduce the five-year average number of oil spills greater than 100 gallons and chemical discharges per 100 million tons shipped to 20 or less.

Living Marine Resources (LMR): Ensure 97% of commercial fishers are in compliance with regulations.

Drug Interdiction: Remove 19% of cocaine shipped via non-commercial maritime conveyances.

Undocumented Migrant Interdiction: Interdict or deter 88% of migrants entering the US via maritime means.

Other Law Enforcement: Reduce foreign fishing vessel incursions into the US Exclusive Economic Zone (EEZ) to 202 or fewer.

Ports, Waterways, and Coastal Security (PWCS): Reduce risk in the maritime domain (targets and measure currently under review).

Defense Readiness: Maintain an Overall Combat Readiness SORTS (US Navy Status of Resources and Training System) of C-2 or better 100% of the time.

Achieving these ambitious goals requires careful investment, strong mission planning guidance, reliable readiness data, and continuous field-level assessment of maritime safety and security risk, which comprehensively ensures mission balance.

COAST GUARD R&D FUNDING

QUESTION:
The budget request proposes to consolidate the Coast Guard's research and development efforts within the Department of Homeland Security's (DHS) Science and Technology Directorate. Section 888 of the Homeland Security Act requires the Coast Guard to remain intact within DHS, and Congress rejected this proposal last year. Under the budget proposal, it is estimated that the Service's Research and Development Center could receive up to $24 million in fiscal year 2006 for the research and development efforts of the center.

(1) Is it also possible that the Coast Guard could receive no funds under this consolidation scenario?

(2) Under the Administration's budget request the Coast Guard would not receive any funding from the Oil Spill Liability Trust Fund to support its oil spill research and prevention programs. We are told that is because the Department is not listed in the Oil Pollution Act (OPA) as a member of the Interagency Coordinating Committee on Oil Pollution Research. Isn't this covered under the general transfer of responsibilities from the Secretary of Transportation to the Secretary of Homeland Security authorized in the Homeland Security Act? If not, will the Department be requesting an appropriate conforming change to OPA?

(3) If the research and development funds remain in the Coast Guard, would the Service continue to have access to Trust Fund research monies?

ANSWER:
(1) No. Under the proposed consolidation, the Coast Guard will receive funding to operate and maintain the Coast Guard Research and Development Center (RDC) and conduct R&D projects in support of Coast Guard missions.

(2) 33 U.S.C §2761(a)(3) sets forth membership on the Interagency Coordinating Committee on Oil Pollution Research, and §2761(c) limits R&D to members of the Coordinating Committee. However, in Executive Order 12777, Sec. 8(h), the President delegated authority to name Coordinating Committee members to the Secretary of Transportation. 46 CFR 1.46(m) further delegated the function to the Commandant. The delegated authority was then transferred to the Secretary of DHS in Executive Order 13286 (and by operation of the savings provisions of the Homeland Security Act), then re-delegated to the Commandant in Delegation 0170.12(82). Therefore, the Coast Guard could receive funding from the Oil Spill Liability Trust fund through operation of a combination of federal statutes, regulations, Executive Orders, and DHS delegation.

(3) The Coast Guard R&D program is eligible to receive funds from the Oil Spill Liability Trust Fund (OSLTF) regardless of where its base R&D funds are appropriated. However, the DHS S&T directorate is not eligible to receive funds from the OSLTF. As a result, the FY2006 budget proposal to consolidate R&D funding in S&T does not anticipate appropriation of any R&D funding from the OSLTF to the Coast Guard.

The Coast Guard R&D program is eligible to receive funds from the Oil Spill Liability Trust Fund (OSLTF) regardless of where its base R&D funds are appropriated. However, the DHS S&T directorate is not eligible to receive funds from the OSLTF. The FY2006 budget proposal to consolidate R&D funding in S&T, which includes $24M for CG RDT&E, does anticipate appropriation of R&D funding from the OSLTF to the Coast Guard.

Full Comms Interoperability/Comms Standard

QUESTION:
The Coast Guard's budget identifies three priorities for fiscal year 2006. One priority is to "implement the maritime strategy for homeland security." This includes efforts to "enhance and implement comprehensive maritime domain awareness" and interoperable communications.

(a) What effort is the Coast Guard taking to insure the full communications interoperability among its own assets, and between those assets and other Federal, state and local emergency responders?
(b) Is the Coast Guard attempting to establish any communications standards for state and local emergency responders, or are the Coast Guard efforts focused on technology capable of integrating or making communications interoperable?

ANSWER:
(a) The Coast Guard is updating our short-range communications systems through the Rescue 21 acquisition to be compatible with the Association of Public Safety Communications Officials (APCO P25) standard. This standard was established to improve interoperability between emergency responders. Rescue 21 is updating the shore-based National Distress System and numerous small vessel types. The Coast Guard's Deepwater acquisition is providing this capability on new Deepwater assets and some existing Deepwater assets.

Rescue 21 provides an APCO P25 voice system. All non-aviation Coast Guard assets will be able to exchange Sensitive But Unclassified (SBU) voice with each other using current federal standards for protecting SBU information. Where common frequencies with other non-USCG entities are authorized and encryption keys are shared (required for SBU only), the Coast Guard can exchange voice information with other responders. We can also patch our Rescue 21 system to another responder's communication infrastructure to exchange SBU voice without the need to use common frequencies and encryption keys. Clear voice communications interoperability exists within the Coast Guard and also with other agencies. Once communications are encrypted, there are many responder agencies that are unable to or do not have the appropriate encryption equipment to be fully interoperable. There is a much higher degree of interoperability with Law Enforcement and Military agencies on encrypted communications.

Rescue 21 is also providing an APCO P25 data system. While the APCO P25 voice system is somewhat common, the APCO P25 data system is not as commonly used by other federal agencies and local responders. With data communications, there are several challenges that remain. The Coast Guard continues to work to identify and correct these data exchange challenges and also on ways to integrate Blue Force Tracking, which provides the ability to track other law enforcement and military assets operating in the same areas.

(b) Through the DHS Wireless Management Office, DHS is coordinating all wireless initiatives (e.g. Rescue 21, Project SAFECOM, Integrated Wireless Network) to ensure interpretability with federal, state, and local emergency responders. The Coast Guard remains focused on technology to integrate or make communications more interoperable. For example, Rescue 21 provides the capability to ''patch" our communications systems to other responders' communications infrastructure so that our mobile assets will be able to exchange voice SBU information with non-Coast Guard mobile assets.

MMLD PILOT PROGRAM

QUESTION:
The Coast Guard and Maritime Transportation Act of 2004 authorized the Coast Guard to establish a pilot program to develop and test procedures to improve the processing and issuance of merchant mariner's documents. Currently, merchant mariners are often required to travel to regional exam centers that can be hundreds of miles away from their workplace and their homes. Under certain circumstances, merchant mariners are required to make multiple trips before they receive their certificates resulting in out of pocket expenses and a loss of time from work. The private sector has developed systems that would allow necessary information and documents to be submitted to the issuing agency via the internet, lessening the number of trips that merchant mariners have to make to regional centers.

(a) Has the Coast Guard or the Department of Homeland Security budgeted funding to carry out this pilot program?
(b) Has the Coast Guard taken steps to improve the process by which merchant mariner documents are issued?
(c) Has the Coast Guard investigated the possibility of allowing merchant mariners to submit necessary information and documents using internet-based systems and technologies?
(d) Has the Coast Guard investigated similar systems that are used by other Federal agencies and in the public sector?
(e) The Coast Guard's unfunded priorities list identifies $26.7 million in needs for "Merchant Mariner Licensing and Documentation Centralization". Could you please explain this item?

ANSWER:
No, funding has not been budgeted for a pilot program for mariner documents thus far; however, the Coast Guard initiated a pilot program at Regional Exam Center Baltimore to allow electronic fingerprinting, which is now implemented nationwide.

The Coast Guard has also submitted to the Congressional authorization committees a proposal to restructure its Merchant Mariner Licensing and Documentation (MLD) Program, The Coast Guard is conducting the detailed planning necessary to implement the proposal as soon as resources are available. The proposed restructuring would improve the MLD Program's security, efficiency and consistency by the centralizing most of the credentialing process, while also employing technologies that would allow mariners to submit certain documentation, pay applicable fees, and check the status of their applications electronically.

Under this restructuring, Mariners would still have to appear at least once in the process at one of the Regional Examination Centers, all of which have recently installed technology that captures and submits applicant fingerprints electronically, shortening the time required to return results for this aspect of the process from 4-6 weeks to typically less than 24 hours. Other systems and technologies will be evaluated for use in further improving the MLD Program.

INTEGRATING NEW AIS INFORMATION WITH EXISTING VESSEL TRAFFIC SERVICES

QUESTION:
Integrating new AIS information with existing Vessel Traffic Services is vital to maritime safety and security.
(a) Could you inform the Committee on efforts to integrate these information systems?
(b) Could you please provide the Committee an update on the rollout of the AIS system?
(c) What efforts are being made to provide use AIS data at non-VTS ports?
(d) What efforts are being made to use existing long-range vessel tracking systems to provide information on vessels and cargo entering U.S. ports?

ANSWER:
(a) AIS capability was installed at all full-time Coast Guard Vessel Traffic Service locations by December 2004, and is being fully used in their operations for port and waterway safety and security.

(b) The Nationwide AIS major acquisition has been chartered and is working toward issuance of a request for proposals by the end of fiscal year 2005. This project will provide AIS capability throughout the navigable waters of the US and beyond as capability allows and requirements are established. In advance of the major acquisition in order to assist in concept and technology development for the nationwide system, we have several projects underway that are providing AIS capability in various locations throughout the nation.

(c) The following efforts are underway:

- AIS reception from a commercial low earth orbit satellite - The Coast Guard has contracted with ORBCOMM (a provider of data communications capability through a low earth orbit (LEO) satellite system) to receive, process and relay AIS signal data in order to extend AIS system coverage beyond the coastal waters of the United States. The purpose of this initiative is to test the technical feasibility of spaceborne AIS receivers. AIS data will be received by ORBCOMM LEO satellites and routed to the Coast Guard for inclusion in the Common Operational Picture (COP).
- AIS on NOAA weather buoys - The Coast Guard and NOAA have entered into an agreement to install AIS receivers on National Data Buoy Center (NDBC) buoys, which located off the coast of the U. S. The intention is for these buoys to provide early detection of AIS equipped vessels on approach to U.S. waters.
- Research and Development Center (R&Dcen) AIS projects - The Coast Guard R&Dcen has operated an AIS network for several years to evaluate and improve the technology. These sites are in various locations around the U.S. and the data they collect is being incorporated into the COP for use by operational USCG commanders.
- AIS on Gulf of Mexico Offshore Platforms - Contracted with PETROCOMM (a provider of communications services in the Gulf of Mexico) to provide locations, maintenance and data services for several AIS base stations on offshore platforms in the Gulf of Mexico. This project provides AIS capability in an offshore area where there is heavy vessel traffic and critical infrastructure.
- Alaska Secure Passive AIS - Contracted with the Port Graham Development Corporation (an Alaskan Native corporation) to deploy and manage a network of AIS receivers at 11 locations in Alaska. The Marine Exchange of Alaska is responsible for operating and maintaining this capability and providing the AIS data they receive to the Coast Guard.

- Volpe Transportation Systems Center - The Volpe Transportation Systems Center has existing partnerships with various public and private entities to provide AIS services in support of maritime transportation. Through Volpe, we are receiving access to AIS data and we have entered into an agreement with them for the provision of a variety of AIS support, including AIS network services.

(d) The Coast Guard is pursuing various options to aquire long-range vessel tracking information. We are developing requirements for project SeaView, which will capture existing vessel tracking information from systems already installed aboard ship, including evaluating systems operated by commercial entities. The AIS data provided by the ORBCOMM contract detailed above will be valuable for long-range vessel tracking, as vessels far offshore should be able to be detected by this system. The Coast Guard is also working with other agencies to develop International Maritime Organization standards for long-range tracking

IMO STATUS IN DEVELOPING CLASS B AIS TRANSPONDERS STANDARD

QUESTION:
There has been much discussion on the carrier requirements of the AIS transponders. We are aware that the IMO was attempting to develop a less-expensive, Class B AIS standard. What is the status of these efforts?

ANSWER:
The Class B AIS standard, designed for non-compulsory vessels, is in its final draft version. That standard, and Class B AIS devices built to meet the standard, should be available by mid-2006.

- The International Electrotechnical Commission (IEC), in cooperation with the International Telecommunications Union (ITU), not the IMO, is developing a certification standard for the Class B AIS.
- Intended retail cost is under $500, depending upon market demand.
- The IEC CDV (Committee Draft for Vote) standard #62287 has been distributed for voting by national standards organizations, with votes due 12 Aug 2005. Assuming voting is positive, it will go through a second voting process, and published by early 2006.
- The Coast Guard and Federal Communications Commission will be working closely to enable manufacture and sales of these devices shortly after the standard becomes available: approximately mid-2006, assuming no delay in approval of the standard.
- Class B operation is "polite": operating at low power (1.5 watts or less), never transmitting while a nearby Class A AIS unit is transmitting, and never causing congestion in the airwaves that might degrade operation of a Class A AIS, regardless of the numbers of Class B units in operation.

RESPONSE BOAT SMALL AND MEDIUM COMMUNICATIONS

QUESTION:
Under the Coast Guard's non-Deepwater Acquisition, Construction and Improvements (AC&I) account, the Service proposes to acquire additional Response Boats-Small and Response Boat-Medium. While not part of the Service's Deepwater acquisition program, these vessels are important to the Coast Guard's "layered" defense structure. Recognizing that these vessels are being acquired outside the Deepwater program, inevitably there will be countless times when Deepwater assets will "hand off" safety or security issues to response boats, can you explain how the communications and Common Operational Picture efforts of the Coast Guard will insure the seamless transition of safety or security issues from Deepwater to these new non-Deepwater assets?

ANSWER:

Voice Communications. The Response Boat-Small (RB-S) and Response Boat-Medium (RB-M) will use the Association of Public Safety Communications Officials (APCO P25) standard to exchange Sensitive But Unclassified (SBU) voice communications with other Coast Guard units on VHF and UHF (RB-M only) bands. All other Coast Guard assets (including Deepwater parent cutters) will have this capability. The RB-S, RB-M, and Short-Range Prosecutor (SRP) will have comparable voice communications capabilities. The Coast Guard expects that the Long-Range Interceptor (LRI) will also have comparable short-range capabilities. The RB-M also has a HF transceiver for exchanging clear voice communications with a shore command or any HF equipped mobile asset.

Data Communications. The RB-S and RB-M will be capable of exchanging data (asset reports and short messages) with shore-based tactical commanders using Rescue 21 provided capability (APCO P25 data). Deepwater assets would use voice communications to exchange information with the RB-S and RB-M.

Common Operational Picture (COP). The RB-S and RB-M will transmit asset reports to shore-base tactical commanders via the Rescue 21 system. The asset reports are automatically transmitted to COP servers at the district level. Thus, RB-S and RB-M status will be available in the COP to all C2 equipped Coast Guard assets, including the newest Deepwater cutters.

RESCUE 21 STATUS AND OUT YEAR FUNDING

QUESTION:
Following several modifications and projected releases of the National Distress and Response System Modernization Project, Rescue 21 was scheduled to be fully operational in fiscal year 2006. Rescue 21 is the Coast Guard's comprehensive operations management and coordination program. Unfortunately, software integration problems delayed the implementation of Rescue 21.

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

ANSWER:

(a) The software integration issues resulting from Formal Qualification Testing and System Integration Testing have been resolved. On February 28, 2005, the Coast Guard completed Operational Test and Evaluation (OT&E) and is currently reviewing the test results. Upon completion of an evaluation of the OT&E results, the Coast Guard expects to achieve Initial Operating Capability (IOC). Shortly after achieving IOC, the Coast Guard intends to seek Department of Homeland Security approval to begin full rate production.

(b) Full support of the Coast Guard's fiscal year 2006 budget request of $101 million and out-year funding requirements as outlined in our Capital Investment Plan is required to complete Rescue 21. The Coast Guard's Capital Investment Plan (CIP) includes $100M in FY 2007 to complete the project.

FOREIGN FISHING VESSEL INCURSIONS

QUESTION:
As part of the Service's performance goals, you have established annual targets to limit the number of foreign fishing vessel incursions into the United States' Exclusive Economic Zone. Between 2003 and 2004, there was a 63% increase in the number of incursions of foreign fishing vessels

(a) What areas have experienced the largest number of illegal incursions?
(b) To what do you attribute this increase?
(c) How has the Coast Guard altered its plans for fiscal year 2006 to reverse this trend?

ANSWER:
The Exclusive Economic Zone (EEZ) area with the most incursions in fiscal year 2004 was along the U.S./Mexico(US/MX) maritime boundary in the Gulf of Mexico. In fiscal year 2004, there were 212 EEZ incursions in this region, as opposed to 131 in fiscal year 2003 for an increase of 62%. The incursions in the Gulf of Mexico alone exceeded the Coast Guard-wide goal. Although reported incursions are up significantly in 2004 from the previous four years, Coast Guard analysis shows the threat is actually similar, and better reporting by Coast Guard units is at least partially responsible for the rise in reported incursion detections.

The threat in this area is the small, maneuverable Mexican lancha targeting shark and fish with longline or driftnet gear. These lanchas are difficult to apprehend due to their size and speed. This threat is being countered with Coast Guard small boats out of Coast Guard Station South Padre Island, patrol boats, and short-range aircraft.

The large number of EEZ incursions is attributable to overfished Mexican waters within the Gulf of Mexico, the poor economic conditions in coastal Mexican towns in this area, and the lack of deterrents and penalties in place for repeat offenders. The crew of an apprehended lancha is turned over to U.S. Customs and Border Protection for repatriation to Mexico. Case package evidence, in addition to the fishing vessel, is turned over to the Secretaria de Agricultura, Ganaderia, Desarrollo, Rural, Pesca y Alimentacion (SAGARPA), the Mexican equivalent of the U.S. National Marine Fisheries Service (NMFS). SAGARPA then prosecutes the case under Mexican law. Documentation of repeat offenders and SAGARPA's delays in retrieving seized fishing vessels from the U.S. Coast Guard call into question the deterrent value of actions being taken by the Government of Mexico (GOM).

The current U.S. Coast Guard strategy is to seek tougher flag state enforcement by the GOM. In order to address the problem, together with the National Oceanic and Atmospheric Administration (NOAA) Fisheries and the Department of State, the U.S. Coast Guard is pursuing an enforcement agreement with Mexico that should lead to better information sharing between our two nations and stronger Mexican enforcement against their own vessels. A bilateral fisheries enforcement Memorandum of Understanding (MOU) was first presented to the GOM in March 2004. To date, the United States has not received any feedback from the GOM concerning this MOU. Additional strategies to reduce the number of EEZ incursions include:

- Delivering more capable assets with enhanced surveillance, tracking, and interdiction capabilities through the Deepwater program. The Coast Guard's fiscal year 2006 budget includes $966 million for Deepwater to continue the systematic recapitalization of the Coast Guard's cutters, boats, aircraft, and associated C4ISR systems.
- Increasing Maritime Patrol Aircraft (MPA) resources to improve our ability to detect and interdict EEZ violators. The FY06 budget includes the following initiatives to increase MPA:

- $16.5 million to provide 1,500 additional C-130H flight hours annually, enhanced aviation sensors and required sensor personnel, and permanent establishment of a forward operation location to reduce aircraft downtime due to maintenance.
- $5 million to continue missionization of the six previously acquired C-130Js.
- $12.6 million to provide 1,200 additional C-130J flight hours annually for logistics missions in advance of missionization. By providing logistics support, the C-130Js will free-up missionized C-130Hs for MPA missions.

C-130J MISSIONIZATION FUNDING & CAPABILITIES

QUESTION:
The budget request proposes $5 million in non-deepwater AC&I funds to missionize the C-130Js. It also requests over $30 million for radar and avionics packages for the HC-130s through the Deepwater program.

(a) Could you explain the status of the C-130s and the HC-130s and why funds are being sought out of Deepwater and non-Deepwater accounts for these aircraft?
(b) What was the total acquisition cost of the six C-130Js?
(c) How much has been provided to make these aircraft mission-capable?
(d) What would be the cost to provide missionization packages for the C-130J fleet?
(e) Until the C-130J fleet is outfitted with a missionization packages, what operations are the aircraft capable of performing? What additional missions will the aircraft be capable of performing with the new mission packages?

ANSWER:
a) In September 2004, the Coast Guard moved the C-130J missionization project into the Deepwater acquisition program. This is because the original equipment manufacturer offered a fully integrated solution that was cost prohibitive. Moving the C-130J missionization project under Deepwater also allowed the CG to ensure interoperability and commonality with other Deepwater assets. The $5 million in non-Deepwater funding is for the operation of the Aircraft Project Office (APO) responsible for training C-130J pilots and aircrews flying C-130Js in support of training and logistics mission in its current configuration while awaiting missionization, conducting operational testing of missionized aircraft, and planning for conversion of the remaining aircraft. C-130Hs are Deepwater legacy aircraft projected to perform the long-range maritime patrol aircraft mission as part of the Deepwater aviation solution in this and future decades. The President's FY2006 budget request includes $31.7 million in the Deepwater program for C-130H avionics and sensor upgrades.
b) Acquisition costs for six standard, non-missionized C-130Js is $440M.
c) $120 million.
d) The missionization of C-130Js within Deepwater is being designed to cost within the $120 million in existing funds. As presented in the Capital Investment Plan, an additional $5 million per year in fiscal years 2006-2008 is required to fund the APO and associated project management functions as described in part (a).
e) The C-130J aircraft are now able to perform logistics missions. Once missionized, HC-130Js will be able to perform the long range maritime patrol aircraft (MPA) mission.

110' TO 123' CONVERSIONS

QUESTION:
There have been significant problems with the 110' to the 123' cutter conversion. These refurbished boats were supposed to be a vital bridge to the new maritime patrol cutter (WPC), currently in design phase. Now that there appears to be uncertainty as to the future of the 110 conversions and the WPC is not ready for production.

(a) How does the Coast Guard plan to address this problem?
(b) Is the budget request of $7.5 million for design of the WPC sufficient to bridge the gap between the 110s or 123s and acquisition of the new WPC?
(c) Can you shed some light on the specific causes of the conversion problems of the 110/123 and how you plan to proceed?
(d) The unfunded priorities list, which was sent to Congress after its statutory deadline, suggests an additional $35 million could be used for a "110'/123' WPB Mission Effectiveness Project". Could you please explain exactly what these funds would be used for?
(e) It is my understanding that a proposal was put forth whereby the Coast Guard would receive new 123s using the old engines of the 110s for only $1.7 million more per copy than the 123 conversion. Can you explain why the Coast Guard determined this wasn't a viable option?

ANSWER:
(a) The Coast Guard is advancing development of the Fast Response Cutter (FRC, also known as WPC) to expedite delivery of the long term solution for Deepwater patrol boat capability. Sustainment of the 110' fleet will likely require some combination of mission effectiveness projects/123' conversions to maintain capability until replacement by the FRC.
(b) The $7.5 million requested in fiscal year 2006 is based on an initial projected cost for design and development of the first composite FRC. That final cost has not yet been determined, but will be better definitized as design progresses. A revised estimate is anticipated in July 2005. Additionally, the Coast Guard is accessing the results of operational test and evaluation of the MATAGORDA and the METOMPKIN to determine the feasibility of continuing the 123' conversion project. This decision is also anticipated in May 2005. Further, the Coast Guard is evaluating the feasibility of conducting service life extensions on some or all 110' patrol boats to keep them in service until replaced. By the end of May 2005, depending upon the outcome of these variables, the Coast Guard will be better able to articulate a cost to bridge the gap from 110s to the FRC.
(c) The lead ship suffered from schedule lapses during the conversion process and casualties after the conversion was completed. There were several lessons learned: (1) More time should have been set aside for the first-of-class conversion since that lead vessel was in a "worst-case" structural condition. The severely deteriorated condition of the hull was underestimated as were the complexities associated with hull strengthening and converting: (2) installing a state of the art, complex C4ISR suite of equipment into an existing structure requires extensive engineering: (3) Coordinating this technical install with the repair and extension of the hull requires coordinated scheduling with other ongoing shipyard work: and (4) There were also organizational challenges. This was the first Integrated Coast Guard Systems (ICGS) industrial effort, soon after contract award, requiring two major corporations working side by side as tier-one sub-contractors from different corporate cultures to work collaboratively with each other and the Coast Guard in a new acquisition culture. The lesson learned through this experience brought awareness that time is required for culture change in a collaborative integrated product team environment.

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

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

(e) The informal proposal of $1.7M was offered only as an estimate. The Coast Guard assessed the proposal and found that it was not a viable alternative for sustaining patrol boat capability. Not only was this proposal a more costly and time consuming, alternative to the Coast Guard's current hull sustainment program, it also relied on existing equipment and subsystems, including piping and cabling, which are already beyond their projected service life and in need of replacement. Given the expansive scope and nature of this proposal, the cost growth and schedule risks were determined to be too high. Additionally, Environmental Protection Agency regulations would mandate that new engines be installed if a new hull were to be produced. This cost for new engines was not included in the proposal and that would have significantly increase the price of this alternative.

DEEPWATER COMMOM OPERATIONAL PICTURE (COP) DEVELOPMENT STATUS

QUESTION:
Of the $966 million proposed for Deepwater in the fiscal year 2006 budget request, $74.4 million, or 7.7% is provided for control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR). These abilities are designed to interact with the Coast Guard's Common Operational Picture displays. What percentage of existing Deepwater assets are operating within the realm of the Common Operating Picture as envisioned by the Coast Guard? What percentage of non-Deepwater assets are operating within the Common Operational Picture right now?

ANSWER:
The Coast Guard has not yet achieved its desired end-state Common Operational Picture (COP) aka "CGC2". The funding requested for Deepwater in Fiscal Year 2006 will deliver an initial building block to the COP envisioned by the Coast Guard as exercised within the Deepwater system of systems.

The table below shows the projected percentage of participation in the COP for both Deepwater legacy assets and non-Deepwater assets as delivered by the Deepwater system.

Asset	Deepwater Asset?	Percentage in realm of COP?	Comments
High Endurance Cutter	YES	100%	Uses legacy systems but will migrate to more robust CG-C2
Medium Endurance Cutter	YES	100%	Uses legacy systems but will migrate to more robust CG-C2
WPB Patrol Boats	YES	4%	Can be tracked by COP only but will migrate to more robust CG-C2
Aircraft	YES	1%	Only CASPER-equipped C130 aircraft; will migrate to more robust CG-C2
Headquarters, Area & District Command Centers	YES	100%	Uses legacy systems but will migrate to more robust CG-C2
Intelligence Coordination Center and Maritime Intel Fusion Centers	YES	100%	Uses legacy systems but will migrate to more robust CG-C2
Groups, Marine Safety Offices, Sectors	NO	6%	All can view but only 5 sites can participate in COP
Other Small Boats and Buoy tenders	NO	1%	Small boats tracked by HAWKEYE system in Miami

HH-65 RE-ENGINING

QUESTIONS:
(1) How did the Coast Guard make the decision to re-engine the HH-65 versus acquiring new assets through the Deepwater program?

(2) What is the projected life of the HH-65 after the re-engining?

(3) What other components besides the engines need to be replaced on the HH-65s?

ANSWERS:
(1) The Coast Guard intended to modernize the HH-65 with new engines and other components and designate the modernized version the Maritime Cutter Helicopter (MCH), consistent with Integrated Coast Guard Systems (ICGS) original proposal. However, in the proposal this modernization was not planned to start until approximately 2006. Meanwhile, the Coast Guard was experiencing increased in-flight power losses with an alarming rate of occurrences from 2002 up to 2004. Flight restrictions were imposed to manage risk to the flight crews. These flight restrictions negatively impacted the performance of many HH-65 missions. As the incident of in-flight power losses rose to unacceptable levels, the Coast Guard asked ICGS to restore the safety and reliability of the HH-65 without impacting the eventual transition to the MCH. ICGS determined that re-engining, consistent with the original MCH plan, was the best way to correct the in-flight power loss crisis.

(2) The HH-65, once converted to the Multi-Mission Cutter Capable helicopter (MCH), is projected to remain in service throughout the life of the Deepwater program until 2042.

(3) Along with re-engining, the conversion to the MCH will include a service life extension to refurbish the Dolphin airframe, tail drive shaft and Fenestron anti-torque device, strengthened landing gear, increased fuel capacity, airborne use of force capability, new radar, and a new C4ISR suite and integrated cockpit.

POLAR ICEBREAKING

QUESTION:
The fiscal year 2006 budget request recommends the transfer of $47.5 million to the National Science Foundation (NSF) for icebreaking operations of USCGC POLAR STAR, USCGC POLAR SEA and USCGC HEALY. In turn, the NSF will reimburse the Coast Guard for the operations and maintenance of the icebreaking fleet.

(a) Could you explain how the Coast Guard determined it was in its best interest to transfer funds that will later be reimbursed back?
(b) Can you share your vision for future year budget requests for icebreaking operations? Do you see future requests being included in NSF request?
(c) Has the Coast Guard completed the Mission Gap Analysis of its icebreaker needs? If not, when will it be completed?

ANSWER:
(a) The Coast Guard and the National Science Foundation (NSF) worked with the Office of Science, Technology Policy (OSTP) and the Office of Management and Budget last fall to determine near-term polar icebreaker needs and to resolve funding concerns. Since NSF benefits the most from the polar icebreaker program, it was proposed by the administration that NSF seek necessary funding, starting in FY06, to fully support the program.
(b) Under the proposed funding construct submitted in the FY06 budget, future funding request for the polar icebreaking program would be requested with NSF's budget.
(c) No. The Coast Guard expects the contractor to complete the polar icebreaker Mission Analysis Report in late June 2005. After the contractor's draft is received, the Coast Guard will need to submit the Mission Analysis Report for internal Coast Guard review prior to external release.

WEAPONS OF MASS DESTRUCTION

QUESTION:
Under the Maritime Strategy for Homeland Security, the Coast Guard's budget justification documents indicate that the service will be involved in the interdiction of WMD and related materials to prevent the proliferation of these technologies.

(a) Could you describe the Coast Guard's current capabilities in this arena and how the service's participation in this area will change under this proposal?

(b) Historically, haven't the United States Navy and Marine Corps been involved in these activities?

ANSWER:
(a) Coast Guard policy and procedures have been developed to provide guidance for conducting operations involving the detection of radiological and nuclear materials, outlined below.

- They are designed around the concept that during the course of conducting traditional missions, Maritime Inspectors and Boarding Team members wearing Personal Radiation Detectors (PRDs) may discover the presence of a radiation source.
- Certain trained members may further investigate by using hand-held isotope "Identifinders" to rapidly assess and classify the source. Information gained is transmitted to Customs and Border Patrol, Laboratory and Scientific Services (CBP/LSS) to ensure proper diagnosis. If doubt still exists, Department of Energy (DOE) Radiological Assistance Program (RAP) teams are called to assist.
- When intelligence indicates an elevated threat, the Coast Guard has the ability to conduct wide area searches using RadPacks – radiation sensors, larger than the PRD, with increased sensitivity and range – carried in a backpack worn by a boarding team member. RadPacks decrease the time needed to search large ships.

The Coast Guard's Radiation Detection Program increases our organic capability and is specifically designed for the maritime interdiction of radiological and nuclear materials. To date the Coast Guard has procured approximately 1300 PRDs, 250 Identifinders, and 30 RadPacks have been distributed to the field. As of December 2004, 240 people have been trained to use the advanced pieces of equipment, and another 320 people are to be trained during 2005. Funding requested in the FY06 budget will allow the Coast Guard to build upon existing capabilities.

(b) Coast Guard capabilities will complement those of the Navy and Marine Corps.

EMSST

QUESTION:
Since 2002, the Coast Guard has commissioned 12 Maritime Safety and Security Teams (MSST) around the country. The teams are designed to provide quick response and protection capabilities for law enforcement, interdiction, search and rescue, port protection and National Security Special Events. In an attempt to address "an existing gap in broad national maritime Law Enforcement and Counter-Terrorism capability", the Coast Guard has developed a concept of operations for the establishment of an Enhanced-Maritime Safety and Security Team (E-MSST). The enhanced force combines the MSST from Chesapeake, Virginia with reallocated assets of the Tactical Law Enforcement Team - North, Strike Teams and area helicopter crews. This team is designed to provide the Coast Guard with a full spectrum Law Enforcement and Counter-Terrorism response capability.

(a) Could you explain how the E-MSST will be capable of providing a quick response anywhere in the nation when the only team is located on the east coast?

(b) In terms of the establishment of the E-MSST and the "gap that is being filled", can you describe the coordination between Customs and Border Protection, FBI, Secret Service, National Guard, DoD and other agencies to insure the capabilities of the force are not duplicative of existing or other planned assets?

(c) The unfunded priorities list indicates that an additional $70 million could be used to provide the E-MSST with an "on call capability". This seems like a very high estimate. Could you explain how these funds would be used?

ANSWER:

(a) The EMSST provides a "high-end" maritime response capability to fill a gap in maritime law enforcement and counter terrorism capacity and is deployable anywhere in the nation using C-130 air transport. However, this initial EMSST capability provides for response to scheduled security events, such as National Special Security Events and does not include national 7x24x365 response.

(b) The Coast Guard has coordinated with DHS, DOD, and DOJ to ensure that the capabilities of the EMSST do not overlap other forces. The Coast Guard continues to work with DHS, DOD and DOJ to formalize operational relationships as appropriate.

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

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

EMSST – ROTATION OF PERSONNEL

QUESTION:
It is my understanding that significant resources have and will continue to be dedicated to the training of E-MSST personnel. However, the Coast Guard will maintain personnel assigned to the E-MSST on a "permanent change of station" (PCS) cycle of two to three years. As I understand, other branches of the military consider this training an investment and allow for extended assignment to specialized forces. Has the Coast Guard considered extending the rotation of E-MSST personnel?

ANSWER:
Yes. In fact, nearly 1/3 of the personnel assigned to the EMSST were permitted to extend during the last assignment season. The EMSST Commanding Officer, like all operational commanders, works closely with Coast Guard Personnel Assignment Officers to ensure unit readiness through adequate staffing of specially-trained personnel, as appropriate.

EMSST- SPECIAL OPERATIONS COMMAND COORDINATION

QUESTION:
Based upon the documents provided to the Committee, it appears that the Coast Guard is attempting to enter the world of Special Operations Forces. How could future operations of the E-MSST be coordinated by Special Operations Command?

ANSWER:
The Coast Guard is developing a maritime response capability that is applicable across the spectrum of operations from homeland security to homeland defense. The Coast Guard will coordinate these types of operations with appropriate Federal response agencies, including the Special Operations Command, as necessary.

A more detailed discussion of these relationships and potential operational coordination is classified and can be discussed in the appropriate forum.

INTEGRATION OF AUF CAPABILITIES WITH OTHER MISSIONS

QUESTION:
The Coast Guard currently operates one Helicopter Interdiction Tactical Squadron (HITRON) flying leased MH-68A aircraft out of Jacksonville, Florida. The budget request includes $19.9 million to equip existing Coast Guard assets (HH-60 and HH-65 helicopters) with Airborne Use of Force (AUF) capabilities at five air stations and the Aviation Training Center. What analysis had the Coast Guard done to insure the integration of AUF capabilities would be consistent with other missions - such as search and rescue - on the HH-60 and HH-65 air frames?

ANSWER:
The Coast Guard has conducted detailed engineering analysis and operational testing to ensure that the addition of AUF capabilities to the HH-65 and HH-60 is consistent with their multi-mission performance. The Coast Guard designed the modifications to meet multi-mission parameters and prototyped and operated AUF equipped HH-60s and HH-65s for over a year.

An integral piece of the AUF outfitting is an electro-optical infrared (EO/IR) sensor that allows Coast Guard crews to use AUF during low light conditions. This equipment will significantly enhance Coast Guard performance in all mission areas requiring identification of targets of interest at a distance such as search and rescue, drug & migrant law enforcement, homeland security, and fisheries enforcement.

HITRON WEAPONS, WEST COAST, COMPATIBILITY W/ AUF

QUESTION:
The HITRON squadron is currently equipped with the M-16, M-240 and the RC-50, .50 caliber rifles. Would the requested funds provide the same weapons to the HH-60s and HH-65s?

(a) Do you believe an additional HITRON squadron on the west coast is needed?
(b) Do you believe outfitting Coast Guard assets with AUF capabilities negates the need for the HITRON?

ANSWER:
The M-16, M-240 and RC-50 would be used on the HH-65s and HH-60s. The RC-50 requires a higher level of proficiency training than the other weapons and would typically only be used on aircraft routinely involved in counter-drug missions.

The Coast Guard does not plan to develop an additional MH-68 HITRON squadron on the west coast. A recent Coast Guard analysis concluded that the most cost-effective way to provide specialized MH-68A HITRON capacity is to operate from the current HITRON unit in Jacksonville, Florida. Rather than leasing additional helicopters to stand up a west coast HITRON, the Coast Guard intends to invest in outfitting the organic fleet of HH-65s and HH-60s. One of the first air stations to be outfitted with AUF capability will be Air Station San Diego, CA.

Outfitting organic helicopters will negate the need to lease MH-68A helicopters, but will not negate the need for a HITRON-like unit to conduct planned missions requiring a high level of AUF proficiency, such as the counter-drug mission. Armed HH-65s reallocated from within the service will take the place of leased MH-68s, lowering the costs of providing HITRON capability and improving overall mission performance.

USCG HEADQUARTERS RELOCATION

QUESTION:
The Administration's budget request for fiscal year 2006 includes $25 million for the consolidation of Coast Guard headquarters to St. Elizabeth's Hospital. Could you tell us when the idea of relocating Coast Guard Headquarters first came up and how it evolved?

ANSWER:
Due to increasing Coast Guard growth in the DC region and the expiration of the lease at the NASSIF (2006) and the TRANSPOINT (2008) buildings, the Coast Guard requires a new headquarters facility. The Coast Guard submitted its requirements for a Coast Guard headquarters facility to the General Services Administration (GSA) last year.

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

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

STATEMENT OF THE HONORABLE FRANK A. LoBIONDO, CHAIRMAN
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION HEARING
ON THE U.S. COAST GUARD AND FEDERAL MARITIME COMMISSION FISCAL YEAR
2006 BUDGET REQUESTS, AND H.R. 889 - THE COAST GUARD AUTHORIZATION
AND MARITIME TRANSPORTATION ACT OF 2005
MARCH 3, 2005

Today, we are reviewing the President's fiscal year 2006 budget request for the Coast Guard, the Department of Homeland Security's port security grant program and the Federal Maritime Commission.

I am pleased to see that the Administration has recognized the critical work done by both the Coast Guard and Federal Maritime Commission and is requesting increases in funding for both these organizations in fiscal year 2006. Nevertheless, the Subcommittee has concerns with some areas of the Coast Guard's budget and finds the amount requested for port security grants to be inadequate to meet our maritime security needs.

The Administration has requested $8.1 billion for the Coast Guard in fiscal year 2006, an increase of $571 million or approximately 8 percent more than the amount appropriated for fiscal year 2005. This increase is divided between operating expenses and capital improvements.

Under capital improvements, the Administration requests a $242 million increase for the Deepwater program. While it is nice to see that we are finally making some progress, it is disappointing that this increase is still less than the amount needed to get the program back to its original 20-year schedule. I am also very frustrated that we still have yet to be provided the program's rebaselined implementation plan. The plan provides the blueprint for changes in asset capabilities to reflect the post 9/11 environment. Before the Subcommittee can move forward with its annual authorization for the Service, we need to be provided with this information. It's imperative we have a complete understanding of what we're buying. I urge the Service, the Department and the Office of Management and Budget to work out their issues with the plan and get it to Congress as soon as possible.

In the absence of the new implementation plan the Committee and Subcommittee leadership have introduced legislation to authorize $1.1 billion for Deepwater acquisition. We believe that level would allow the program to be completed in 15 years. We understand that number may change once we see the plan. Completing Deepwater in less than 20 years is critically important if the Coast Guard is expected to successfully carry out its missions. These aging assets are suffering operational failures at an alarming rate and putting the lives of their crews and the public they serve, in grave danger. Accelerating the replacement of legacy assets will enhance mission performance and reduce rapidly escalating operation and maintenance costs.

The homeland security mission of the Coast Guard continues its post-September 11th growth. This year the Service should complete the planning processes required under the Maritime Transportation Security Act (MTSA) and move forward with full implementation of the Act. The Subcommittee is still concerned that we are focusing on protecting our shores once

vessels are here, rather than pushing out our oversight as far as possible, and preventing terrorists and any dangerous materials in their possession from reaching our shores. Prevention is always easier and safer than response.

Despite the particular attention placed on the Coast Guard's homeland security related missions in recent years, the Service continues to perform a much broader range of responsibilities. In the past three months, much media attention has been focused on the Coast Guard's response to oil spills in the Delaware River and in Alaska. In Alaska, the Service successfully rescued--at great personal risk--20 of 26 members of the crew of a vessel drifting without power in the Bering Sea. The Coast Guard then immediately began an oil spill response once the vessel broke apart on Unalaska Island. In the Delaware River, the Coast Guard responded to the environmental damage from a spill when the hull of the ATHOS I was breached by an uncharted, submerged object. The Subcommittee will be looking further into the lessons we have learned from these spills and will pursue legislative remedies later this spring.

These spills are a reminder that the Coast Guard's traditional missions must remain priorities for the Service. The strength of America's commerce relies on waterborne trade, and the Coast Guard protects that trade not only from terrorism but also from other threats. We need to make sure these programs also receive attention in the budget.

Of particular concern is the request to transfer Research, Development, Test and Evaluation funds from the Coast Guard to the Science and Technology Directorate of the Department of Homeland Security. Congress rejected this flawed proposal last year, and this Subcommittee will lead the effort to do so again this year.

The Maritime Transportation Security Act authorizes grants to help ports improve security. More than $735 million has been appropriated over the last four years under this provision. The Administration proposes a single multi-sector grant program for fiscal year 2006. I am concerned that such a program would pay little attention to the maritime needs. I hope we can protect funding for the port security grant program at no less than the fiscal year 2005 appropriated level of $150 million. I look forward to an explanation of the effects this proposal would have on implementing the port and facility security plans called for under the MTSA.

We will also hear this morning from the General Services Administration about the proposed move of the Coast Guard's headquarters to property formerly use by St. Elizabeths Hospital. I look forward to learning more about that proposal.

Finally, the President's fiscal year 2006 budget for the Federal Maritime Commission proposes $20.5 million, an increase of $1 million. This increase will allow the Commission to continue vigilant enforcement of foreign shipping rules and regulations that protect U.S. shipping concerns.

I thank the witnesses for coming this morning and I look forward to your testimony.

STATEMENT OF

F. JOSEPH MORAVEC

COMMISSIONER

OF

PUBLIC BUILDINGS SERVICE

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON THE COAST GUARD AND MARITIME

TRANSPORTATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 3, 2005

Good morning Mr. Chairman and members of the Subcommittee. My name is F. Joseph Moravec, and I am the Commissioner of the Public Buildings Service of the United States General Services Administration. I am pleased to appear before you today and to provide information on the Administration's plan to consolidate District of Columbia elements of the United States Coast Guard at the West Campus of the former St. Elizabeths Hospital in Washington, D.C.

St. Elizabeths West Campus presents a unique opportunity to provide the Coast Guard's headquarters operations with a high-quality, cost-effective facility in the District of Columbia that will support its mission to protect the public, the environment, and U.S. economic interests. The site is the only asset under GSA's control in Washington, DC that has the development capacity to meet the needs of agencies with large housing requirements. It is a 182-acre urban campus 2½ miles from the U.S. Capitol and easily accessible from the District's central employment area. GSA acquired the property to help satisfy the substantial demand for Federal workspace in Washington.

Over the next 10 years, 10 Federal agencies with large space requirements will need approximately nine million square feet of office space. GSA estimates that St. Elizabeths could accommodate more than three million gross square feet of combined existing and new construction. Furthermore, St. Elizabeths combines the proximity and convenience of an urban site with the size and topography to meet Federal security requirements.

The Coast Guard is currently housed in several leased locations within the District of Columbia that are no longer suitable for its needs. The largest of these is the 32-year-old, 725,000-gross-square-foot Transpoint Building at Buzzard Point, which the owner intends to renovate. The building's condition is marginal. Also, as the building is located on the banks of the Anacostia River, it is vulnerable to floods. Coast Guard operations were hampered during Hurricane Isabel due to the flooding of the buildings underground parking. Furthermore, the agency has outgrown its current locations. As the lease of the Transpoint Building expires in FY 2008, this is an opportune time to develop a housing solution for the Coast Guard that will provide for the consolidation of its workforce and meet its specific space requirements.

By consolidating activities in the District of Columbia at the St. Elizabeths site, the Coast Guard will gain operational efficiencies and ensure continuity of its national security functions. Since the Federal Government owns St. Elizabeths, we do not need to request funding for site acquisition. Our analysis for this proposal shows that the cost of new construction and renovation over a 30-year horizon is less than the cost of leasing space. Thus, relocation to St. Elizabeths will not only consolidate the Coast Guard's headquarters functions in the District of Columbia; it will provide an effective space solution for the agency and will facilitate the careful management of Federal assets.

The President's Budget for Fiscal Year 2006 proposes $13.1 million in funding for the rebuilding of the West Campus infrastructure including studies and design. In addition, the design prospectus supporting the budget request seeks authority for $25 million for the design of the new U.S. Coast Guard headquarters at St. Elizabeths. The proposal provides for the consolidation of approximately 4,000 employees in approximately one million gross square feet of space – which may take the form of a combination of new construction and the renovation of existing buildings to meet the Coast Guard's District of Columbia space requirements. The total project (design and construction) is currently estimated at more than $300 million.

We are working with the Coast Guard to finalize its program of requirements and hope to submit a proposal to Congress for construction funds in FY 2007. We also are developing, with the Coast Guard, a plan for occupancy beginning in FY 2010. Complete development of the site, with other Federal tenants, could be as early as FY 2014. Once these programmatic requirements are finalized, GSA's Design Excellence program will allow the country's leading architects to compete to design a world-class Coast Guard Headquarters.

As I mentioned, one of the attractions of the St. Elizabeths site is its size. It can accommodate more than three million plus square feet of space, sufficient to house several Federal agencies in addition to the Coast Guard. The National Capital Region is getting ready to do a master plan for the reuse of the St.

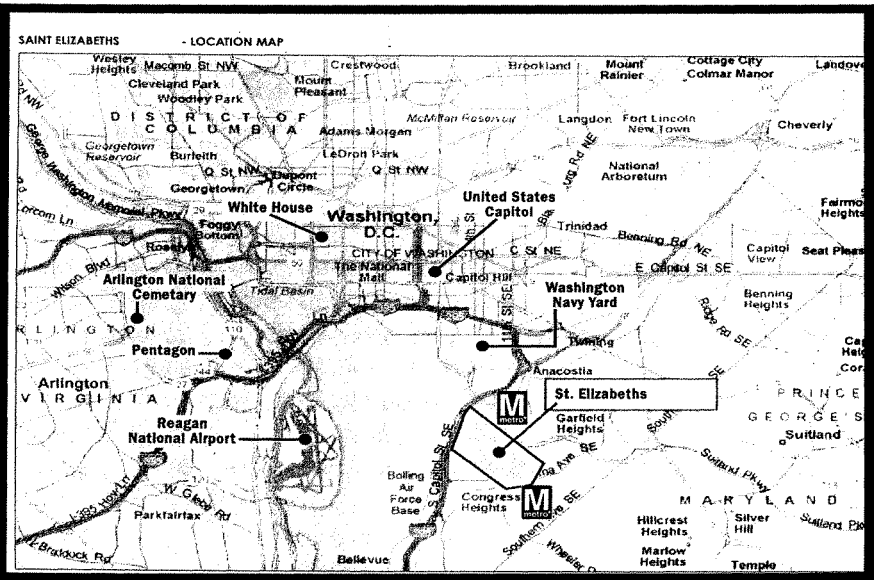
Elizabeths West Campus and will identify additional Federal tenants, which would be compatible with the site, the Coast Guard and the community.

St. Elizabeths is an important asset in the government's real estate portfolio. It has very significant potential to serve the Federal real estate needs and it will provide an opportunity for the Federal Government to create a world class headquarters for the United States Coast Guard and other major agencies in an urban Federal campus, and an opportunity to reuse a historic Federal facility. Through redevelopment of the St. Elizabeths site for the headquarters of the United States Coast Guard, the Federal Government can leverage its real estate investment to ensure efficient and effective asset management and provide a state-of-the-art facility for a major Federal agency.

That concludes my prepared statement Mr. Chairman and I will be pleased to answer any questions you or the other members may have on this matter.

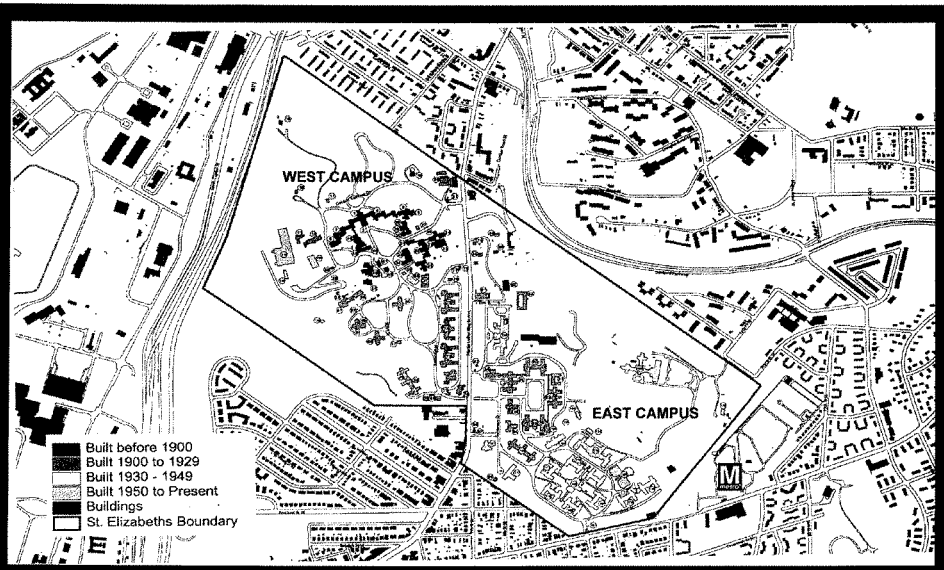
GSA

St. Elizabeths Site



GSA

St. Elizabeths Site



U. S. Department of Homeland Security
United States Coast Guard

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DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

THE MASTER CHIEF PETTY OFFICER OF THE COAST GUARD
FRANKLIN A. WELCH

ON THE

FY06 BUDGET REQUEST

BEFORE THE

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORATION & INFRASTRUCTURE

U. S. HOUSE OF REPRESENTATIVES

MARCH 3, 2005

DEPARTMENT OF HOMELAND SECURITY
U. S. COAST GUARD
STATEMENT OF
THE MASTER CHIEF PETTY OFFICER OF THE COAST GUARD
FRANKLIN A. WELCH
ON THE FISCAL YEAR 2006 BUDGET AUTHORIZATION
BEFORE THE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
3 MARCH 2005

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

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

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

Despite increased operational and personnel tempos by all components of our service, our recruiting results continue to remain impressive. In FY2004, we slightly exceeded (by nine) our active duty-recruiting mission of 3,800 enlisted accessions. In addition to meeting our numerical goal we also made significant progress in our efforts to further diversify our work force. FY2004 minority accessions represented 36% of the total. This represents an increase of 11% from FY2003. We are enjoying similar success in our critical reserve component accessions.

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

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

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

Providing Professional Development Opportunities.
The Coast Guard is making every effort to better prepare our people for success. Recent accomplishments have placed a permanent senior enlisted cadre within the U.S. Coast Guard Academy Corps of Cadets for the purpose of providing enlisted perspective, mentorship and experienced practical guidance for our future officer corps. As I mentioned during last year's hearing, we were working to establish a Command Master Chief course that would better prepare our senior enlisted leaders with tools to blend personnel representation and command advisory roles. We piloted that course last year and based on tremendously positive reviews we will continue with the course in CY2005. The introduction of our much-anticipated Enlisted Professional Military Education Program has also been completed with equally positive feedback. We have also significantly increased student throughput for our Leadership and Management School; a course designed to increase the effectiveness of our mid-grade enlisted work force and our junior officers. In addition to expanding our resident training opportunities, our Leadership Development Center in New London, Connecticut, has designed a comprehensive Unit Leadership Development Program (ULDP) that is mandatory at the unit level. A subset to the ULDP is the *first term-first unit* requirement to complete an Individual Development Plan that was designed by our Command Master Chiefs in concert with our training branch at Coast Guard Headquarters. I am proud of collaborative efforts such as these, because they represent a renewed sense of alignment between those with oversight responsibilities and those charged with implementation.

Providing Personal Development Opportunities.
Recognizing the importance of continuing education for our people, the Coast Guard has continued its support of tuition assistance funding that defers the rising cost of education. In FY2004, the Coast Guard authorized 22,212 courses at an expense of $12.2M. As of 7 January 2005, tuition assistance commitments already totaled $5.1M. We consider these human capital investments key to the development of our current work force, and critical to remaining an *employer of choice* for those contemplating Coast Guard service. It is imperative that we remain competitive with our sister services of the Department of Defense, thereby underscoring the importance of discretionary funding as provided for in the President's FY2006 budget. In addition to supporting our people who opt to pursue higher education, we remain committed to the health and well being of our Coast Guard men and women. To that end, we have mandated use of personal fitness plans for all of our service members as part of the Coast Guard fitness program.

These initiatives serve to enhance the important sense of self worth of our people and I am proud of our

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

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

Housing remains a chief concern of our work force. As advertised, basic allowance for housing (BAH) reform has eliminated out of pocket expenses for housing in most areas throughout our country and reduced it in all areas; the aggregate impact of BAH reform has been to reduce uncompensated housing expenses by approximately 20%. This effort is significant, commendable and appreciated by our service members and their families who reside in areas in which private sector housing is desirable and attainable. We must also remain mindful of the needs of our people who do not have access to this ideal housing situation. Throughout my personal engagements with our workforce, I have witnessed first-hand the poor materiel condition of government owned housing units that we mandate for many of our people. As this subcommittee knows, the Coast Guard faces many challenges to address its shore infrastructure maintenance and recapitalization programs, and has deferred many projects, which is having direct and negative consequences to our service members and their families. It also negatively impacts the ability of our single and unaccompanied personnel to secure adequate housing because our owned unaccompanied personnel housing (UPH) is often in the same inadequate condition as our family housing.

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

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

We have also deemed areas absent private sector *and* government owned housing as Critical Housing Areas (CHA's). This designation enables our people to receive BAH rates higher than the locales that they are assigned to so that they can afford housing in these high demand areas. Although this initiative may encourage family separation, the alternative of forced financial hardship is unacceptable. The Coast Guard has twelve such CHA designated locations. They are: Eastern Shore, Virginia; Buxton, North Carolina; Montauk, New York; Cape May, New Jersey; Abbeville, Louisiana; Port O'Connor,

Texas; Coastal Maine; Carrabelle and Marathon/Islamorada, Florida; Provincetown, Massachusetts; Oxford, Maryland; and Marinette, Wisconsin. Additionally, any area designated as a CHA by the U.S. Navy applies to the Coast Guard.

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

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

In addition to quality of life concerns and initiatives, we also remain ever mindful of the needs of our people in the workplace; specifically our responsibility to provide our service members with safe, reliable and effective platforms from which to operate. As I have testified during the past two years, our front-line fleet of cutters continues to deteriorate; resulting in significantly degraded readiness capabilities and equally degraded crew morale. It is important to note that during FY1999, our Deepwater fleet experienced 267 unscheduled maintenance days. In FY2004, the fleet had 742 unscheduled maintenance days. This increase does not represent a lack of crew effort, but is simply indicative of old cutters and old subsystems – getting even older. Fleet readiness issues are having an adverse impact on our presence in the maritime domain, and our men and women must work even harder to overcome the deficiencies associated with our fleet. If it weren't for the ingenuity, professionalism and the sacrifices made of our crews, our cutter fleet would not be in service today, and that applies to every class of cutter that we have. The demise of our fleet can no longer be overcome at the expense of our people, and as this subcommittee knows, our Deepwater recapitalization project is essential in order for us to meet the demands that face our service today. We are very grateful for your historical support and understanding of our Deepwater initiative and urge your support of the President's $966M FY2006 Deepwater request, which includes funds both for new vessels and for legacy medium-endurance cutter maintenance to help address the problem of our aging fleet.

I am very pleased with our service's progress, since the murderous acts of 9/11. To conclude, let me again offer my sincere appreciation to this subcommittee for affording me the opportunity to present my views before you. I trust that the American public is rapidly coming to know the broad range of missions that the Coast Guard is responsible for, as well as the global context in which we are involved. I could not be prouder of our Coast Guard men and women than I am today. Collectively, our active duty, reservists, civilians, auxiliarists, *and their families alike* continue to make endless sacrifices to ensure that our service remains "Always Ready," and that our country remains always safe! Mr. Chairman, on behalf of the tens of thousands of people that I represent, I am thankful for your service in support of our nation's Coast Guard and I look forward to your continued support as we aggressively transform our service. I welcome any questions that you or this subcommittee may have.

STATEMENT OF THE HONORABLE DON YOUNG, CHAIRMAN TRANSPORTATION AND INFRASTRUCTURE COMMITTEE AT THE COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE HEARING ON THE FISCAL YEAR 2006 BUDGET FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS, AND H.R. 889, THE COAST GUARD AND MARITIME TRANSPORTATION ACT OF 2005
MARCH 3, 2005

I WELCOME THE WITNESSES TODAY, AND LOOK FORWARD TO HEARING THEIR TESTIMONY.

THE AMERICAN PEOPLE HAVE PLACED THEIR TRUST IN US THAT WE WILL ENSURE THE SAFETY, SECURITY AND EFFICIENCY OF OUR PORTS AND WATERWAYS, AND WE MUST NOT DISAPPOINT THEM.

THE COAST GUARD'S FISCAL YEAR 2006 BUDGET REQUEST SEEKS THE RESOURCES NECESSARY TO CARRY OUT THAT GOAL.

HOWEVER, I AM CONCERNED THAT THE DEEPWATER PROGRAM IS UNDERGOING A REVISION THAT HAS NOT YET BEEN SHARED WITH CONGRESS.

I LOOK FORWARD TO SEEING THAT AT THE EARLIEST POSSIBLE TIME.

I ALSO REMAIN CONCERNED ABOUT THE ABILITY OF THE SERVICE TO CARRY OUT ITS TRADITIONAL FUNCTIONS.

MARITIME SECURITY IS EXTREMELY IMPORTANT, BUT SEARCH AND RESCUE, PROTECTION OF THE ENVIRONMENT AND FISHERIES RESOURCES, ICEBREAKING, AIDS TO NAVIGATION, AND MARINE SAFETY ARE NO LESS IMPORTANT.

I LOOK FORWARD TO HEARING THE COMMANDANT'S TESTIMONY ABOUT HIS PLANS TO MEET THE MANY AND VARIED RESPONSIBILITIES THAT CONGRESS HAS GIVEN HIM AND MASTER CHIEF PETTY OFFICER WELCH'S TESTIMONY ABOUT THE HEALTH OF THE ENLISTED FORCES.

IF WE DO NOT ADEQUATELY LOOK AFTER THE ENLISTED COAST GUARDSMEN, THE COMMANDANT'S PLANS WON'T BE WELL EXECUTED NO MATTER HOW WELL THOUGHT OUT THEY MAY BE.

I ALSO LOOK FORWARD TO HEARING ABOUT THE GENERAL SERVICES ADMINISTRATION PLANS FOR A NEW COAST GUARD HEADQUARTERS.

THE FEDERAL MARITIME COMMISSION'S MISSION TO ENFORCE FAIR PRACTICES IN INTERNATIONAL SHIPPING IS CRUCIAL TO MAINTAINING EFFICIENT INTERNATIONAL TRADE.

THANK YOU, MR. CHAIRMAN.

For The Record

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS

Statement of the
National Association of State Boating Law Administrators

Before the
House Coast Guard and Maritime Transportation Subcommittee

U.S. Coast Guard's Reauthorization
and Administration Budget for Fiscal 2006

Presented by

Randy R. Edwards
Boating Law Administrator, Iowa
President, National Association of State Boating Law Administrators

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NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS

March 3, 2005

The Honorable Frank LoBiondo, Chairman
Coast Guard and Maritime Transportation Subcommittee
House Committee on Transportation and Infrastructure
U.S. House of Representatives
507 Ford House Office Building, 300 D Street, SW
Washington DC 20515

Mr. Chairman and Members of the Subcommittee:

I am Randy Edwards, Boating Law Administrator for the State of Iowa and President of the National Association of State Boating Law Administrators (NASBLA). On behalf of the 56 state and territorial members of our association, it is my privilege to submit this statement to the Subcommittee hearing on the Coast Guard's reauthorization and the Administration's budget request for fiscal 2006.

NASBLA is a national, non-profit association which represents the recreational boating authorities in each of the states and territories. For nearly 50 years, NASBLA has worked to promote the interests of the states within the national boating safety program and create a means for the states to work together to make recreational boating safer through its member agencies. By working cooperatively, the states, the Coast Guard and NASBLA have achieved a sixty percent reduction in the number of boating deaths even though the volume of boats has more than doubled. The Coast Guard estimates that as many as 30,000 lives have been saved as a result of this model Federal/State partnership over the last three decades. As one of its foremost partners in boating safety, NASBLA has helped the U.S. Coast Guard bridge the gap between the Federal and State roles to meet the safety needs of America's boating public.

The matter of greatest concern to NASBLA at this time is reauthorization of funding for the Recreational Boating Safety (RBS) Program. As you know, this program provides funding for the States to carry out critical enforcement and education initiatives to improve the safety of the boating public. Although not an issue for inclusion in the Coast Guard's authorization bill, this Subcommittee has jurisdiction over portions of the reauthorization proposal recommended by the American League of Anglers and Boaters (ALAB) that we hope will be included in the highway bill considered by the full Transportation and Infrastructure Committee. Recently, Senators Lott and Kohl introduced legislation (S. 421) that includes most of the provisions requested by ALAB to reauthorize the programs supported through the Aquatic Resources Trust Fund; however, some of the programmatic amendments to chapter 131 of title 46, U.S. Code that we would like to see enacted were not included.

The Senators also introduced a bill (S. 422) to recover the balance of the motorboat fuel taxes for transfer to the Aquatic Resources Trust Fund. That would provide an additional $100 million per

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year of "user fees" for the trust fund to support boating and fishing programs. We would appreciate your Subcommittee's support of these reauthorization initiatives, and would welcome an opportunity to work with your staff to ensure that these issues are addressed in the final highway bill enacted by Congress.

As you are keenly aware, the challenges facing the Coast Guard and the states in recreational boating safety, and now homeland security, have never been greater. NASBLA and its member states are eager to enhance our partnerships with the Coast Guard in the area of homeland security and intend to bring the same level of cooperation and mutual support to that area of endeavor as we have to recreational boating. In many ways, the state boating authorities mirror the roles and responsibilities of the Coast Guard on sole state waters and in joint jurisdictional waters where state and local marine patrols pursue their own multi-mission initiatives. The Coast Guard continues to provide unmatched leadership to the state boating agencies through the administration of the State grant program, through the provision of specialized marine enforcement training opportunities, through the sharing of expertise in their unsurpassed skills and knowledge of search and rescue techniques, and through the mentoring, guidance and collaborative support needed to navigate the often uncharted waters of homeland security.

NASBLA would like to express our appreciation to the Subcommittee for including in the Coast Guard Maritime Transportation Security Act of 2004 a provision allowing State and local law enforcement officers to work with the Coast Guard to enforce Federal maritime safety and security zones. Using this new authority, a number of States have entered into Memoranda of Agreement with their respective Coast Guard District Commanders – and other States are exploring the possibility – to expand our long-standing partnership to promote safety on our nation's waterways. This initiative would have been hampered without the enabling legislation enacted last year, and the committee is to be commended for its prompt resolution of the issue.

Again, it is our privilege to offer these comments for the Subcommittee's consideration. Our association and the state agencies we represent remain committed to the successful partnership between the Coast Guard and the States fostered by Congress through the passage of the Federal Boat Safety Act of 1971 and the subsequent funding provisions made possible through the Aquatic Resources (Wallop-Breaux) Trust Fund. If you or your staff have any questions, please do not hesitate to contact our staff at 859-225-9487.

Sincerely,

Randy R. Edwards

Randy R. Edwards, President
National Association of State Boating Law Administrators

Statement of the Fleet Reserve Association
on the

United States Coast Guard's

FY 2006 Budget

submitted to the

Committee on Transportation and Infrastructure

Subcommittee on Coast Guard and Maritime Transportation

U.S. House of Representatives

by
Joseph L. Barnes
National Executive Secretary
Fleet Reserve Association

March 3, 2005

Certificate of non-receipt of federal funds

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

Introduction

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

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

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

Pay

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

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

FRA, however, is disappointed that no targeted pay increases are recommended for FY 2006, particularly for mid-grade and more senior enlisted personnel. FRA, the 9th Quadrennial Review of Military Compensation (9thQRMC), and even the Department of Defense have advocated the necessity for additional targeted pays. In spite of the targeted pay increases authorized in recent

years, the pay of our noncommissioned and petty officers remains compressed, a situation that has existed since the advent of the all-volunteer force.

Health Care

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

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

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

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

Housing Standards and Allowances

FRA supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel are unaware of the standards for their respective pay grade and

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

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

The Association appreciates Congressional support for increased BAH rates for Coast Guard personnel and enactment of a plan to eliminate average out of pocket housing costs over several years. The President's FY2006 budget includes funding to support these improvements. BAH rates allow Coast Guard members and their families to maximize housing choices in communities where adequate housing exists, helping alleviate the need for government housing. That said, with a large number of Coast Guard personnel stationed in high cost areas, the issue of ensuring that average out of pocket costs housing expenses are eliminated needs to be tracked closely.

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

Permanent Change of Station (PCS) Reform Initiatives

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

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

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

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

FRA recommends amending 37 USC , §407, to authorize the payment of dislocation allowances to members of the armed forces retiring or transferring to an inactive duty status who perform a "final change of station" move of 50 or more miles.

Weight Allowances — FRA also recommends modifying PCS household goods weight allowance tables for personnel in pay grades E-7, E-8 and E-9 to coincide with allowances for officers in grades 0-4, 0-5, and 0-6, respectively. These allowances were recently increased for grades E-1 through E-4, but weight allowance increases are also needed for service members in other grades, to more accurately reflect the normal accumulation of household goods over the course of a career.

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

Family Readiness

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

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

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

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

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

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

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

Education Benefits

Increased funding for personnel benefits in the President's FY2006 budget will enable the Coast Guard to adequately support its education programs, specifically the Tuition Assistance Program. This enables the service to maintain parity with DoD. Tuition Assistance is a high priority for the active and Reserve forces and is a key element associated with successful recruiting initiatives. Enhancements to this program and Montgomery GI Bill (MGIB) have significantly impacted recruiting and retention efforts.

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

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

Too often the MGIB is characterized exclusively as a form of compensation or as a "recruiting tool." However, FRA would argue that it is also an investment in our nation's future. Military personnel can use the MGIB on active duty to aid in their professional development, giving them the tools to become better leaders, mentors and representatives of their respective services. Many veterans who opted to leave the military and use the GI bill to further their education have gone

on to become highly productive members of our society. From the offensive backfield of the Denver Broncos to the halls of Congress to several Fortune 500 Companies to small businesses on Main Street, America, there are college graduates who used the MGIB stipend to help pay for their education. These individuals also pay taxes, returning more revenue to the U.S. Treasury than what they might have been able to without a degree, and easily more than what was spent paying for their education.

Our nation has a responsibility to ensure the MGIB *investment* remains a relevant supplement to completing one's education, as it continues to reap the benefits. The military has a well-deserved reputation for taking young Americans and transforming them into better citizens. Giving them the tools to excel in the academic environment has, and will continue to result in building upon that transformation.

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

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

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

Other Reserve Initiatives

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

Training and End Strengths

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

mid grade enlisted personnel, and the development of a comprehensive Unit Leadership Development Program (ULDP) for unit-level training.

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

Recruiting and Retention

FRA is pleased that the President's FY2006 budget fully supports all Coast Guard recruiting initiatives and incentives. The Coast Guard exceeded its active duty recruiting mission and the current retention rate within its enlisted workforce is at impressive 89.6 percent. Increased visibility and a robust recruiting system coupled with enlistment bonuses is enabling the Coast Guard to maintain a steady flow of new recruits.

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

Recent officer continuation legislation as well as steadily increased promotion selection opportunities for mid-grade officers has also helped contribute to a better officer retention rate. The Coast Guard continues the always-difficult recruiting challenge to meet the diversity and skill sets required to best fill the future workforce.

USSBP Reform

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

There are three compelling reasons to make this adjustment. The cost of participation in USSBP has increased from 60 percent for the military retiree to more than 80 percent allowing DoD to renege on its original charge to provide 40 percent of the cost. The USSBP was fashioned from the survivor program for retired federal employees, yet a military retiree will pay on average more for participation, and the survivor will receive a smaller annuity. Finally, the military retiree will generally pay into the USSBP over a longer period than the federal retiree. Although Congress has adopted a time for USSBP participants to halt payments of premiums (when payments of premiums equal 30 years and the military retiree is 70 years of age), the effective date is more than four years away. If that date remains unchanged, those personnel who enrolled in the program at its inception in 1972 will have paid for an additional six years. FRA recommends and urges Congress to restore the value of participating in the program by adopting legislation to change the date 2008 to October 31, 2005.

Exchange/MWR Programs

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

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

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

Conclusion

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

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