

**THE U.S. COAST GUARD AND FEDERAL
MARITIME COMMISSION FISCAL
YEAR 2005 BUDGET REQUESTS, AND
H.R. 3879, THE COAST GUARD AU-
THORIZATION ACT FOR FISCAL
YEAR 2005**

(108-53)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARTIME TRANSPORTATION
OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

MARCH 4, 2004

Printed for the use of the
Committee on Transportation and Infrastructure



U.S. GOVERNMENT PRINTING OFFICE

95-116 PS

WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
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THE U.S. COAST GUARD AND FEDERAL MARITIME COMMISSION FISCAL YEAR 2005 BUDGET REQUESTS, AND H.R. 3879, THE COAST GUARD AUTHORIZATION ACT FOR FISCAL YEAR 2005

Thursday, March 4, 2004

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

The subcommittee met, pursuant to call, at 11:00 a.m. in room 2167, Rayburn House Office Building, Hon. Frank A. LoBiondo [chairman of the subcommittee] presiding.

Mr. LOBIONDO. Good morning. The Subcommittee on Coast Guard Maritime Transportation will come to order. The subcommittee is meeting today to hear testimony on fiscal year 2005 budgets for the Coast Guard and Federal Maritime Commission, and H.R. 3879, the Coast Guard Authorization Act for Fiscal Year 2005.

As you know, we will try to limit the opening statements, and the ranking member will be here shortly, but I will go ahead and proceed with my statement.

Today, we are reviewing the President's fiscal year 2005 budget request for the Coast Guard and Department of Homeland Security port security grant program and the Federal Maritime Commission.

I am pleased to see the Administration has recognized the critical work done both by the Coast Guard and the Federal Maritime Commission, and is requesting increases in funding for both of these organizations in fiscal year 2005. Nevertheless, the subcommittee has some very serious concerns with some areas of the Coast Guard's budget and is not pleased with the requested level of funding for port security grants.

The Administration has requested \$7.5 billion for the Coast Guard in fiscal year 2005, an increase of \$430 million, or approximately 6.1 percent more than the amount appropriated in fiscal year 2004. Much of this increase has been budgeted for Coast Guard operating expenses, including a significant increase in funding to support missions related to maritime homeland security.

The homeland security mission of the Coast Guard has continued to expand in the years following the events of September 11th. Under the Maritime Transportation Security Act, the Coast Guard is required to develop and implement plans in order to better pre-

vent terrorist attacks on American ports and maritime industries. I want to commend the Administration for their request of an additional \$101 million to support the implementation of the Maritime Transportation Security Act. It will help the service meet its responsibilities in safeguarding homeland security on America's shores.

Unfortunately, on the capital side of the Coast Guard budget, the news is not so good. Funding for the Deepwater program is \$678 million. I just don't think that is acceptable. A paltry \$10 million increase over fiscal year 2004, and well below the amount necessary to meet the program's original 20-year schedule. This subcommittee insists on a level of funding, at the very least, to get the program back on track and will continue to support efforts, in fact, to accelerate the program. Completing Deepwater in less than 20 years is critically important if the Coast Guard is expected to successfully carry out its missions.

Just another word on Deepwater. We have had so many battles with Deepwater over the years, from the time it was first studied and studied and studied, and finally to the time when we had Deepwater enacted and we were able to get some dollars appropriated, and we were excited to have a 20-year program that everybody agreed to. And then we promptly slipped, and then it was, you know, instead of the \$500 million, it was something much less than that. And each year it seems that we are fighting the battle. Now, last year, ultimately, I think we were all very pleased with the number that we saw at the end of the day, and we really felt that we were on the right track and had laid the groundwork for convincing decision-makers at OMB and elsewhere that we should stay on track at least for the 20-year program. And, in fact, the study that was done, I think it was Senator Collins who had asked for it, indicated we have got significant savings if, in fact, we increase this.

So it is a great deal of disappointment on my part that we are not able to at least hold that 20-year level with the numbers that we are looking at right now, and we are going to do everything possible to try to bump that up.

Other capital acquisitions are reduced well below fiscal year 2004. I look forward to an explanation from the Commandant about the effects these funding levels will have on the ability of the service to carry out its mission.

Despite the particular attention placed on the Coast Guard's homeland security-related missions in recent years, the service performs a much broader range of jobs, and we have to remind ourselves of that as we go through all of this. As we meet today, the Coast Guard's search and rescue, maritime environmental protection, vessel safety and inspection jobs are being highlighted in the national media as the service works to search for the crew, address the oil spill, and investigate the cause of a recent tanker explosion off the Virginia coast. It is imperative that these non-homeland security functions remain priorities for the Coast Guard. The strength of America's commerce relies on waterborne trade, and the Coast Guard protects that trade not only from terrorism, but from other threats. We need to make sure that these programs also receive attention in the budget.

Of particular concern is the request to transfer Research, Development, Training, and Evaluation funds from the Coast Guard to the Science and Technology Directorate of the Department of Homeland Security. It is not clear how this transfer improves the ability of the Coast Guard to carry out its mission.

I might also add that one of the things that caught the attention of a lot of members of Congress when we talked about the Coast Guard moving from Department of Transportation to the Department of Homeland Security is that the Coast Guard at some point in time not be chopped up, so that we have a little bit here, a little bit here, a little bit here. I am very concerned about this, because it looks to me like this is the front edge of what somebody might have as a grand scheme somewhere to start to do this to the Coast Guard, and it is totally unacceptable to me, I think to the members of this subcommittee, and to many other members of Congress.

The Maritime Transportation Security Act authorizes grants to help improve port security. More than \$442 million has been awarded over the last three years under this provision. The Administration proposes that \$46 million be available in fiscal year 2005. This amount is far lower than the \$124.5 million provided to the Transportation Security Administration during fiscal year 2004. I look forward to an explanation of the effects this provision will have on implementing the port facility security plans called for in the Maritime Transportation Security Act.

Finally, the President's 2005 budget for the Federal Maritime Commission proposes \$19.5 million for the Federal Maritime Commission, an increase of approximately 6 percent. This increase will allow the Commission to continue vigilant enforcement of foreign shipping rules and regulations that protect U.S. shipping concerns.

I would like to thank the witnesses for coming this morning, and I look forward to their testimony.

Mr. LoBiondo. Mr. Filner, I know, is on his way. Mr. Thompson, do you have anything you would like to add, starting off?

Mr. Coble?

Mr. Coble. It is good to have our friends of the Coast Guard and the Federal Maritime Commission with us this morning, Mr. Chairman. No opening statement from me.

Mr. LoBiondo. OK.

On our panel today we have the Commandant of the Coast Guard, Admiral Collins, Master Chief Welch, and we have The Honorable Steven Blust, who is the Chairman of the Federal Maritime Commission.

I thank you all for being here, and, Admiral Collins, thanks once again for coming to this Committee, and you are on.

TESTIMONY OF ADMIRAL THOMAS H. COLLINS, COMMANDANT, UNITED STATES COAST GUARD; MASTER CHIEF FRANKLIN A. WELCH, MASTER CHIEF PETTY OFFICER, UNITED STATES COAST GUARD; AND HON. STEVEN R. BLUST, CHAIRMAN, FEDERAL MARITIME COMMISSION, ACCOMPANIED BY AMY W. LARSON, GENERAL COUNSEL

Admiral COLLINS. Thank you, Mr. Chairman. Good morning. And distinguished members, thank you for the opportunity to discuss the fiscal year 2005 budget for the Coast Guard, a budget that

hopefully will provide us the central services we need to deliver our missions to the American public.

It is, as you noted, Mr. Chairman, \$7.46 billion, a 9 percent increase over 2004, funding both our safety and security missions. And when you add this to 2003 and 2004, our discretionary budget will have grown by 51 percent, if this is approved as submitted. This budget growth supports clearly both the President's homeland security strategy, as well as the Coast Guard's full range of missions.

You know, from my perspective, that 51 percent budget growth over these few years is more than justified. We continue to apply our budgets both effectively and efficiently, and often achieve extraordinary operational outcomes for the American people. I have been a part of the Coast Guard for over 40 years, and I continue to be amazed at the performance of our men and women everyday. In fact, our operations in the last 10 days paint a clear and vivid picture of the scope and the national importance of the services we provide to the American public.

On Sunday, February 29th, we responded to a distress call from the burning and sinking tanker Bow Mariner, 50 miles offshore, and our rescue swimmer deployed in 44 degree oil-covered water to save six crewmen. That rescue swimmer and our air crewmen were hospitalized overnight because of their exposure to ethanol fumes and oil.

Search and rescue readiness such as this has been sustained, even though 18 cutters, 8 aircraft, and almost 1400 personnel have been deployed between the Coast of Haiti and South Florida. As conditions have deteriorated in Haiti, Coast Guard cutters intercepted over 900 Haitians and safely repatriated them via the only functioning element of the Haitian government, the Haitian Coast Guard base, thus fulfilling our President's mandate to repatriate Haitian migrants and present a deterrent to mass migration.

I might add that the only functioning element of the Haitian government is functioning because it was trained by the United States Coast Guard.

Our maritime homeland security mission requires attention, vigilance, and presence where the risks are greatest, wherever they may be. This week the cutter Midget deployed, encountered drug operations off South America and the Pacific, boarded a Colombian fishing vessel, seized close to 10,000 pounds of cocaine on board, and turned the crew over to the U.S. attorney for prosecution.

Today, four 110-foot cutters, two port security units, and 477 Coast Guard men and women currently provide critical support to operations in Iraq. Today we have two polar icebreakers returning home after the most successful resupply of McMurdo Station in recent memory. We had 28 cutters and 65 aircraft overflights patrolling our fishing grounds and enforcing our fisheries over the last 10 days.

These are just the highlights of our service to the Nation in just this 10-day period. The fiscal year 2005 budget request provides the resources necessary for our service to continue to fulfill these responsibilities to the American public.

For fiscal year 2005 I have four priorities. Number one, to recapitalize our operational assets. We are in the same camp, Mr. Chair-

man. Our greatest threat to mission performance continues to be that our aircraft, boats, and cutters are aging, technologically obsolete, and require replacement and modernization. The Integrated Deepwater System, or Deepwater, is the answer to these concerns. The fiscal year 2005 budget also requests resources for Rescue 21 project and provides for the continuation of medium response boat project amongst other initiatives.

My second priority is to ensure consistent performance across all missions by leveraging Coast Guard authorities, our capabilities, and our partnerships. The fiscal year 2005 budget adds capability and capacity to enable across-the-board mission performance improvement, including operational funding for eleven 87-foot cutters built in 2004; and for five 179-foot patrol boats transferring from the Navy; as well as some improvements to our 47-foot Motor Life Boat.

My third priority is to aggressively implement, aggressively implement the comprehensive requirements of the Maritime Transportation Security Act of 2002. Over \$100 million in this budget to do that just, and close to 800 FTP to do just that. We are seriously engaged in this business, and we have great optimism that we are going to create a model security code regime for the maritime in our Country.

The fourth priority reflected in the budget are efforts to expand what we have called maritime domain awareness. We have talked about this at previous hearings, but it is the idea of expanding our situational awareness, our visibility of all things going on in the maritime environment to identify threats, understand activities, disseminate timely information to our operational commanders and our homeland security partners in order to respond to any type of threats, whether they be terrorist, drug, migration, distress boaters, or illegal fishing. And there are several initiatives in the budget to do just that.

Of course, Coast Guard people make our operational excellence possible, and the successful operational tempo demonstrated over the last 10 days is testimony to the skills and the commitment of our Coast Guard personnel. They routinely put service to our Nation above all else. They are my highest priority. This budget requests the quality of life for our Coast Guard men and women by providing the necessary pay inc compensation, basic housing allowance, and so forth; and, most importantly, through Deepwater, Rescue 21, and other initiatives, provides them with the quality equipment they deserve to do their job.

Thank you, Mr. Chairman. I look forward to questions from you and the distinguished members of the Committee, and I would be happy to answer those questions at the appropriate time. Thank you.

Mr. LoBiondo. Thank you, Admiral Collins.

Master Chief, thank you for joining us. Please proceed.

Master Chief Welch. Good morning, Mr. Chairman, distinguished members of the subcommittee. Thank you for the opportunity to share my views in support of the Coast Guard men and women that I am so very privileged to represent.

Your Coast Guard, through the stellar efforts of our tremendous people, continues to perform the important work of our Country on

many fronts, fronts that include the recent war against Iraq, the war against terrorism, the war against drugs, our ongoing efforts against the illicit trade and transportation of people and goods into and out of our Country, our efforts against economic depletion, and our more publicly known resolve to reduce marine fatalities. And we do this all at the same time.

These efforts have required a huge uplift from our active and reserve forces, and we thank you for your support that authorized increased personnel end strengths. It is imperative that we right-size our workforce, both officer and enlisted alike, to meet the many demands that homeland security requires, while simultaneously maintaining operational excellence in pursuit of our more traditional roles and missions.

Our growth has produced some unavoidable juniority within our workforce; however, our terrific young people continue to meet the many challenges that face them today. We have enjoyed a record-high year in our efforts to diversify our workforce through innovative recruiting strategies. Our overall retention rate of 87.6 percent is the second highest rate since measurement began in 1958.. We view these successes as being critical indicators that we remain a positive and progressive service offering an abundance of opportunity to those who serve us so well.

Through our tuition assistance program we have authorized over 20,000 courses and invested nearly \$9 million into our people. We currently have 13 percent workforce participation in our program, up 100 percent from just last year. We are also developing a strategy to improve our professional development offerings. We will establish a senior enlisted capstone course and are working toward expanding our leadership and management school program, and establishing an E-5 course for our petty officer corps. We will also introduce an enlisted professional military education program during the upcoming summer. These initiatives are key for us to better prepare our people for success.

As positive as our workforce trends are, we still face several challenges that compel prompt attention. As I stated during last year's hearing, the first challenge that we face is that of our aging and antiquated fleet of cutters and aircraft. Those key resources are now another year older and another year outdated. The magnitude of this issue simply cannot be overstated because it has direct and negative impacts to our cuttermen and our air crews, and equally negative consequences to true operational readiness.

We continue to pursue our Integrated Deepwater System solution to ensure that we do indeed remain always ready, and not at the expense of our terrific people. And we greatly appreciate your support on this most critical of all of our initiatives.

We try very hard to maintain parity with the pay benefits and compensation package offered by DOD Armed Forces, but due to associated costs it is difficult for us to equal. Our typically remote assignment locations also present financial challenges to our people that are not usually encountered by our fellow service members. Childcare costs are particularly problematic and can be attributed to our general inaccessibility to DOD and Coast Guard child development centers. We are exploring ways, however, to defer reason-

able costs to our members with children, and we appreciate your understanding of the issue.

Health care also remains a challenge for many Coast Guard families, again principally due to our more remote assignment locations, most far removed from DOD military treatment facility catchment areas. We believe that many physicians simply decline to participate as TRICARE providers due to low reimbursement rates, but we are looking forward to possible gains as a result of your work on Medicare late last year.

We also continue to face significant challenges with our Coast Guard own housing units, to the point that our best option is to divest and privatize. Since our housing authorities have been reinstated, we intend to divest our aged, ill-equipped, and ill-maintained housing as soon as possible. Having seen the positive results of DOD's privatization initiative, I have absolutely no reservations regarding this matter whatsoever. Beyond pay, housing is the primary concern of our workforce, and we must do better. Basic allowance for housing reform has been extremely positive, and we appreciate your support of this critical quality of life allowance, but it cannot be the sole solution to our members' housing needs.

In conclusion, your continued assistance in our efforts to address the key quality of life issues of our men and women, both at home and in the workplace, are greatly appreciated. I thank you for your service, and I thank you for the time to address you today, and I certainly look forward to answering any questions that you may have, sir.

Mr. LOBIONDO. Thank you, Master Chief.

Chairman Blust, welcome. Please proceed.

Mr. BLUST. Good morning, Mr. Chairman and members of the subcommittee. It is a pleasure to appear here today before you to present the President's fiscal year 2005 budget for the Federal Maritime Commission. I am pleased to be joined today by my colleagues, Commissioner Rebecca Dye, Hal Creole, and Paul Anderson. Commissioner Joe Brown was unable to be here this morning. In addition, I am joined by Amy Larson, the Commission's general counsel, and Bruce Dombrowski, our Executive Director.

First, I would like to thank the subcommittee once again for its support of the Commission over the years. We are very appreciative of all your support and look forward to our continuing to work together again as we go forward this year and the future years.

The President's budget for the Commission provides for \$19,496,000 for fiscal year 2005. This represents an increase of \$1.1 million over fiscal year 2004 appropriation. This budget provides for 135 work years of employment.

Our fiscal year 2005 budget contains \$14,397,000 for salaries and benefits to support the Commission's programs. This is an increase of \$711,000 over our fiscal year 2004 appropriation; includes all salaries including those hired in fiscal year 2004 promotions, in-grade increases, and anticipated cost of living adjustments.

Official travel has been increased from our fiscal year 2004 level by \$16,000. This increase takes into consideration the rise in travel costs of airfare and per diem increases, and our intention to continue to offer informational seminars throughout the Country to ex-

plain regulatory requirements and enhance statutory compliance. Travel remains an essential aspect of our effort to provide better service to the ocean transportation industry and to accomplish oversight duties more effectively.

Lastly, administrative expenses have increased \$407,000 over fiscal year 2004. The Commission is planning for an increase in rent as a result of a new long-term lease for the Commission space, as well as increase to fund homeland security services provided for GSA. Our administrative expenses will be incurred in fiscal year 2005 to support increases in our customary business expenses such as maintaining government and commercial contracts, and for items such as postage, telephones, and supplies.

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 communications. 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 ocean-borne transportation and the foreign commerce of the United States. Since its inception in 1916, the Commission and its predecessor agencies have effectively administered Congress's directives for the ocean transportation industry, and its longstanding expertise and experience have been recognized by Congress, as well as the industry the Commission oversees, courts, and other nations. I would like to highlight for you some of the significant activities in which the Commission is currently involved.

We continue to address restrictive or unfair foreign shipping practices under various statute authorities. As you know, the Commission is currently involved in several proceedings related to shipping conditions in China. If you recall, we had initiated a proceeding to investigate whether the laws, rules, or policies of the government of the People's Republic of China might have an adverse impact on the U.S. shipping and warrant action under Section 19 of the Merchant Marine Act of 1920 under the Foreign Shipping Practices Act of 1988. I am pleased to report that since I was here last, a bilateral maritime agreement was signed by Secretary of Transportation Norman Y. Mineta and his counterpart, Minister Jong, Chinese Minister of Communications, on December 8th, 2003. The Commission is hopeful that many of the issues addressed in our pending investigation have been resolved in that agreement, including issues affecting vessel operators, NVOs, and other interests.

The Commission is also considering the petitions of three Chinese-controlled carriers for relief from the 30-day waiting period that is required for reduction of tariff rates under the Controlled Carrier Act. As part of its deliberation, the Commission has before it letters from the U.S. Maritime Administrator, the Under Secretary of State for Business, Economic, and Cultural Affairs. The letters discuss the commitments made in the bilateral maritime agreement and urge favorable consideration of the petitions. We also received favorable comment from the U.S. shipping industry,

including U.S. flag lines that operate in the trade. The Commission will discuss these petitions and comments in the very near future.

As you know, the Shipping Act permits ocean common carriers to enter into service contracts with one or more shippers. OSRA permitted these contracts to be filed confidentially with the Commission. Indeed, since OSRA's implementation, ocean common carriers report that 80 percent or more of their liner cargo moves under service contracts. While non-vessel-operating common carriers may enter into service contracts as shippers with ocean carriers, the Act does not grant NVOs the right to offer service contracts in their capacity as carriers with their shipping customers.

Six NVOs and one national trade association representing NVOs have filed separate petitions with the Commission seeking some type of relief from this prohibition, either through individual exemptions or special rule-making. The Commission received many comments in response to the petitions from all segments of the industry and Congress.

Thank you, Mr. Chairman, for your comments in this matter, and thanks to the other members who submitted comments as well.

The scope of the issues and options presented, and the high level of interest by the shipping public in these issues underscores the significance of any action or inaction on the Commission's part in this manner. We will consider the comments and petitions as expeditiously as possible during this year.

Last year I reported to you that the Commission has been considering changes to its oversight functions of passenger vessels operating under Public Law 89-777, which requires cruise lines to demonstrate financial responsibility to ensure that passengers are indemnified for nonperformance of a voyage in the event of death or injury. At this time, we are considering comments that have come back from the cruise line based on the proposed rules that we put out last year, and those comments have been evaluated by the staff and they should be presented to the Commission for further review and further action in the very near future.

We also continue our vigilant review of carriers' antitrust immunity authority and utilization. This last year we entered into a settlement agreement with 14 ocean carriers of the Transpacific Stabilization Agreement and four members of other agreements. The settlement brought to a successful conclusion the proceeding we mentioned to you last year.

As you are aware, responses to changes in the industry and input we have received from the public concerning the administration of our agreements program, the Commission has initiated a rule-making to update its regulations governing agreements among ocean carriers and marine terminal operators. We have received also comments from the industry. We are reviewing those comments and expect to consider the matter again in the very near future.

Lastly, the security and safety of our Nation's transportation infrastructure is of critical importance to the free flow of trade, and the Commission's oversight of ocean common carriers, ocean transportation intermediaries, and marine terminal operators is a vital link to the effort to protect our Nation's seaports. To that end, we are continuing our efforts to combat unlawful participation in the

U.S. ocean transportation system by ensuring that all entities engaged in U.S. foreign commerce are in compliance with the requirements of the Shipping Act. In addition, we continue to cooperate with other agencies involved in maritime transportation, including 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 my comments have served to give you a clear indication the important work to be accomplished by the FMC. 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 2005. And I welcome any comments and questions that you may have, sir. Thank you.

Mr. LOBIONDO. Thank you, Chairman Blust, very much.

I am going to start with some questions.

Admiral Collins, I want to focus in a little bit on Deepwater. Since the Integrated Deepwater program was first proposed in 1998, and first funded in 2002, the funding provided to the program has not been sufficient to maintain the 20-year time frame that we initially agreed to, that was proposed and we agreed to. A couple of questions. What level of fiscal year 2005 funding would be required to restore prior year shortfalls and get Deepwater back on the 20-year timeline, which I believe now would be 2021? And the second part of the question is how much of these additional dollars are due to program changes?

Admiral COLLINS. Mr. Chairman, of course, the current request, combined with the 2004 enhanced funding that we received through your support and support in the Senate, filled a cumulative hole that we were carrying forward in Deepwater that put us on a 27-year-plus timeline. So we recovered with the addition of \$168 million last year, that was added to the Deepwater pot. This year's budget request that we have on the table puts us on that same timeline of 20 to 22 years, probably a little closer to 22 years at the request that is in the President's budget. So we are very pleased that, in fact, the Administration has recognized that adjustment year in 2004 and the 2005 request is in consonance in terms of getting us on this 20 to 22-year timeline.

Technically, if you wanted to get real close to the 20 versus the 22, it would probably increase to \$795 million, my staff says. But the 2005 budget, from our perspective, is sufficient to keep us on track, to make some meaningful progress in this project, and it is higher than the notional design that was initially proposed as part of the contract award. As you recall, that requirement was defined in 1998 dollars as \$500 million notional each year in 1998 dollars, plus \$30 million approximately for project management administration and oversight in each year, adjusted for inflation. If you extended that 1998 number to this 2005 budget, the funding would be around \$600 million. So we are above that with the President's request, and we are pleased, again, both with the 2004 action and the 2005 number.

If I could just add one more comment here, the concern is really how we deal with the out-year going forward, because my biggest

concern is that the current legacy systems or the current systems are wearing out faster than we anticipated, and there is very graphic evidence of that, with 20 hull breaches in our 110-foot cutters, that is actually water coming in because the hull has deteriorated; substantial power failures in our HA-65 helicopter for the whole engine control gear box system; major cutter failures on our 378-foot cutters were excessive, unplanned maintenance that has to be scheduled. We are losing operational cutter days every year.

Those combination of things means that the decay curve, if you will, of the legacy systems is steeper than we anticipated back in 1998. So we have to come to grips in the out-years, in 2006, 2007, 2008, and how we can deal with that, because what happens with this downward spiral, Mr. Chairman, is you are consuming the legacy systems in front of your eyes. You have to steal from the replacement money to sustain the legacy systems. That pushes the replacement system off even further, and you get in this kind of downward spiral, where it is stealing from the replacement money to sustain the legacy systems, and so forth, so there is dynamic tension. And that is my greatest concern, because the trend lines are not good for some of these major systems. So the key is where do we go from here. We are very appreciative of the Administration supporting this to the magnitude in 2005. Where do we go from here in the out-years in terms of addressing this downward spiral problem that we are seeing.

Mr. LOBIONDO. Well, Admiral Collins, that is exactly what you have just outlined, of why my level of concern is so high and why I know this subcommittee is not going to rest back on the proposed level. The assets are wearing out at a much faster rate than were anticipated, and if we don't keep track with at least a 20-year program, we are going to find ourselves, I think, in even more serious trouble. I understand your responsibility to the President and the Administration, but I have to tell you that the Coast Guard using the term "modest acceleration" to describe the \$678 million request for Deepwater because it results in a timeline of approximately 22 years versus the 27 years, I have to tell you that I find these terms less than straightforward and counterproductive.

We know that in past years whatever was proposed in Deepwater, when certain other folks in other parts of this body get their hands on it, are reduced. And if we are not making the case to stay even for 20 years, we are going to find ourselves falling further behind. When the final numbers come down, if somebody decides to take a pencil to them, we are going to find ourselves at a 30-year program; you are going to be back telling us that assets are depleting at a much faster rate than anticipated, we are going to be wringing our hands and gnashing our teeth. You know, this is not a good situation.

I have consumed a lot of time. I may get back to Deepwater in a little bit, but I would like to turn this over to Mr. Filner right now.

Mr. FILNER. Thanks, Mr. Chairman. I apologize for being late. I have read your testimony. I am trying to shuttle between two committees, and I appreciate this hearing.

I am not sure that you have used these examples, Commandant, as showing what the Coast Guard is doing, but I have read in just

the past couple weeks how you responded to the collision of the Lower Mississippi, of the offshore supply vessel Lee III and the Zim Mexico III killed five people, and you were searching for survivors, closing the river to marine traffic. You are still continuing your historical role, and, of course, the explosion and sinking of the tanker, the Bow Mariner, off the coast of Virginia which killed 21 people. I know that the Coast Guard saved six of the crew while risking your own personnel in doing that, and it was a very dangerous situation with oil and ethanol in the water, so we thank you for that action. You have already repatriated over 500 people from Haiti, and I assume we are going to run into more of that. So you continue to do the job for America that we know that you can do, and we want to make sure that you have the resources to do it.

I will come back to that. I notice, Admiral, that in your second year you are learning these bureaucratic terms far more than you did in your first year. He asked what you needed, and you kept saying what the President's request was. We may get back to that. Don't get hijacked by this bureaucracy, Admiral.

Let me focus, if I may, on the west coast, where I represent, San Diego. I don't think we are doing the job in interdicting the drug smugglers off the west coast that we need to do, because you do not have the resources. And, as you know, I have been talking to you a lot about the armed helicopters to stem the flow of drugs. Something like 75 percent of the drugs enters the United States through the Pacific, but the Coast Guard does not have, for example, those armed helicopters that have snipers to shoot out fast-moving drug boats on the west coast, we don't have any; they are on the east coast, which has less of the problem.

So the Chairman and I and this Committee worked to give an authorization for these so-called Hitron helicopters in last year's authorization, and I hope we can provide funding for fiscal year 2005.

I ask, in fact, that I can submit my statement for the record.

Mr. FILNER. But again, Admiral, to get onto the problem of the drugs, we have 75 percent of the problem. We are not interdicting at a rate that is adequate. As I understand, the Hitron, when it is engaged, has about 100 percent success rate in dealing with those boats. So what are we doing and how does that fit into your current solicitation for the HA-65 helicopters? Are you trying to find a more powerful engine for those or just put in a similar engine as what they have now?

Those are sort of all wrapped into one question.

Admiral COLLINS. Sure. Let me try to succinctly answer that question. Clearly, we are enamored, we embrace this capability, as you do. A baseball player would be happy.

Mr. FILNER. I love you said enamored. That is not a bureaucratic term, so I am glad you heard me.

Admiral COLLINS. We think it is a terrific capability. We want to expand that capability, there is no question about it, that is why, in our capital budget, there is an armed helicopter line item in that budget to prototype air station Cape Code H-60 helicopters with that capability. And our preferred approach is to move that organic capability to all our helicopters. That is the ultimate vision of this thing, and that line item will help us move to the H-60. The cur-

rent deployment of those assets, of course, as you know, is out of Jacksonville. They are deployers. They deploy with most of the ships that are positioned to interdict drugs, including the Eastern Pacific. Most of the ships that sail out of San Diego and Alameda are going way down to the Galapagos, they are going right off the western coast of Colombia, and all those Hitron helicopters are deployed to them as well as to the Caribbean. So from Jacksonville we are servicing both sides, both the Caribbean and the Eastern Pacific.

To answer your question on the H-65, the current limiting factor, they are our deploying aircraft other than the Hitron helicopters, of which we have eight. They are the other deployers, but they don't have the power systems, that is, the engine, the gear box, and the engine control systems to have sufficient power to support that mission. Part of the Integrated Deepwater solution is to take that helicopter and expand the mission capability of it. Structurally, it is a sound helicopter; it has many years left in it. Deepwater was to re-engine that helicopter, new avionics, stretch the fuselage so it can have the full range of Coast Guard missions, including interdiction by force.

Mr. FILNER. But to follow up on that Chairman's question, how long is that going to take to do that?

Admiral COLLINS. Well, that is page one. Page two is we have accelerated a portion of Deepwater for the HA-65 because of the pressing problems we have right now with those engines. We have had increasing power failures midair and others in those engines. The whole power train, not just the engine, fuel control, lack of a digital control system, gear box, and engine. That whole system is failing, and I have made a decision to accelerate the re-engining portion of this helicopter project. That is moving out. We have tasked Lockheed-Martin, our integrator in the Deepwater program, to go out and start that acquisition ASAP to find a safe and reliable engine replacement that will include a new control system, new gear box, and new engine.

Mr. FILNER. I asked how long that will take.

Admiral COLLINS. They are going to come back with a solution this spring. We will start production and start the project no later than mid-June. And it is going to be about an 18-month period to equip, to transition the entire fleet. So the timeline is we start the project, physically start the project, taking in engines, putting them on aircraft, those kind of things in the June time frame, and it will take 18 to 24 months, probably, time frame to re-engine the entire fleet.

Mr. FILNER. But those helicopters are not armored, right?

Admiral COLLINS. They are not armored helicopters.

Mr. FILNER. OK. So they have a certain capability certainly in search and rescue, but as far as I understand, and I am a layman in this, they don't match this other squadron's capability of interdicting drugs, even if they are re-engined, it sounds like to me, right?

Admiral COLLINS. But part of the whole Deepwater solution will include expanding that mission profile. These helicopters are one of the subsystems within Deepwater project that really lend themselves to a faster implementation because of the current state of

their maintenance and their readiness, and the 110-foot patrol boats are another one of those that are real problematic. But we are accelerating that. That will give us the power necessary to equip those helicopters for use of force, and the H-60 helicopters is also part of our game plan.

As you know, that capability is not only important for countering drugs, it is also important for homeland security. So if we are going to enforce the security zone, we are going to provide air coverage for a high-risk vessel coming in and out of port, that capability is very, very important.

I might note that we did mobilize a Hitron helicopter and deploy it in the latest orange alert condition, and we deployed it up in Prince William Sound because of a basic threat assessment associated with that orange condition.

So we are moving out on multiple fronts: H-60, 65, and aggressively deploying the Hitron helicopter both in the Eastern Pacific and the Caribbean.

Mr. FILNER. I am sorry, Mr. Chairman, I just am trying to understand the Admiral.

So will there be any more Hitrons in your arsenal, under your plan right now?

Admiral COLLINS. Our current plans do not include expanding the Hitron squadron. Our emphasis is building that capability organically. As you know, these Hitron are leased helicopters. We want to build them organically into our fleet of helicopters. We feel that is a core capability that we need to have.

Mr. FILNER. OK, I will just end this because my time has expired, but I just don't think we are going to have the capability quick enough in the scenario you outline on the west coast. It just doesn't sound like that to me, but we can talk about it further.

Mr. LOBIONDO. Thank you.

Mr. Coble.

Mr. COBLE. Mr. Chairman, good to be with you.

Good to have you all here.

Admiral, I want to talk a little bit very briefly about the heroic rescue that was effected over the weekend, as was alluded to earlier. Were those victims rescued by Coast Guard assigned to the Elizabeth City air station?

Admiral COLLINS. Yes, sir.

Mr. COBLE. That was a rhetorical question. I just wanted the record to reflect that a North Carolina station was involved.

Mr. LOBIONDO. Excuse me, Mr. Coble. Let me just interrupt you for a moment.

Just for clarification, the first helicopters from the Coast Guard on site were from which air station, Admiral?

Admiral COLLINS. There was some New Jersey participation as well.

Mr. LOBIONDO. That would be Atlantic City, wouldn't it be, Admiral, that were there first?

Mr. COBLE. Reclaiming my time.

Admiral COLLINS. This is a team effort, Mr. Chairman.

Mr. LOBIONDO. I know. I just wanted the record to reflect who was there first, Mr. Coble, that is all.

Mr. COBLE. Reclaiming my time.

Mr. FILNER. Was San Diego also involved?

Mr. COBLE. I appreciate that, Mr. Chairman.

Mr. FILNER. Was San Diego also involved, Admiral?

Mr. COBLE. It had to be.

Admiral COLLINS. In spirit.

Mr. FILNER. Organically, as you would say.

Mr. COBLE. I hope my time is not being penalized with all this.

But my point is, Admiral, I still have the fear, and I don't want to be negative about this, but I have the fear that many Americans do not fully appreciate what the men and women of the U.S. Coast Guard do. It was another day at the office for you all, and kudos to you all, and to New Jersey, San Diego, and Elizabeth City as well.

Admiral, let me ask you this. As you know, I am an avid supporter of Rescue 21. I am advised that the program has been delayed to some extent. Now, as critical as this program is to the Coast Guard, do you still require all the funding in this year's budget in support of the program? It is my belief that you should, and I think that the money is needed probably more than ever now to get the system in the field. What say you to that?

Admiral COLLINS. Thank you for that question. As I mentioned, every time I talk about our modernization, Deepwater and Rescue 21 are bookends, they are sort of really key enablers for us. That project we have pursued aggressively under the direction and support of Congress. As it involves a heavy IT component to it, software, and software has bugs, and as this project was working through, there were some software issues and code issues and so forth, and we got hung up on some of the testing and performance associated with the software, which we didn't want to go to step 2, 3, and 4 until those were worked out. They have been worked out to our great satisfaction, but that has incorporated a little bit of a delay in the project, which we hope to recover, by the way, with parallel processing and so forth through the life of the project.

The bottom line is there will be some delay in the initial operating capability. We originally forecasted, Mr. Chairman, your neck of the woods, your coast would be implemented initial operating capability in late summer of 2003. It will be the summer of 2004 here before we get that initial operating capability. And once we get that clearance, I think we can really speed up and roll. But having that money in the pot is critical for us to keeping and recouping the schedule, so it is absolutely indispensable, and we are pulling out all the stops to make sure that we can hopefully recover; if not, do not delay any more.

Mr. COBLE. Thank you, Admiral.

Master Chief, let me put a three-part question to you. Do you feel the Coast Guard enlisted personnel have adequate equipment to do their jobs, (a); (b), what concerns have you heard from Coast Guard enlisted personnel regarding the quality and cost of the health care and housing programs extended to them; and, finally, (c) have the military pay increases of the last several years been adequate to take care of the Coast Guard enlisted force and their families?

Master CHIEF WELCH. Thank you for the question, Mr. Coble. To answer your first question, with regards to the equipment provided

to our enlisted corps, I would like to expand that to include the equipment provided to all of the men and women in the United States Coast Guard. And the answer to your question, sir, is overall yes, we do have the equipment that we need in order to effectively and efficiently perform our functions; and I mean that on an individual basis. In a programmatic sense, though, I think, having sailed in our cutter fleet for 13 years and commanded two cutters, one in a post-September 11th environment, that it is simply—

Mr. FILNER. And where were they based?

Master CHIEF WELCH. They were based on Bodega Bay, California.

Mr. FILNER. Oh, I thought San Diego.

Master CHIEF WELCH. Up the creek, as they say, sir.

But knowing firsthand the shape of our cutters and the shape of our aircraft, compared with the missions that we ask our men and women to do aboard these platforms, I cannot honestly say that in that context that our men and women do have the resources that are adequate to perform their jobs. We have men and women who sail the sea. It is very important that those vessels stay afloat. Men and women who conduct their service in the air. It is very important that our helicopters have the adequate power to conduct the mission and bring these men and women home.

Your second question, Mr. Coble, was related to the quality of health care and housing. Health care for many of our men and women throughout the Coast Guard has been problematic. And I say problematic in that most of our men and women are assigned far outside the military treatment facility catchment areas, and by that I mean they are typically well beyond the 40-mile radius that surrounds Department of Defense military treatment facilities. That predisposes our people to some very serious hardships as it relates to obtaining health care. There are also some difficulties as it relates to our people finding physicians that participate as TRICARE providers, and we believe that, simply due to low reimbursement rates, many physicians choose not to participate in the program.

There are also some issues related to health care, but in another sense, and that is the cost of travel that many of our men and women have to fund out of their own pockets, to acquire health care, and that is particularly true in our more remote locations in Alaska and Puerto Rico. The joint Federal travel regulations simply do not support transportation.

Mr. COBLE. I noticed my time has expired, Mr. Chairman, and I know you are on a short leash here. Would it be in order if the Master Chief just responded in writing to those three questions, in the interest of time?

[The information received follows:]

Yes. The pay and benefit increases have been extremely positive for Coast Guard personnel and clearly improved recruiting and retention over the past few years. The Coast Guard would like to thank the Administration and Congress for their continued support for the pay and entitlements of its personnel.

Overall, Coast Guard enlisted personnel do have the equipment needed to perform their duties on an individual basis. However it is not without challenges. Coast Guard men and women assigned to our fleet of aging cutters and aircraft are challenged by the antiquated platforms they sail and fly. The age and associated amount of corrective and preventive maintenance required to keep our platforms operational are extensive and laborious. Spare and/or replacement parts for many systems are no longer manufactured and are very difficult to obtain. The age of our cutter and aircraft fleet also presents significant safety and reliability challenges to our work force. Your support for our Integrated Deepwater program will help to ensure Coast Guard personnel remain safe while performing their duties effectively.

According to interactions with beneficiaries, in some areas of Alaska, there is a continuous struggle to get providers (both medical and dental) to participate and accept assignment. Dental care is becoming more problematic in a few locations with extremely limited dental service available in the area of Cordova and Petersburg. The TRICARE Alaska office has been helpful in addressing and solving some of these issues.

Other remote "high cost" areas that remain problematic are Port Angeles, WA and Marin County, CA. Network providers' panels are full and non-network providers are not willing to see our beneficiaries under the TRICARE Prime Remote benefit.

In areas where there are limited providers and away from Military Treatment Facilities (MTF), access to providers can be challenging. The providers do not like to take TRICARE patients mainly due to the low reimbursement rates. In the locations where TRICARE Prime is present, we are noticing a trend of providers leaving the network. This is mostly for the Active Duty Service Members and their dependents but retirees and their dependents are in similar situations.

The majority of Coast Guard personnel reside in private sector housing utilizing their Basic Allowance for Housing (BAH), and are generally satisfied with their ability to choose their housing standard. However, there are several areas where we have documented evidence of Coast Guard members and their families experiencing difficulty obtaining affordable and adequate housing. In the absence of adequate government owned housing in these locations, we offer service members several choices including seeking rental partnership agreements with landlords (where possible), establishing Coast Guard Leased Housing, and designating local areas as a Critical Housing Area (CHA) if deemed appropriate. Locations that have been declared Coast Guard CHAs are

Montauk, NY (NY218), Cape May, NJ (NJ198), Abbeville, LA (ZZ553), Port O'Connor, TX (ZZ583), Carrabelle, FL (ZZ630), Marathon/Islamorada, FL (FL069), Eastern Shore (MD432), Coastal Maine (ME141), and Sta. Provincetown, MA (zip code 02657) and any area currently designated as a CHA by the U.S.NAVY.

Typically, coastal metropolitan regions are high cost living areas and occasionally, members are challenged with meeting local housing costs. This typically occurs due to the member's income/debt ratio or lack of housing availability rather than insufficient housing allowances. Additionally, increases in utility costs may financially impact service members residing on the economy and paying their own utilities; this has occurred in California. The nature of the Coast Guard mission requires that assignments be made in remote, high-cost, coastal resort areas where there is limited or no government owned housing available. Examples of these locations include units located in Alaska, Washington State, the Outer Banks of North Carolina, the Eastern Shore of Virginia, Santa Barbara, CA, Coastal Maine, etc.

During the past year, the Coast Guard made strides to improve the quality of life for our most junior unaccompanied enlisted personnel. These improvements included replacement of outdated, mismatched furnishings in most Coast Guard barracks facilities, and in the absence of barracks, expansion of our leased housing program to unaccompanied members in pay grades E-4 and below. According to field feedback received from Housing Program Coordinators and the Coast Guard Command Master Chief network, these initiatives have significantly improved housing quality of life and will assist in retention of these valuable human resources.

Mr. LOBIONDO. That would be appropriate.

Mr. COBLE. If that is OK with you, Master Chief, and then I will yield back my time.

Master CHIEF WELCH. I would be happy to submit those for the record, sir. Thank you.

Mr. LOBIONDO. Thank you, Mr. Coble.

Mr. Oberstar, we are very honored and pleased you have joined us today.

Oh, excuse me. OK, Mr. DeFazio, we are pleased you are here too.

Mr. DEFazio. I thank the ranking member and the Chairman.

A few quick questions.

One, Admiral, I don't find reflected in your budget. The Coast Guard has conducted a very successful program which I believe should be applied to the entire aviation industry, and I will be working on the civilian side, and I think DOD is moving ahead, which is coding of critical aircraft components. You have pioneered the technology, but I don't see reflected in your budget that you are going to move ahead and code all your parts.

Admiral COLLINS. You are right, it is not in the budget. I have to start by first saying that you have been instrumental in kind of kicking this issue down the street, and we should extend a great thank you to you. I think we have gone through phase 1 and, as you said, we demonstrated the technology and we did it very, very successfully, so much so that the Department of Defense has glommed on to it and is moving out sharply with it. They may have a little deeper pockets than we do, sir, but I think it is a tremendous project. I would like to find ways to advancing phase 2 and phase 3. I think it provides a great deal of efficiency in our inventory system and improves our readiness overall. So we need to find a way to advance that cause, I couldn't agree with you more, sir.

Mr. DEFazio. Well, maybe we can get DOD to take over for you there. And I would say, yes, readiness and efficiency, but also safety. My original concerns in this area arose from the fact that a very substantial portion of the FAA's inventory and/or the commercial fleet's inventory and the military inventory, we can't certify those parts, we don't know that they are actually airworthy.

We have had an ongoing discussion and I still have concerns about security plans on foreign flag vessels. And I won't revisit it exhaustively, but as I understand, under Federal law, the Maritime Transportation Security Act, we are supposed to require these plans, approve these plans, or we are going to allow classification authorities to approve them, but I still understood from previous conversations there would be a Coast Guard review. But I understand now that we are considering the controlling authority to be the international ship and port facility security code, which is not the law of the United States, and that that does not require, apparently, the Coast Guard to review and retain copies of these plans.

Admiral COLLINS. Yes, sir, we have discussed this at previous hearings, and I understand your concern and other members'. I think we are caught between what we have developed internationally, which is a tremendously positive thing. I think by any measure the international ship and port security code is a very, very positive thing that drives an international security regime through

this truly global system. It is very, very positive. And the strength in numbers. You know, even if 80 percent of the 108 were doing it, you are really much more effective than one nation doing it. So it is a very, very positive thing.

Our approach and our interpretation, my lawyers advise me, is the flexibility in this, is that we will review the security apparatus, the security culture, the security management of inbound foreign vessels through our ports-bay control hand, and so when they come in, every vessel, every vessel with a ship security certificate issued by their flag administration, which is what the code specifies, we will inspect. Again, to borrow a phrase from the past, and I have used this, "trust, but verify." We will accept the security certificate, but we will be on board. We will monitor are they practicing security, do they have access control, do they have perimeter security, do they have a security officer, does he know his job, is the security alarm on board; all the features that are required in it.

I think it is very powerful, because we are not going to just trust a piece of paper, we are going on board to ascertain that they are practicing security. We are going to do it to every vessel, and we are going to do it annually for every vessel, and we are going to do also about 20 percent in between, depending on our risk assessment, threat assessment, and so forth.

And the other part of this is we are going to keep very rigorous, complete, comprehensive records of all the vessels and how they are tending to these security requirements; and we are going to have a performance record and we are going to rate and we are going to evaluate, and we are going to share that around the world, and we are going to hold vessels accountable to that.

Mr. DEFAZIO. If you find that vessels, in particular, you develop patterns, like we have had a watch list before, if you find a pattern of noncompliance with one particular registry, will you then require some enhanced monitoring of that?

Admiral COLLINS. Absolutely. Up to and including denying entry. I mean, we can detail, we can deny entry, we can require certain actions to be taken before the vessel departs or comes in port; and we are going to do that very, very aggressively. And I think we have achieved some success on the safety end of the business. If you look between 1995 and 2000, 2001, we reduced the number of substandard ships, from a safety perspective, coming into our Country by over 65 percent because of our strong ports-bay control inspection apparatus. I think we have the strongest ports-bay control approach of any nation on the planet, and we are going to be even ratcheted up for security. We are training over 500 of our inspectors in facility inspection and vessel security inspection right now, well before the code goes into effect. We have got a very strong curricula developed in a program performance, human performance time of training program that is developed down in Yorktown, putting our folks through it. My chief of staff just came back the other day from it; he said it is a terrific program.

So I just want to assure you that we do not take this lightly; we take it very, very seriously, and we have been and will be very aggressive over the ports-bay control.

Mr. DEFAZIO. Thank you, Admiral.

Master Chief, I share the concerns of my colleague, Mr. Coble, and I would just like to be included in the response you provide to him because housing, in particular, in my district has been a very difficult problem, and the way you assess housing allowances has been very problematic, and I would like to know what progress we have made there.

And one very last quick observation, Mr. Chairman.

To Chairman Blust, I am concerned at the approach the Administration has chosen with Cosco. Cosco is an agent of a communist government. Cosco does not fairly compete or attribute cost, and even though we aren't controlling a great deal of their structure at this point to wave basically any control over their cost structure, in order to get them to comply with international law, in order to get them to allow U.S. ships what is supposed to already be regular and non-harassed entry into their ports, it puzzles not just the Republican administrations, the Clinton administration was a doormat for China too, but I just would like to know when we are going to stop being a doormat for the communist Chinese. We should have, instead of giving them these new concessions, said, guess what, you have got these requirements on all these U.S. ships coming into your country. We are going to have exactly the same requirements on your ships coming into the United States of America. How long do you think they would have kept it up, since their ships are full? They wouldn't have kept it up very long. I am concerned that we are conceding to them to get them to comply with law and to treat us justly, as opposed to retaliating against them and sending them a message that we aren't a doormat.

Mr. BLUST. Thank you, Congressman, for your comments. On the 8th of December there was a bilateral agreement that was signed between the U.S. Government and the Chinese government, by Secretary Mineta on the U.S. side, and Minister Jong on the Chinese side, which, from what we can tell, addressed the concerns that the industry raised with us over the last four years, concerning equal access to services, being able to provide services in China, having fairness in the ability to do business in their marketplace.

And so we have been watching it very closely, and it appears that virtually all of their concerns have been adequately addressed through this bilateral agreement, and the feedback we are getting from the carriers is that the Chinese government is moving forward on certain approvals of their applications.

Mr. DEFAZIO. Well, it is amazing, but my wheat farmers are still waiting for Oregon wheat to get into China after the permanent MFN two years ago. They came in a year later and said, you know, you were right, we are never getting into that country. The Chinese are very good at playing this waiting game, and then it will happen, oh it was just this one port that was doing it. Well, we don't really control the individual ports, the ports are really not controlled by the central government; you will have to go back and negotiate with that port. So we are always waiting and we are always on the cusp of these breakthroughs, and they never happen, and yet we give them, up front, this concession for their carrier.

And just one last point. In a recent conversation I had with an economist on my concern about U.S. jobs fleeing to China, I said, well, at least we have the auto industry. He said, oh, no. We are

building state-of-the-art auto plants in China. I said, yes, but the cost factors; bringing those cars over here, that can't be cost-effective. He said, oh, don't you realize they don't have any cost to bring the cars over here because the communist government owns the shipping line. And so now we are going to basically remove any oversight or regulation of the tariffs charged by the government-controlled shipping line to further undermine, and with the fact that a few of our pathetic shippers are saying, oh, well, maybe now we are going to get in there, maybe.

I am sorry, but I have heard it all before, and will be hearing it again next year, I am sure, on this or similar new artifices that these people create. Sooner or later we have got to stand up to them; and if we don't stand up to them sooner, later we are not going to be able to.

Mr. LOBIONDO. Mr. Hoekstra.

Mr. HOEKSTRA. Thank you. I will say amen to that.

I just wanted to say thanks. Since 9/11, the concern in the Great Lakes area was that the focus of the Coast Guard would shift to the ocean coasts, and we expressed that concern after 9/11, and I really do believe that the Coast Guard has kept up its end of the bargain. When you said now we recognize the importance of the Great Lakes, the freshwater supply, the international shipping, the safety issues, the nuclear power plants, and the broad array of functions that you provide on the Great Lakes, and, as far as I can tell, you have kept your commitment to the Great Lakes and kept the presence and the services there that we value very highly. I just wanted to express my appreciation for the effort that you have had under continuing difficult budgetary times to make sure you keep that balance in place.

Admiral COLLINS. Thank you, sir, for that comment. It must have been the hospitality that was shown at Grand Haven last summer. When you get that kind of hospitality, you certainly have to make sure you continue your presence. It is a great place.

Mr. HOEKSTRA. Whatever it is, if it is something we have done, we will keep doing it. But, you have been there, so you know how well the Coast Guard is appreciated and supported, not only in West Michigan, but throughout the Great Lakes. And so thank you for keeping that balance.

The port security effort that you have been doing on the Great Lakes, I met with some of your folks a couple of months ago, and it seemed to be fairly flexible. What is the status of certifying the various facilities around the Great Lakes that they have adequate security plans in place in regards to what your criteria might be?

Admiral COLLINS. As you know, the NTSA and our regulation that we promulgated last November requires a hierarchy of plans, assessments and plans for the nations going from vessels to facilities to a port plan itself, and a national plan; and all that effort is ongoing as we speak. There is smoke coming out of my headquarters in terms of folks working very, very hard on that. We have received, for instance, of all the vessel plans in the Nation, and there is about 9,000 of them, about 99 percent have been received; and facility plans over 90 percent as well. And we are in the process of reviewing those. This is sort of a stage 1 review, stage 2 review, and so forth, where we look first for completeness,

they have got it in the right format, they have got all the information there; then we do a content review. And that is all playing out, and with give and take with the respective facilities and the vessels.

In some cases we allow alternative security plans. In other words, if they have a unique circumstance or they already have got a security plan in, we are just interested in performance. It is a performance-based regulation and we said these are the kind of features the plan or security regime has to have in a particular facility or vessel, and if you could meet them some other way, we will accept that after review. Those are all playing out, and hopefully within the next month or so we will have most of those locked in.

Mr. HOEKSTRA. And I think that is accurate, the process that you have described, that allows for flexibility, that it hasn't become a bureaucratic exercise. And, again, I think folks really appreciate the focus on performance and not the requirements of making sure you check every box on a form.

There were some pretty strict penalties or fines that could be imposed for noncompliance or being late. Do you have any idea the number of fines?

Admiral COLLINS. They can be fined up to \$25,000 civil penalty for not submitting. And, of course, they were supposed to submit at the beginning of the calendar year. On the stats that I have for vessel security plan review, 9,000 required, had received 8,887, or 99 percent, and there are only 89 notices of violations that have gone out. In terms of facility security plan review, around 3500 plans that the rule is applicable to, we have received 92 percent of those total plans, and we have issued 63 notices of violations, and are aggressively discussing with all those that have not yet submitted.

So there are some notices of violations that have in fact gone out, but that is a pretty good rate. We want 100, and we are going to get 100, but I think at this point in time that is not bad, where we are, in terms of the total compliance.

Mr. HOEKSTRA. 99 and 92 percent is not bad. Congratulations. Thank you very much.

Admiral COLLINS. Thank you, sir.

Mr. LOBIONDO. Thank you, Mr. Oberstar. We are very honored and pleased you have joined us today.

Mr. OBERSTAR. Thank you, Mr. Chairman. It is always interesting to participate in the Coast Guard reauthorization hearing. Glad to have the Coast Guard here and the Federal Maritime Commission.

Let me start with FMC, although I have a different view from that of Mr. DeFazio on the U.S.-China trade. For the first time in the history of my district, we are selling something to China. The iron ore mining industry in Minnesota has suffered from the decline in the steel industry from foreign produced steel that displaces American steel, and when they aren't melting steel, they are not using taconite, the ore from Northern Minnesota or Upper Peninsula Michigan.

But China's steel industry is now the world's largest, it is producing 200 million tons of steel, all for internal consumption, and there is a shortage of iron ore at reasonable prices in the world

marketplace, and last summer Lei Woo Steel of China contacted a company that had been put into bankruptcy because ore from Brazil, produced under a World Bank loan approved in 1982 by the then Reagan administration, over my very vigorous objections, now is coming in to Middletown, Ohio. That steel company, AK, stopped taking pellets from Minnesota. Our taconite plant shut down, 450 people laid off. Four hundred twenty people are working today because we were able to successfully negotiate shipment of iron ore to China for that steel mill.

So I have a renewed appreciation for U.S.-China trade. I have mostly spent time on that trade on aviation, but also in January 1999, at the request of the State Department, I went to Beijing to meet with the aviation minister and the maritime minister, Vice Minister Hong, on the maritime agreement, which was signed, as you noted, in December last. I was there at DOT for that signing. And I think this marks a very important step in our relationship.

And while there are some irritations, there are irritations on the Chinese side. For example, I had extraordinary difficulty. I had to get up, and one of my staff, at 2 in the morning for three days running to get in touch with our counselor offices in Hong Kong to work out a visa for the appropriate official of the Chinese steel company to come to the United States to conclude this agreement. Our homeland security is so zealously protective that they are making it virtually impossible for Chinese to get visas to come into the U.S., which is a great impediment, and our aviation trade agreement, which is now under discussion as we speak here in Washington at the State Department.

So the maritime agreement, however, does not go into effect until FMC issues an exemption for Costco to file rates three days in advance instead of 30 days in advance, as is now. When do you anticipate being able to issue those exemptions?

Mr. BLUST. Congressman, we have asked the industry for comments on the petitions. We have received comments back in January, at the end of January, I guess it was, or middle of February, actually, including comments from two of the U.S. carriers who are operating in the trade who did not have any objections to the petitions moving forward. Our anticipation is that we will be considering those petitions probably within the next 30 days, either this month, if we can arrange it, probably at the latest in April. But it is something that we are moving along on quickly, and all the comments we got back were in support, which is good. So we are ready to start moving forward. And the progress that has been made in the trade, as far as opening it up to the U.S. carriers, has been substantial, and it appears that it will continue to move forward. So I can't speak on behalf of fellow commissioners, but from everything I have seen and the information we have received back, things look very positive to move forward.

Mr. OBERSTAR. Thank you. I appreciate that. Setting the stage for that was our Ocean Shipping Reform Act of several years ago, which was a very intensely negotiated matter not only within our Committee, but between our Committee and the counterparts in the other body; and I think it is a significant move forward.

I see the bells have rung for a vote.

Thank you, Commandant, for your report on the state of the Coast Guard. And while my colleague, Mr. Coble, worries about whether the American public understands the role of the Coast Guard, all they have to do is tune in to the Weather Channel. Every week there is a report on a Coast Guard rescue on the Weather Channel's report on storm stories. So they are doing a great job of advertising your wonderful services to the American public in search and rescue.

Admiral COLLINS. We have plenty of material.

Mr. OBERSTAR. Yes, you sure do.

I want to compliment the 8th District. I had the wonderful opportunity to tour the facilities, meet with the men and women, observe the operations, and see the future of the Coast Guard. This is how technology can be brought to bear on the needs of the problems and the urgencies. These are the initiatives that you take in vessel tracking systems to satellite guidance to monitoring to 26 States that are under the jurisdiction. I was astonished. But you have got a great crew, great team, high morale and high degree of pride, and it was a great experience to participate with them in a full day of observance.

Admiral COLLINS. Thank you, sir.

Mr. OBERSTAR. I have two concerns. It is good to see this budget coming up, and I hope, Mr. Chairman, we not only pass a Coast Guard authorization bill, but that the other body gets it done, and that we a bill through to enactment.

But I have two issues. One is from the time that I came to Congress in 1975, Coast Guard personnel was 39,000. It is about 40,000 today, but the ratio of officers to enlisted is going up; there are more officers than enlisted personnel. And I am wondering who is actually operating the systems. I know that technology, as I have seen it, is an automation replacing the enlisted personnel, but someone at the end has got to operate the equipment. How are you doing this?

Admiral COLLINS. Sir, we are growing. That is the good news.

[The information received follows:]

The Officer to Enlisted ratio since 1975 (with and without Chief Warrant Officers included in the officer number) shows steady decline from 1:5.33 in 1975 to a low of 1:3.82 in 1996, then a slow, steady growth through 2003 to 1:4.11. At the end of FY04, this ratio is projected to drop slightly to 1:4.03, and then begin a slow climb in FY06.

U.S. COAST GUARD END OF FISCAL YEAR STRENGTH ACTIVE DUTY MILITARY PERSONNEL						
FY	OFFICER	WARRANT	ENLISTED	TOTAL	O:E no CWO	Off:Enl
FY75	4,401	1,229	29,981	35,611	1 : 6.81	1 : 5.33
FY76	4,396	1,257	31,182	36,835	1 : 7.09	1 : 5.52
FY77	4,576	1,288	31,409	37,273	1 : 6.86	1 : 5.36
FY78	4,758	1,355	30,632	36,745	1 : 6.44	1 : 5.01
FY79	4,888	1,428	31,522	37,838	1 : 6.45	1 : 4.99
FY80	4,999	1,466	31,761	38,226	1 : 6.35	1 : 4.91
FY81	5,055	1,469	32,280	38,804	1 : 6.39	1 : 4.95
FY82	4,949	1,441	30,987	37,377	1 : 6.26	1 : 4.85
FY83	5,075	1,458	32,323	38,856	1 : 6.37	1 : 4.95
FY84	5,177	1,460	31,172	37,809	1 : 6.02	1 : 4.7
FY85	5,139	1,445	31,146	37,730	1 : 6.06	1 : 4.73
FY86	4,965	1,440	30,163	36,568	1 : 6.08	1 : 4.71
FY87	5,006	1,430	31,235	37,671	1 : 6.24	1 : 4.85
FY88	4,988	1,380	30,306	36,674	1 : 6.08	1 : 4.76
FY89	5,062	1,391	29,972	36,425	1 : 5.92	1 : 4.64
FY90	5,254	1,459	29,136	35,849	1 : 5.55	1 : 4.34
FY91	5,599	1,496	30,285	37,380	1 : 5.41	1 : 4.27
FY92	5,807	1,541	30,918	38,266	1 : 5.32	1 : 4.21
FY93	5,910	1,561	30,699	38,170	1 : 5.19	1 : 4.11
FY94	5,849	1,552	29,002	36,403	1 : 4.96	1 : 3.92
FY95	5,757	1,538	28,401	35,696	1 : 4.93	1 : 3.89
FY96	5,623	1,483	27,129	34,235	1 : 4.82	1 : 3.82
FY97	5,478	1,461	26,945	33,884	1 : 4.92	1 : 3.88
FY98	5,490	1,472	27,363	34,325	1 : 4.98	1 : 3.93
FY99	5,509	1,433	27,593	34,535	1 : 5.01	1 : 3.97
FY00	5,589	1,450	27,964	35,003	1 : 5.00	1 : 3.97
FY01	5,594	1,439	28,046	35,079	1 : 5.01	1 : 3.99
FY02	5,803	1,474	29,767	37,044	1 : 5.13	1 : 4.09
FY03	6,013	1,478	30,784	38,275	1 : 5.12	1 : 4.11
FY04*	6,160	1,510	30,920	38,590	1 : 5.02	1 : 4.03
FY05*	6,330	1,530	31,650	39,510	1 : 5.00	1 : 4.03
FY06*	6,450	1,550	32,450	40,450	1 : 5.03	1 : 4.06

* projected

The Coast Guard bases the establishment or deletion of military (and civilian) billets on work requirements that, for all intents and purposes, makes our officer to enlisted ratio a reflection of our world of work. One good example is our recent establishment of over 100 new officer and 600 new enlisted billets to manage and enforce the recent MTSA requirements. These billets alone represented nearly 50% of the Coast Guard's officer growth but only 36% of the enlisted growth in FY04.

Although we are an armed service, because of the unique missions of the Coast Guard, comparing our officer to enlisted ratios to our sister DoD services is untelling. In fact, the ratios amongst the individual DoD services vary widely.

ACTIVE DUTY OFFICER / ENLISTED RATIOS – FY 2003
WITHIN ALL MILITARY SERVICES

Service	Including CWOs	Without CWOs
Army	1 : 5.2	1 : 6.1
Navy	1 : 5.9	1 : 6.1
Marine Corps	1 : 8.5	1 : 9.5
Air Force	See Note	1 : 4.0
Coast Guard	1 : 4.1	1 : 5.1

Note: The Air Force does not employ Chief Warrant Officers (CWOs).

The organizational structure of our service also affects our officer to enlisted ratio. Unlike the DoD services, the Coast Guard is a service of many small units/commands dispersed about the world, which in and of itself demands an increase in the number of command cadre positions (i.e., total command cadre requirements are different for 5 units of 20 personnel each vice 1 unit of 100 personnel).

Mr. LOBIONDO. Excuse me. If I could interrupt, Mr. Oberstar, for just a minute with the commandant. We are at the 10-minute mark, so the bells are going to go again. I know some members have expressed they don't like to cut it down too short, so if it is a relatively short answer, we can proceed, or I am happy to recess and reconvene. We have three votes.

Mr. OBERSTAR. Well, I have one other question.

You can submit that for the record.

I have one observation, and that is on pilotage on the Great Lakes. It is becoming increasingly frustrating for the pilots on the Great Lakes not to get their rate-making completed through to issuance of final regulations. They are two years behind in being paid an adequate fare. They are the lowest paid pilots of any piloted system in the United States. They have the longest system, the longest mileage, huge responsibilities, greater difference of conditions in which to operate than any other port range in the United States, and they are two years behind. The interim rate that was issued last December, after a lot of prodding on my part, still hasn't been put into effect. When do you expect to get this done, and why is it taking so damn long?

Admiral COLLINS. It is my understanding it was put into effect in January, 5 percent adjustment. I will check that.

Mr. OBERSTAR. No, it doesn't take effect until the shipping season begins. There was still time in the tail end of the shipping season, but it doesn't go into effect until the next shipping season, which isn't until April.

Admiral COLLINS. Well, again, it will apply at the first opportunity that has been determined. And we are moving out as quickly as we can, Congressman, to do it right. It depends what set of glasses are on, how you view this issue, and there are a lot of different stands.

Mr. OBERSTAR. I know, I read the documentation. FedNav is the largest shipper in the Lakes. They have tripled their rates, tripled their charges to their shipping companies, but they are holding down and doing their damndest to hold down the rates for the men that guide those ships through those treacherous channels and in those port areas, and I think it is only fair that we get this thing settled.

Admiral COLLINS. I agree, sir. It is a high priority for us to move out on, get a good system, get a good rate, get a fair rate for those folks that do a terrific job everyday, and we are going to do just that.

Mr. OBERSTAR. Thank you.

Mr. LOBIONDO. We are at the seven minute mark. We are going to recess, and we will return after the three votes.

[Recess.]

Mr. LOBIONDO. Thank you for your indulgence. I can pretty much assure you we won't be interrupted by votes again today.

Mr. SIMMONS, you are up.

Mr. SIMMONS. Thank you, Mr. Chairman. And first, Mr. Chairman, let me echo your comments about Deepwater and the issue of modest acceleration. When we were brief on Deepwater a couple of years ago, there was very much a sense that this was a project that was tight and difficult to do, and going to be a challenge. But

if we are modest in our acceleration and modest in our implementation, we are going to be in deep water, and we don't want that. We don't want that for the Coast Guard; we don't want it for the Country. So, Mr. Chairman, thank you for your leadership on that point.

I have a couple of questions. I will try to be brief because I know people have been waiting.

In reviewing the budget in brief and in viewing the appropriation comparison, I noticed that research and development was zeroed out. Since that time, a couple of weeks, when I first noticed that, I have been told that the R&D budget for the Coast Guard has been moved into Homeland Security, and I have two questions on that issue. One, it seems to me that when we voted to move the Coast Guard into Homeland Security, we voted to move it intact. I think Section 888 says intact. And yet this seems to me to be the first instance of an important facility and activity of the Coast Guard now moving out of the Coast Guard and moving somewhere else.

So my question is, is this a violation of Section 888? How can we guarantee that the Coast Guard gets full benefit of its research and development? How is this going to affect the move of the facility from Avery Point, let us say, over to the Fort Trumble site, which has been under consideration now for a year? And does this violate our understandings of a year or so ago?

And I have two other questions, if I could, Mr. Chairman.

Admiral COLLINS. From the Department's view, it does, and, of course, we are trying to comply also with the directions in the 2004 appropriation conference report that directed the Department to consolidate the R&D funding in one pot. So in one hand we are getting direction through the conference report to do this and trying to comply to this as a Department.

The other thing, of course, is the Department is trying to conduct all the science and technology initiatives, and integrate it in an efficient way. This will help do that. What is key here is the operation. The location of the R&D center in Southeastern Connecticut is not at question, and the operation of it under Coast Guard control is not in question. What we are talking about is an accounting issue and a consolidation of the funding source.

Our discussions with the Under Secretary for Science and Technology, they have committed to the basic overhead expenses of the R&D center, some \$13.5 million. And that is the other advantage, I think, they do have a larger pot of money. Our R&D appropriation, as you well know, Congressman, has been constrained, and we have fought for every nickel in that over the years; it has been very, very constrained. And this allows access to an account, if you will, to compete for science and technology dollars. So we have got commitments are for \$13.5 million to cover overhead salaries, and administration and so forth, lights and water, and we have got \$5 million committed for non-homeland security projects as an enduring feature, and then compete for the homeland security type related projects with the rest of the Department. And I think we do have a lot of very attractive and priority projects, so I think we will do very well.

The proof will be in the pudding, however, and this will play out over time, but I think the intent going in is to comply with the spirit and intent of Congress vis-a-vis the 2004 budget, and to run the whole science and technology efforts within the Department in a coordinated, collaborative way. And I can tell you there is no better person than Under Secretary Chuck McCrury to work with; he is the head of the under secretary for science and technology, a terrific guy, very collaborative, understands this issue, and is very supportive.

So at this juncture I don't have a lot of apprehension about it. I think, again, proof is in the pudding and we will see as it plays out, but I think it is going in the right direction with the best intentions of everyone concerned and, again, in a very collaborative way.

Mr. SIMMONS. Thank you, Admiral. There is a saying that if you take the king's shilling, you do the king's willing, and my concern is that Captain Dutch and his team may be in your chain of command, but if the money is coming from another source, that may create a conflict for him. So I guess I would caution on that, and this is something for the subcommittee to review.

Two other questions, if I could, Mr. Chairman, with your permission.

The first question, again, is to the Admiral, and the second would be to the Commissioner.

With regard to operations and maintenance, in the past I think the Coast Guard has assumed responsibility for a lot of its operations and maintenance. Is that a centralized function or decentralized? Have you looked at private contracting for some of that? Are there efficiencies that could be gained from that? And how do you standardize your equipment from the standpoint of maintenance of vehicles, your boats and vessels, I should say?

Admiral COLLINS. We have a centralized integrated logistics systems for aviation parts and maintenance; we have a facility down in Elizabeth City, North Carolina with our depot level maintenance for all our aircraft. Some portions of our aircraft are maintained on a commercial contract or some subsystems. Again, we maintain a parts inventory.

The same thing on the ships. Out in Curtis Bay, Maryland there is a logistics center there that maintains the inventory for our parts and our systems, and in each of our east coast, west coast, land area, pack area, we have a maintenance and logistics command that oversees the maintenance of our vessels and our boats based on standards of so many availability at such intervals, do the underwater maintenance at such intervals, all those things that are maintained and orchestrated by in-house naval engineering establishment on both coasts.

Mr. SIMMONS. And those are in-house, not contracted out.

Admiral COLLINS. The management, the administration, the scheduling of maintenance, that is all done in-house. The ship level shipyard work, dry-docking and those kind of things, are done at Curtis Bay, but the vast percentage, just given the dispersion of our assets around the Country, are done in commercial shipyards when they need to be hauled out and need to have bottom work. The actual work being done is done largely commercially.

Mr. SIMMONS. I thank you.

Now to the commissioner. And I see he has got his ever-watchful attorney present, so that is very good.

I sent a letter over to the Commission last year, following a discussion I had with United Postal Service, which is UPS, which is a big player in my district, requesting or inquiring about the exemption from the prohibition on non-vessel-operating common carriers, and they had a concern that they wanted to bring certain regulations up to date to better facilitate their business. I know that letter has been sitting over there for a while, and I wondered when I might get an answer to that question and get some feedback on that issue.

Mr. BLUST. Thank you, Congressman. Back in July of last year, UPS sent a petition to us requesting relief from or the possibility of exemption from certain regulation that we have in place that are based upon the 1984 Shipping Act and the requirements of non-vessel operators to publish tariffs and not have the ability to partake in offering service contracts to their customers. Non-vessel operators can negotiate service contracts with vessel operators as a shipper, and vessel operators can negotiate directly with shippers, but non-vessel operators currently are not able to negotiate service contracts with their shipper customers.

So UPS presented a petition last year. We asked the industry for comments. We received, in addition to comments, four more petitions, three from other non-vessel operators, some similar in stature to UPS, others in a similar fashion, not necessarily the same breadth and scope that they are; plus the organization, the National Freight Forwarders and Customs Workers Association that represents a segment of the industry asking for similar relief in a variety of different fashions.

We asked for additional comments. We actually opened up to have individual meetings or individual oral presentations by the different groups. In January of this year we received more requests for exemptions from some other NVOs in the industry, and the last comment period just closed the middle of February. This is a very, very high priority item for us. One of the initial areas of consideration was that the UPS petition on its own, from one individual company, was one thing, but whatever we decided to do could have a possible impact through the rest of the industry. And from what we have seen, our concerns initially of that happening are very true. We can't operate in isolation in this industry, so what we have tried to do is gather as much information, try to make the best informed decision in several areas.

One, there are legal issues involved, there are a couple of them. There is the actual determination whether we actually can grant relief from the provisions under the law under which we operate. Others, whether the specific rejection by Congress in 1998 precludes the Commission from granting the relief sought; and also whether the original justification for the distinguishing between vessel operators and non-vessel operators is still valid. In addition, we have policy considerations, the economic consequences, the impact on the industry; and then, finally, a security issue. One of the things that I think we need to be concerned about is the impact

on supply chain transparency, or the improving of supply chain transparency.

So rather than it just being a one-company issue, sir, it becomes really an industry issue, and our approach has been to try to gather as much information, make the best possible determination for today and into the future, because it will have a long-term impact whichever way we recommend going forward with it.

Mr. SIMMONS. Thank you, Mr. Chairman.

Let me just say, Mr. Commissioner, that you have got a front-row seat of very talented, capable, dedicated public servants behind you there. I am sure that you can come up with a solution for this, and that if it is a good decision, and I think you have the authority to make the decision, if it is a good one, it is good for everybody. And so I would look forward to seeing how that works out, and I will continue to keep an eye on your progress.

Mr. BLUST. Thank you, sir.

Mr. SIMMONS. Thank you.

And thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Chairman, a quick follow-up. I would just like to know what the Commission's timetable is for addressing the pending petitions.

Mr. BLUST. Well, Mr. Chairman, we continue to work on it in a high priority manner. I would hope that we could bring this to a conclusion later in the year. We are continuing to analyze the comments that came in. We should have something back not too far in the future, and then have to go through the following steps.

Ms. Larson just confirmed that the initial phase of evaluation is pretty well complete, and that should be presented to us pretty soon, depending upon which way we see we need to go will then determine the later steps, whether it turns on to an actual rule-making, which then requires certain given timetables to do that, or other approaches. But you have our commitment that we are going to act on this as quickly as we can.

Mr. LOBIONDO. Thank you. I share many of the concerns Mr. Simmons expressed, and I am concerned about the timetable as well. But I thank you.

Ms. Millender-McDonald?

Ms. MILLENDER-MCDONALD. Thank you, Mr. Chairman. And let me thank you and the ranking member for convening and holding this very important hearing.

And I guess I join the other members in thanking both the Coast Guard and the Federal Maritime Commission for being here today.

We do recognize that the Coast Guard has a task now that is far beyond the tasks that you have done through the years, given the 9/11, and more and more you have a responsibility, both the Coast Guard and Maritime Commission, to look over the security of the ports. I wanted to ask Admiral Collins. You said that you are training 500 inspectors. Is this a training or retraining of inspectors that are already there?

Admiral COLLINS. This is a combination. There are some that are already safety inspectors and have been involved in the ports-bay control program and the marine safety officers around the Country, and this is to get them up to speed and sharp on the security dimensions of the inspection function. And then there are additional

individuals that will be brought on board. Some are reservists, by the way, that we have mobilized to help us, sort of a pig and the snake problem. We have got this massive submittal of plans that have been reviewed and approved. That is one issue. And then clearly we want to, as we mentioned earlier, in terms of the ports-bay control effective 1 July, and even before we are going to do some preliminary inspections, sort of non-binding security visits with foreign vessels that come in. But 1 July they become binding, and we have to be at the ready to do that, and we are going to inspect everyone for security.

So there is this surge workload that we have to work through, and the reservists have helped us. So a combination. I can get back to you with the exact split, but a combination of both some new and some existing. And then we will have a steady State number that will help us administer this program over time.

Ms. MILLENDER-MCDONALD. And I am concerned as to whether or not the training would require more advanced technology. Are they being trained for that, given that we are looking at more advanced technology in terms of the ships coming through the ports?

Admiral COLLINS. Part of our previous budgets have supported, and the current one supports, detection devices and the development of detection equipment for our boarding teams, which will include these inspectors, in addition to our maritime safety and security teams, 13 that have been funded through the 2004 budget and before, not all in place, there are 8 in place. But those teams are being equipped with full range of detection equipment when they go on board, do their offshore boardings or boardings in port. Incidentally, they also have canine teams that we are developing for explosives and drug detection. We have graduated our first couple of canine teams. The good news is all the Coast Guard folks did graduate; some of the dogs didn't. Some of them flunked and we have got to recycle them.

We are worried about what is the capability, the range of portfolio capabilities that we have to embed in our various units and teams to do the job, and we are about it very, very earnestly to do it as quickly as we can, and all those things are being considered.

Ms. MILLENDER-MCDONALD. Well, let me commend you and the Coast Guard, because in spite of the work that you were doing prior to 9/11, you have stepped up to the plate, and I am very appreciative to the work that is being done in the largest port complex, which are the ports of Los Angeles and Long Beach.

As I highlight the Administration's port security proposal, and we really applaud the President for the first time putting a line item of \$46 million for port security, I go back to the Coast Guard seaport security that states that there should be an investment of \$1.125 billion in the first year and \$5.45 billion over 10 years to adequately protect our ports. Everyday we are getting alarming information about issues and possible biological and chemical weapons coming through the ports, and I couldn't agree with you more that though we commend the Administration for putting into place port security line item budget, we find that the Senate is even talking about \$300 million. Is there any way that I can go with you to the White House and see whether we can talk with the President about this issue that is extremely critical?

Admiral COLLINS. Well, the numbers that were used, \$1.1 billion in one year and the over \$5 billion over 10 years, that was as we developed our regulation, and as part of that regulatory process you have to do a cost-benefit economic impact assessment associated with the regulation. It was our estimate based upon our analysis and input from industry, because we had a give and take with industry on this issue. But that was our estimate of the impact on industry of the new regulation.

Now, the question of who funds that is separate. Where does the funding come, whether private sector or public sector combined approach to addressing those substantial numbers, that is still to play out. To date, over \$500 million has been allocated in grants, clearly thanks to the support of Congress, who have appropriated that money. Over \$500 million have been disbursed. The last chunk of that will be awarded this spring in the last round of grants of funds already appropriated. And then as you noted, there is \$46 million designated within the overall \$3.5 billion grant pot that is within the Department of Homeland Security's 2005 budget.

So \$46 million is earmarked, and, in addition, ports can also compete for a good portion of the balance of that \$3.5 billion. So the good news is that the ports are not restricted to that 46, they can make application now to ODP, who the grant process is being centralized in ODP. But they can make application for money beyond \$46 million.

Ms. MILLENDER-McDONALD. Well, we understand that, because the ports of Los Angeles and Long Beach did go through that Operation Safe Commerce program that I suppose you are referring to. But we still, given the \$1.125 billion that has been projected, vis-a-vis whether it is for regulatory types of programs or whatever, it seems to me like as we look at and talk to the industry and talk to those who are to guard the ports, it seems like \$800 million per year would be an adequate projections of the needs for the port to really secure themselves.

Admiral COLLINS. This clearly is a major policy issue, a public policy issue that has got to go through the public policy machinery in terms of given the economic impact to industry of this, is it the Federal Government's responsibility to underwrite these costs? Is it the private sector's responsibility to underwrite these costs? And I think Secretary Ridge has testified that security is a shared responsibility, and I think he has also testified that the financing of security is a shared responsibility between the public, private, State, local, and Federal. And already the Federal Government is underwriting a great deal of this security in the name of underwriting the United States Coast Guard, for example, which almost 50 percent of our budget is directly related to homeland security mission; or underwriting U.S. Customs and their technology initiatives; underwriting our increased presence in the ports through patrol boats and more harper patrol boats and so forth.

So it is really, when you come down to it, what is the public policy going to be on this issue in terms of the financial responsibility for underwriting these costs.

Ms. MILLENDER-McDONALD. And it certainly seems to me like perhaps Homeland Security should also be a part and parcel of pro-

viding some of the costs that will be incurred in the protection of ports.

Admiral COLLINS. Sure. Of course, the Department has been in existence just over a year; we had a birthday the other day, and the Department has already allocated \$8 billion in grants. Eight billion in the first year. I think that is pretty substantial. And, of course, it has \$3.5 billion in the 2005 budget. So the Federal Government, both in direct cost of running its security agencies and in a fairly robust grant program, is stepping up to the plate to do its best to enhance the security of the Nation.

Ms. MILLENDER-McDONALD. So can I speak with you at a later time to discuss how we bring all of these components together to try to really get to the issue of securing our ports? And can I ask for a copy of the bilateral agreement between the U.S. and China with reference to the area that Mr. DeFazio talked about?

Admiral COLLINS. Yes, ma'am.

Ms. MILLENDER-McDONALD. Thank you, Mr. Chairman.

Mr. LOBIONDO. OK. Thank you very much. Thanks to our panel. We appreciate your indulgence today.

The hearing is adjourned.

[Whereupon, at 1:20 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
800 NORTH CAPITOL ST., N.W.
WASHINGTON, D.C. 20573
(202) 523-5911
BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 4, 2004

Mr. Chairman and members of the Subcommittee, it is a pleasure to appear before you today to present the President's fiscal year 2005 budget for the Federal Maritime Commission. With me today are Amy W. Larson, the Commission's General Counsel, and Bruce A. Dombrowski, our Executive Director.

The President's budget for the Commission provides for \$19,496,000 for fiscal year 2005. This represents an increase of \$1,134,000 over our fiscal year 2004 appropriation. This budget provides for 135 workyears of employment.

Our fiscal year 2005 budget request contains \$14,397,000 for salaries and benefits to support the Commission's programs. This is an increase of \$711,000 over our fiscal year 2004 appropriation. This includes all salaries, including those for the employees hired in fiscal year 2004; promotions, within-grade increases, and an anticipated cost of living adjustment. The funding includes annualization of the fiscal year 2004 cost of living adjustment increase at the 4.1 percent level. Further, it does not contain funding for any additional positions; it only will fund positions anticipated to be on board at the beginning of fiscal year 2005.

Official travel has been increased \$16,000 from our fiscal year 2004 level. This increase takes into consideration the rise in travel costs for airfare and per diem increases, and our intention to continue to offer informational seminars throughout the country to explain regulatory requirements and enhance statutory compliance. 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 \$407,000 over fiscal year 2004. The Commission is planning for an increase in rent as a result of a new long-term lease for Commission space, as well as an increase to fund Homeland Security charges per GSA.

Other administrative expenses will be incurred in fiscal year 2005 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 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.

In response to a directive in the Consolidated Appropriations Act of 2004, I will be providing the House and Senate Committees on Appropriations with a report summarizing the Commission's current information technology improvement initiatives and long-term technology improvement plan. I will provide you with a copy of the report as well. In brief, the report identifies basic, critical infrastructure improvements necessary in the near term to increase the stability, security and responsiveness of the agency's IT resources, as well as agency-wide program initiatives to improve planning and comply with government-wide IT initiatives in the longer term.

As you know, Mr. Chairman, the Commission is responsible for the regulation of oceanborne transportation in the foreign commerce of the United States. Since its inception in 1916, the Commission and its predecessor agencies have effectively administered Congress's 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.

The Commission continues to address restrictive or unfair foreign shipping practices under section 19 of the Merchant Marine Act, 1920; 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.

The Commission is currently involved in several proceedings related to shipping conditions in China. As we advised this Committee previously, the Commission had initiated a proceeding, Docket 98-14, *Shipping Restrictions, Requirements and Practices of the People's Republic of China*, to investigate whether the laws, rules or policies of the Government of the People's Republic of China might have an adverse impact on U.S. shipping and warrant action under section 19 or the FSPA. Responses to the Commission's inquiries in this proceeding over the past 5 years have indicated that Chinese laws and regulations might discriminate against and disadvantage U.S. carriers and other non-Chinese shipping lines with regard to a variety of maritime-related services.

I am pleased to report that since I was last here, a bilateral maritime agreement was signed by Secretary of Transportation Norman Y. Mineta and his counterpart, the Chinese Minister of Communications, on December 8, 2003. The Commission is hopeful that many of the issues addressed in our pending proceeding have been resolved in that agreement, including issues affecting vessel operators, NVOCCs, and other industry interests.

The Commission is also considering the petitions of three Chinese controlled carriers for relief from the 30-day waiting requirement for reduction of tariff rates of the Controlled Carrier Act (Petition Nos. P3-99, P4-03 and P6-03). As part of its deliberations, the Commission considered letters from the U.S. Maritime Administrator and the Under Secretary of State for Business, Economics and Agricultural Affairs that discuss commitments made in the bilateral Maritime Agreement between the United States and China. The Administrator and Under Secretary urged the Commission to favorably consider the Petitions. The Commission will schedule a meeting to discuss the Petitions and comments in the near future.

In order to implement concessions for NVOCCs offered by the Chinese in the recent U.S.-China talks, the Commission has issued a Notice of Proposed Rulemaking. These new rules would allow licensed NVOCCs, at their option, to file proof of additional financial responsibility as an alternative to meet China's requirements for deposit of at least \$96,000 in a Chinese bank. I am hopeful that these proposals will ease the burdens for NVOCCs doing business in China.

The Shipping Act permits ocean common carriers to enter into a service contract with one or more shippers. As you know, OSRA

permitted these contracts to be filed confidentially with the Commission. Indeed, since OSRA's implementation, ocean common carriers report that eighty percent or more of their liner cargo moves under service contracts. 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 with their shipper customers.

Six NVOCCs and one national trade association representing NVOCCs filed separate petitions with the Commission seeking some type of relief from this prohibition. United Parcel Service ("UPS"); C.H. Robinson Worldwide, Inc.; Danzas Corporation, and BDP International request individual exemptions from the Shipping Act; the National Customs Brokers and Forwarders Association of America, Inc. ("NCBFAA") seeks an exemption from the tariff filing requirements for all NVOCCs; Ocean World Lines, Inc. requests a rulemaking to expand the definition and scope of the term "special contracts" in the Commission's regulations to include NVOCCs if UPS and/or NCBFAA's petitions are not granted; and BAX Global Inc. seeks a rulemaking to permit BAX and other similarly situated entities (a determination to be based on assets, corporate format, and regulatory history) to enter confidential service contracts as "ocean common carriers" with their shipper customers. BDP and Danzas have requested the Commission to exempt them from the applicable tariff filing requirements of section 8 of the Shipping Act to the extent necessary to permit them to offer their customers confidential contracts for individually tailored packages of logistics services that include ocean transportation. The Commission received many comments in response to the petitions, from all segments of the maritime industry. The comments address the substantive requests for relief, as well as the fundamental question of whether the Commission has the authority to grant the types of relief requested, and we are presently considering these issues.

Last year I reported to you that the Commission had been considering changes to its oversight functions of passenger vessel operators. Public Law 89-777 requires cruise lines to demonstrate financial responsibility to ensure that passengers are indemnified for nonperformance of a voyage, or in the event of death or injury. You may recall that public comment from a rulemaking completed last year suggested that the Commission's \$15 million ceiling on nonperformance coverage should be raised or eliminated due to the inadequacy of that amount for some cruise lines who have passenger revenue in the hundreds of millions of dollars. It was also asserted that the ceiling artificially limits the protections available to consumers in the event of an incident or catastrophe of a large scale.

The Commission issued a proposed rule to eliminate the ceiling, which had not been adjusted since 1991. The proposed rule would require cruise lines to provide coverage, in the form of bonds or other securities, for all of their unearned passenger revenue, i.e., revenue received for cruises not yet performed. Consumers who pay by credit card for cruise voyages are protected under the Fair Credit Billing Act in the event of nonperformance by the cruise line. Accordingly, revenue acquired through credit card transactions would be exempt from the coverage calculation. Further, although the rule would increase coverage requirements above the current ceiling for the largest cruise lines, coverage requirements for many of the smaller cruise lines would be reduced.

Significant, extensive comments were received in response to the proposals. In addition, the Commission held oral hearings to receive input from affected parties, and our Commissioners have met with many industry representatives. The comments and information provided in response to the proposed rule have been analyzed by staff, and the Commission will soon consider its options.

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. To that end, the Commission recently entered into a settlement agreement with the 14 ocean carrier members of the Transpacific Stabilization Agreement ("TSA") and four members of other agreements. The settlement brought to a successful conclusion the proceeding we mentioned to you last year, Fact Finding Investigation No. 25, which was initiated in August, 2002, to investigate whether service contract practices of the TSA and its members during negotiation of service contracts for 2002/2003 violated the anti-discrimination provisions and other prohibited acts of the Shipping Act. The settlement provided for structural changes in the TSA, resulting in removal of authority with respect to the sharing of shipper-specific information on service contracts, discussion of capacity rationalization, and rate discussions outside meetings for which minutes are filed with the FMC. The settlement also resulted in termination of two "bridging" agreements between TSA and other carriers, including one by which the reach of TSA had extended to the Indian subcontinent.

The settlement agreement includes the carriers' commitment not to establish any committee or subcommittee to discuss or agree upon rates, charges, or other terms intended to apply solely or separately to transportation of cargo for NVOCCs, or establish any voluntary service contract guidelines or other agreement pertaining to different timing of negotiations for service contracts with NVOCCs or which contain general rate increases or surcharges that

distinguish between shippers based on the status of the shipper as an NVOCC or a beneficial cargo owner.

The settlement agreement also contains provisions for semi-annual meetings between representatives of TSA and of the Commission to review the activities of TSA and the state of the trade. The first of those meetings took place this week.

In the last few years the Commission has seen a proliferation of exclusive contracts between marine terminal operators and tug service providers in various ports and waterways. Through these contracts a marine terminal operator would enter an arrangement with one tug service provider to provide all of the tug services at that particular terminal or port. Various complaints by excluded tug providers, carriers and others encouraged the Commission to investigate this issue. A Show Cause Order and an Order of Investigation were issued against Canaveral Port Authority in Port Canaveral, Florida, and a Show Cause Order was issued against twelve marine terminal operators along the lower Mississippi River for alleged violations of the Shipping Act for entering such exclusive arrangements.

In the cases brought against the Canaveral Port Authority ("CPA"), the Commission found that CPA violated various sections of the Shipping Act relating to CPA's operation of a tug franchise system at Port Canaveral that resulted in one tug provider having the sole franchise for the port. The Commission subsequently approved a settlement agreement resolving both proceedings in which the Canaveral Port Authority agreed to dismantle its tug franchise system and permit vessels calling at the port to select the tug company of their choice. Canaveral Port Auth. - Possible Violations of Section 10(b)(10), Unreasonable Refusal to Deal or Negotiate, and Exclusive Tug Arrangements in Port Canaveral, Florida, 28 S.R.R. 1455 (2003). The case against the twelve marine terminal operators operating in the lower Mississippi is ongoing before an administrative law judge. An Initial Decision is expected in July, 2004. Docket No. 01-06, Exclusive Tug Franchises - Marine Terminal Operators Serving the Lower Mississippi River.

In response to changes in the industry and input we have received from the public concerning the administration of our agreements program, we are currently in the process of overhauling that program. The Commission initiated a rulemaking, Docket No. 03-15, Ocean Common Carrier and Marine Terminal Operator Agreements Subject to the Shipping Act of 1984, to update its regulations governing agreements among ocean carriers and marine terminal operators. The rulemaking is intended to lessen the overall burden and cost of filing agreements on ocean common carriers while still ensuring that the Commission receives the information necessary to

conduct effective oversight. The proposed rule seeks to make numerous changes to update, clarify and simplify the Commission's regulations governing the content of agreements subject to the Shipping Act; minutes filing requirements; Information Form and Monitoring Report filing requirements; and to clarify the definitions of transshipment and nonexclusive transshipment agreements.

The proposal is designed to ensure that the Commission receives complete information regarding those agreements that are most likely to present competitive concerns. In addition, we have proposed to exempt from the current 45-day waiting period those agreements with a low market share. We believe that approximately one-third of the agreements currently filed with the Commission would benefit from this exemption. The proposal would also modify the Information Form and Monitoring Report regulations to reflect changes in the amount and type of data the Commission deems necessary to monitor carriers' use of their antitrust immunity. By focusing our monitoring efforts on the largest agreements most likely to present competitive concerns, we believe that over one-half of those agreements currently required to file ongoing data with the Commission will be relieved from this reporting requirement. We have a team comprised of members from several agency offices and bureaus working together, summarizing comments in response to the proposed rulemaking, and we expect to consider the matter in the near future.

Last year we 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 on-going, well-attended seminars have been successful in creating a forum for continued and enhanced dialogue between the industry and the Commission. We provide information with respect to the Commission's functions and services, as well as instruction regarding the regulatory obligations of providers and users of ocean liner shipping services in the U.S. foreign trades in accordance with the statutes administered by the Commission. Last year we held 11 seminars. Four more are planned thus far for this year, in Puerto Rico, St. Louis, Chicago and Philadelphia, and we expect to continue these seminars.

Our Alternative Dispute Resolution ("ADR") program continues to grow and 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 Dispute Resolution Staff have provided mediation services in several formal proceedings, and settlements have been reached in the majority of formal proceedings mediated between private litigants. The

Commission's administrative law judges continue to view ADR as a useful tool in resolving their cases, and almost always encourage parties to utilize Commission ADR resources. The Commission's Office of Consumer Complaints responds to consumer inquiries and complaints and attempts to informally resolve disputes involving both cruises and shipments of cargo. The office resolved more than 550 disputes during FY 2003. This year, the office is on pace to deal with approximately 800 cases.

Lastly, the security and safety of our Nation's transportation infrastructure is of critical importance to the free flow of trade, and the Commission's oversight of ocean common carriers, ocean transportation intermediaries, including ocean freight forwarders and non-vessel-operating common carriers, and marine terminal operators, is a vital link in the effort to protect our Nation's seaports. To that end, 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 continue to cooperate 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 2005.

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
STATEMENT OF
ADMIRAL THOMAS H. COLLINS
ON THE
FISCAL YEAR 2005 BUDGET
BEFORE THE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
MARCH 4, 2003

Introduction

Good morning, Mr. Chairman and distinguished members of the Subcommittee. It is a pleasure to appear before you today to discuss the Coast Guard's fiscal year 2005 budget request, and its critical importance in your Coast Guard being able to deliver essential daily services to the American public.

The Coast Guard's fiscal year (FY) 2005 budget proposes budget authority of \$7.46 billion, a nine percent increase over FY 2004, and continues our effort to enhance capability and competencies to perform both safety and security missions. It supports the goals of the President's National Strategy for Homeland Security to prevent terrorist attacks, reduce our vulnerabilities, and minimize damage from attacks that do occur.

Before I discuss our FY 2005 budget, I would like to take a few moments to discuss some of our accomplishments during the past year. You deserve a quick report on how we have used the resources this Subcommittee has provided us in the past and I am proud of the results that Coast Guard men and women continue to deliver for the country. During FY 2003, the Coast Guard:

- Interdicted over 6,000 undocumented migrants attempting to illegally enter the country by sea.
- Prevented more than 136,800 pounds of cocaine, over 14,000 pounds of marijuana and more than 800 pounds of hashish from reaching U.S. shores.
- Aggressively conducted more than 36,000 port security patrols, including 3,600 air patrols, 8,000 security boardings and over 7,000 vessel escorts.
- Deployed the largest contingent of Coast Guard personnel overseas since the Vietnam War to support Operation Iraqi Freedom, including 11 cutters, two shoreside support units, and over 1,200 personnel.
- Saved the lives of nearly 5,100 mariners in distress and responded to more than 31,500 calls for assistance.
- Boarded more than 3,400 fishing vessels to enforce safety, environmental and economic laws.
- Mobilized 64% of our reserve force to enhance protection of our ports, waterways and critical infrastructure during heightened states of alert, and to support the Combatant Commanders.
- Kept critical shipping channels clear of ice in the Great Lakes and New England ensuring the availability of critical energy products.
- Maintained more than 50,000 federal aids to navigation along 25,000 miles of maritime transportation highways.
- Responded to over 19,000 reports of water pollution or hazardous material releases.

- Completed the most difficult re-supply of McMurdo Station (Antarctica) during Operation Deep Freeze in 40 years. USCGC *Polar Sea* and USCGC *Healy* smashed through 50 miles of ice more than 13-feet thick to enable U.S. scientists to continue their studies of the Earth's climate.

In addition, we have become a proud member of the Department of Homeland Security that consolidated 22 agencies and nearly 180,000 employees. We are committed to working with our partner agencies as one team engaged in one fight, and I truly believe having one Department responsible for homeland security has made America more secure today. An example of this one team-one fight motto is very evident in the developing events in Haiti. Under the direction of the Secretary of Homeland Security, the Homeland Security Task Force – Southeast was stood-up as part of OPERATION ABLE SENTRY. Led by Coast Guard Rear Admiral Harvey Johnson, the task force is comprised of many agencies chartered to plan, prepare, and conduct migrant interdiction operations in the vicinity of Haiti due to the escalation of violence in that country and the threat of a mass exodus of undocumented migrants. In the first day of interdiction operations, the task force demonstrated impressive agility and synergy:

- Coast Guard cutters, with Citizenship and Immigration Service (CIS) asylum pre-screening officers and interpreters aboard, interdicted seven Haitian vessels with 454 undocumented migrants,
- Coast Guard and Immigration and Customs Enforcement (ICE) aircraft patrolled the skies throughout the operating area,
- Coast Guard, ICE, and Customs and Border Protection (CBP) boats conducted coordinated patrols of the Florida coast,
- Coast Guard and ICE conducted a coordinated boarding of a boat suspected of being hijacked off the coast of Miami,
- Coast Guard, CBP, ICE, and the Transportation Security Administration command center, public affairs, and intelligence staffs fully engaged,
- Federal Emergency Management Agency (FEMA) deployed three Information and Planning Specialists to the task force in support of contingency planning.

In addition, we have begun aggressively implementing the Maritime Transportation Security Act thanks in large part to a herculean inter-agency effort. Final Rules were published in October 2003 and security plans from approximately 9,000 vessels and 3,200 facilities were due on December 31, 2003. To date, approximately 97% have been received. We will continue to aggressively pursue 100% compliance, and have instituted a phased implementation of penalties to ensure that all regulated facilities have implemented approved security plans by the 1 July 2004 deadline. We completed eleven port security assessments, and have established 42 Area Maritime Security Committees to provide enhanced planning, communication and response for our nation's ports. We have met with nearly sixty countries representing the vast majority of all shippers to the U.S., reinforcing a commitment to the International Ship and Port Facilities Security (ISPS) code. We have commissioned additional Maritime Safety and Security Teams (MSSTs) and plan to have 13 teams by the end of CY 2004. We are installing an Automatic Identification System (AIS) network in nine coastal locations that have Vessel Traffic Services improving our awareness of the maritime domain, and are simultaneously designing a nationwide system.

The Need to Sustain Growth in FY 2005

Despite these accomplishments, there is still much to do. The last ten days paint a clear and vivid picture of the breadth, scope and national importance of all Coast Guard missions. On Sunday, rescue personnel from our mid-Atlantic units responded to the distress call from the burning and sinking Singaporean tanker *Bow Mariner*, and six crewmen were saved from 44-degree water. Our search and rescue response capability was sustained even as 15 cutters, 6 aircraft, and approximately 1,550 personnel deployed south positioning from the coast of Haiti to the approaches to South Florida as part of Homeland Security Task Force-Southeast, and interdicted 1,075 Haitian migrants. Simultaneously, we have four Patrol Boats, two Port Security Units, and 377 personnel deployed in support of operations in Iraq. As you can see, demand for Coast Guard resources continue to expand, while our ships and aircraft continue to age. The Coast Guard is the nation's lead federal agency for maritime homeland security and marine safety. Critical new resources are required to establish a new level of maritime security while continuing to perform the full range of Coast Guard missions.

The budget requests resources that are necessary for the Coast Guard to fulfill its responsibilities to the American public. For fiscal year 2005, my priorities are:

- Recapitalize operational assets;
- Enhance performance across all missions by leveraging Coast Guard authorities, capabilities, competencies and partnerships;
- Aggressively implement the comprehensive requirements of MTSA; and
- Expand awareness of activities occurring in the maritime domain

Recapitalize Operational Assets

The Coast Guard's greatest threat to mission performance continues to be that our aircraft, boats and cutters are aging, technologically obsolete, and require replacement and modernization. The majority of these assets will reach the end of their service life by 2008, and have increasing operating and maintenance costs, which results in lost mission performance, mission effectiveness, unnecessary risks, and wear and tear on people. These assets are failing at an alarming rate. Recent asset failures and their subsequent impact on operational readiness exemplify the downward readiness spiral created by increasingly aging capital assets coupled with a more demanding operational tempo. Frankly, the existing system is failing in numerous areas and I am concerned that we are reaching a "declining readiness spiral" phenomenon. Deferred modernization results in reduced patrols and readiness, corresponding increased maintenance needs and higher total ownership costs. Recapitalization funds are then needed to keep old assets operating, which only defers modernization starting this declining cycle over again. The Coast Guard is faced with trading asset modernization funding toward legacy asset maintenance and capability to address immediate safety and reliability concerns. Some examples of why I am so concerned:

- HH-65 Helicopter engine system casualties: in-flight engine partial power losses occurred at a rate of 63 per 100,000 flight hours in FY 2003, and is significantly higher so far in FY 2004. This rate far exceeds the FAA standard of one per 100,000 hours and the U.S. Navy Safety Center guidelines of no more than 10 mishaps per 100,000 flight hours. HH-65 helicopters are critical to Coast Guard operations including ongoing efforts off the coast of Haiti.
- 110-foot Patrol Boats: to date, 20 hull breaches requiring emergency dry docks. One cutter required emergency dry dock for hull breach only 14 weeks after a 10-month

hull renewal project that had cost \$2 million. The 110-foot fleet is the high-speed workhorse during migrant interdiction operations such as the ongoing events in the vicinity of Haiti, and has repatriated 927 Haitian migrants thus far.

- 378-foot High Endurance Cutter: 3 out of total class of 12 ships have recently missed operations due to unscheduled maintenance to failing sub-systems. A 378-foot cutter is currently serving as the on-scene command ship for Haitian operations.

All three of these asset classes (HH-65, 110, 378) are currently supporting the Coast Guard missions such as migrant and drug interdiction operations, ports waterways and coastal security, fisheries enforcement, and search and rescue, and the Coast Guard continues to be successful in spite of casualties and readiness levels. This success comes through the extraordinary efforts of Coast Guard personnel, and I'm concerned about our ability to continue this performance in the future. Cocaine seizures to date in FY 2004 total 38.9 metric tons, nearly double last year's pace which yielded the second highest seizure total ever (62.1 metric tons). The threat of a mass migration from Haiti, coupled with the flow of illegal drugs and undocumented migrants from other countries towards the U.S., highlights the value that the U.S. Coast Guard provides our nation.

The Integrated Deepwater System (IDS) is the answer to these concerns and entails far more than the progressive replacement of our aging inventory. IDS is an integrated systems approach to upgrading existing legacy assets through a completely integrated and interoperable system. All of Deepwater's highly capable assets will be linked with modern command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) architecture. The ability to link and network disparate platforms seamlessly over vast distances is an essential aspect to providing the Coast Guard the capability to detect and interdict potential threats prior to reaching our shores and ports. Deepwater assets are America's first line of defense to counter threats in the maritime domain, and thwart catastrophes to vulnerable infrastructure (oil rigs, deepwater channels, shipping). Funding for the Deepwater program is a critical investment in homeland safety and security and means a more secure United States of America.

The Coast Guard's deepwater assets are not the only capital assets that desperately need replacement. The FY 2005 budget also requests resources for:

- Rescue 21 project, which will be the primary command and control system to perform the functional tasks of detection, classification, and command and control in the inland and coastal zones for Search and Rescue. The existing National Distress System is inadequate to meet the safety requirements of growing marine traffic, and is not capable of meeting the requirements of the International Convention for the Safety of Life at Sea (SOLAS) treaty. Rescue 21 will expand existing capability through greater area coverage, and improved direction finding capability to enhance Coast Guard emergency response;
- Great Lakes Icebreaker, which is scheduled to replace USCGC MACKINAW in 2006 after 57 years of continuous service;
- Response Boat – Medium, which will replace the aging 41-foot Utility Boat, and will meet mission requirements for search and rescue, and emerging homeland security missions.

Enhance Mission Performance

To enhance mission performance the Coast Guard must optimize its unique authorities, capability, competency, and partnerships; while gaining the capacity in each to complete our full range of missions. Due to the Coast Guard's multi-mission nature, resources provided will assist in the performance of all missions. New assets will be used to conduct fishery patrols and search and rescue cases as well as protect the nation against terrorist attacks.

FY 2005 budget initiatives that add capacity to enable mission performance include:

- Operational funding for eleven 87-foot Coastal Patrol boats built in 2004;
- Operational funding for five 179-foot Patrol Coastals being transferred to the Coast Guard from the Navy;
- Safety configuration changes to the 47-foot Motor Life Boat, which will allow crews to safely conduct missions in deteriorating weather conditions.

Aggressively Implement the Maritime Transportation Security Act of 2002

During the past year, the Coast Guard led the international maritime community in adopting a new international security regime requiring vessels and port facilities to develop security plans. This effort paralleled the requirements this committee helped establish through enactment of the Maritime Transportation Security Act (MTSA) of 2002. These regulations require that United States ports, vessels, and facilities each have a plan to protect against terrorist attacks. Aggressive implementation of MTSA is essential if we are to maintain the security of our ports and waterways at acceptable levels. To implement and enforce these regulations, the Coast Guard has a recurring requirement to develop, review, approve, and ensure vessels and facilities are sustaining their own security responsibilities for all aspects of maritime security. Approximately 90% of required vessel and facilities have turned in security plans to date. We are issuing notices of violation to the ten percent that missed the deadline, are starting the process of approving security plans, and have commenced training of Coast Guard personnel to complete on-site verification. Providing the Coast Guard with the resources necessary to undertake this implementation and enforcement effort is a key step toward enhanced port, vessel and facility security.

Maritime Domain Awareness

Expanding awareness of activities occurring in the maritime domain is critical to enhancing Coast Guard performance in all mission areas. The U.S maritime jurisdiction is enormous, covering some 3.5 million square miles of ocean and 95,000 miles of coastline. In addition, the Coast Guard projects a defense-in-depth presence in other areas such as the Caribbean and eastern Pacific to deter, detect, and interdict drug and migrant smugglers. The Coast Guard operates at times and in places no U.S. forces operate. The ongoing events off the coast of Haiti highlight the need for a robust maritime domain awareness capability. The Coast Guard has minimal capability to monitor the activities occurring within this maritime zone without the presence of a cutter or aircraft. We must identify and understand threats, and disseminate timely information to our operational commanders and our homeland security partners in order to respond to emerging threats such as terrorist attacks, drug smuggling, illegal migration, location of distressed boaters, or illegal fishing before they reach our borders. An intelligence and warning system that detects indicators of potential terrorist activity before an attack occurs is necessary to take preemptive and protective action. We are currently installing

Automatic Identification System (AIS) in our Vessel Traffic Service (VTS) ports, and are formalizing the operational requirements to award a contract for installation of a nationwide AIS network. \$4 million is requested in FY 2005 to continue this important project. This budget submission also includes 35 people to integrate all of our projects that provide maritime domain awareness (MDA), including AIS, Deepwater and Rescue 21, and these people will partner with the other Department of Homeland Security agencies, the Navy, and other entities to unite our joint efforts.

Conclusion

Thank you for your support in the fiscal year 2004 Emergency Supplemental. Funding is ensuring Coast Guard forces remaining in Iraq are properly resourced for the rest of fiscal year 2004.

None of what the Coast Guard has accomplished or is striving to achieve is possible without our people—the bedrock of our service. They routinely put their service above all else and I am convinced of their unwavering dedication to the security of this nation and the safety of its citizens. They are our highest priority and most valuable resource.

The Coast Guard's fiscal year 2005 budget request improves the quality of life for Coast Guard men and women and their families by providing a pay raise, and continuing improvements in Basic Allowance for Housing (BAH) reducing out-of-pocket expenses from 3.5% to zero, and gives them the equipment and assets that will allow them to best contribute their time and talents to the safety and security of our nation.

I have asked every member of the Coast Guard to continue to focus intently and act boldly on the three elements of my direction: improve Readiness; practice good Stewardship; and enhance the growth, development and well being of our People. With this diligence we will fulfill our operational commitment to America and maintain our high standards of excellence.

I look forward to working with you to that end.

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

HH-65 RE-ENGINEING GOAL

QUESTION: The Coast Guard is currently soliciting bids to do an emergency replacement of the engines in the HH-65 helicopters. Is the solicitation intended simply to replace the current engine – or does the solicitation require an engine that has more power than the current engine?

ANSWER: The Coast Guard has directed that a re-engineing project be immediately initiated to restore the HH-65 to unrestricted safe and reliable operations. The project is designed to address the HH-65 engine system, the engine and engine control systems, to remedy this safety and reliability crisis, and restore the HH-65's operational capability. The Coast Guard has not required that the project provide increased engine power.

The Coast Guard directed the Integrated Deepwater System acquisition program's systems integrator, Integrated Coast Guard Systems (ICGS), a partnership of Lockheed Martin and Northrop Grumman, to take immediate and definitive action to re-engine the HH-65 fleet to ensure safe and reliable operations. ICGS conducted a market survey of industry via a Request For Information (RFI). As a result of this action and information from the four RFI responses, ICGS selected Turbomeca as the supplier for the HH-65 engine and engine control systems replacement project. ICGS made this selection based on the best value for the Coast Guard in terms of operational effectiveness and total ownership cost, and with full consideration of the criticality and urgency of this situation. The Coast Guard is confident that this action will restore unrestricted safe and reliable operations to the HH-65 fleet in the most proficient and expeditious manner.

The HH-65 re-engineing project is a separate and distinct effort from the Deepwater Multi-mission Cutter Helicopter (MCH) conversion. In the long-term, the Deepwater plan is still to convert the HH-65 to the Multi-mission Cutter Helicopter (MCH).

While power increases were not the focus of this acquisition, the engine chosen, while addressing the safety and reliability concerns, also has sufficient power margins to be used with the MCH.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

HITRON FLIGHT HOURS

QUESTION: How many flight-hours did HITRONs helicopters fly on the West Coast in the past year? How does this compare to the number of flight-hours they flew in the Caribbean?

ANSWER: In fiscal year 2003 HITRON helicopters flew a total of 970.7 flight hours, 517.2 flight hours were in support of West Coast deployments and 453.5 flight hours were in support of East Coast deployments. Thus far in fiscal year 2004 as of 26 March, the unit has flown 172.9 hours in support of West Coast deployments and 313.8 hours in support of East Coast deployments.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

DRUGS ENTERING US VIA WESTERN PACIFIC

QUESTION: What percentage of drugs enters the U.S. via the Western Pacific?

ANSWER: The Defense Intelligence Agency (DIA) maintains the data on all drug flow to the U.S. Their records indicate that no cocaine enters the U.S. from the Western Pacific and very little heroin or marijuana. More specific data on these and other drugs is best supplied by DIA or DEA.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
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**INTERDICTION RATE FOR DRUGS SMUGGLED
THROUGH THE WESTERN PACIFIC**

QUESTION: What is the interdiction rate for drugs smuggled through the Western Pacific?

ANSWER: Counter drug smuggling operations and policy have largely focused on cocaine movement from South America. There are no indications of significant non-commercial vessel flow of cocaine from the Western Pacific to the United States. The Coast Guard has no record of any cocaine seizures of Western Pacific origin, and therefore does not have an interdiction rate for drugs smuggled through the Western Pacific.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

RATIFICATION OF THE ISPS CODE

QUESTION: Admiral Collins, the Committee has a continuing disagreement with the Coast Guard as to whether security plans for foreign-flag vessels must be reviewed by the Coast Guard. Is the International Ship & Port Facility Security Code (ISPS Code) a law of the United States even if the code was never submitted to the Senate for ratification? Does the Department of Justice agree with this interpretation?

ANSWER: The International Ship & Port Facility Security (ISPS) Code is not a stand-alone international agreement. Implementation of and compliance with the ISPS Code is mandated by the International Convention for the Safety of Life at Sea (SOLAS), as amended by its 1978 Protocol (SOLAS), primarily through Chapter XI-2 which was adopted as an amendment to the Annex to the Convention. SOLAS, including its procedures for amendments and their entry into force, was ratified and is in force in the United States and thus constitutes U.S. law. 32 UST 5577, TIAS 10009.

The amendment procedures in Article VIII were followed in the adoption of Chapter XI-2 and the ISPS Code. Pursuant to these procedures, Chapter XI-2 and the ISPS Code will enter into force for the Contracting Governments to SOLAS, including the United States, on 1 July 2004. To implement Chapter XI-2 and the ISPS Code, and consistent with the express finding in the Maritime Transportation Security Act of 2002 that it is in the best interests of the United States to adopt these international maritime security standards, the Coast Guard published regulations appearing in the Federal Register on July 1, 2003, and finalized by publication on October 22, 2003. Those regulations explained the Coast Guard's view of the relationship between the MTSA and the ISPS Code and received detailed inter-agency review, comment and concurrence prior to promulgation. The Department of Justice did not express any objections at the time.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

PROCESS FOR FOREIGN VESSEL PLANS

QUESTION: It is our understanding that if a foreign-flag vessel owner sends the Coast Guard a copy of their security plan – the Coast Guard sends it back – without review or even keeping a copy for your files. Why is this? Don't you think that you should at least keep a copy of a plan that a vessel owner has provided to you – even if you believe they are not required to send it to you in the first place?

ANSWER: Consistent with the Maritime Transportation Security Act of 2002 and with the obligations of the United States under Chapter XI-2 of the International Convention for Safety of Life at Sea, 1974 (SOLAS), and part A of the International Ship and Port Facility Security Code (ISPS Code), the Coast Guard is not reviewing or approving ship security plans for ships subject to SOLAS Chapter XI-2 and part A of the ISPS Code that are not flagged by the United States. *See* 33 C.F.R. § 104.400(b). As set out in 33 C.F.R. § 104.115(c)(1), on and after 1 July 2004, a SOLAS vessel not flagged by the United States must carry on board a valid International Ship Security Certificate that certifies that the verifications required by part A, Section 19.1, of the ISPS Code have been completed.

The Coast Guard will be ensuring compliance with SOLAS and the ISPS Code through a vigorous port state control regime, and it will be using parts A and B of the Code to verify such compliance. The Coast Guard believes that retention of the plan is unnecessary and might be inconsistent with the ISPS Code in that only the vessel's flag administration has access to the entire plan. For this reason, while the vessel will be required to carry its plan on board, the Coast Guard does not intend to maintain plans "on file" as part of our port state control efforts.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

FULL COMPLIANCE BY 1 JULY 2004

QUESTION: Will all U.S. vessels and facilities be in FULL compliance with their security plans by July 1, 2004 deadline?

ANSWER: The MTSA requires full compliance with the regulations one year after the publication of the temporary interim rules, which were published on July 1, 2003. Therefore, a "phased in approach" will not be used.

While compliance dates are mandatory, a vessel or facility owner or operator may gain relief from making physical improvements, such as installing equipment or fencing, by addressing the intended improvements in the Vessel or Facility Security Plan and implementing equivalent security measures until physical improvements have been made.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

TRANSFER RESPONSIBILITY OF PORT SECURITY GRANTS

QUESTION: The Administration is proposing to transfer Port Security Grant administration to the Office of Domestic Preparedness. Since these grants are to help implement facility security plans approved by the Coast Guard, what will be the involvement of the Coast Guard in the review and granting of security grants in the future?

ANSWER: The Coast Guard, working in cooperation with TSA and MARAD, has played a significant role in the previous three port security grant rounds due to our understanding of security risks within ports and our close working relationships with port communities. The Administration believes that centralized administration of grants from one office in the Department of Homeland Security will provide the best stewardship of government funds. The Office of Domestic Preparedness will administer the grant program but the Coast Guard fully expects to be involved in helping prioritize requests in round four and the future rounds of port security grants.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

DEEPWATER PLANS AND REQUIREMENTS CHANGES

QUESTION: How have your plans and mission requirements for the Deepwater Project changed in last year?

ANSWER: The Commandant directed the Deepwater Sponsors to conduct a Performance Gap Analysis (PGA) last summer/fall to analyze operational capability and capacity gaps, and the impact these gaps have on mission performance. The resulting analysis recommended system-level requirements changes, revision to the Deepwater Mission Need Statement (MNS), and potential revised force structure options. There are recommendations currently under senior leadership review.

Formal changes to requirements, funding planning factors and implementation plan revisions will be submitted for approval determined by the Agency Acquisition Executive (the Vice Commandant), the DHS Joint Requirements Council (JRC) and the DHS Investment Review Board (IRB), as appropriate.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

COST OF NSC REQUIREMENTS CHANGES

QUESTION: It is our understanding that the Coast Guard has increased mission requirements for the National Security Cutter – for example that it will be designed to operate in an area contaminated by chemical, biological, or radiation (CBR) for up to 3 weeks. What are these changes going to cost over the life of the Deepwater contract? (approximately \$75 million in FY05 alone)

ANSWER: To ensure alignment with Homeland Security mission requirements, the Coast Guard has approved a number of design changes for the National Security Cutter (NSC) including: adding chemical, biological, and radiological defense and detection that will allow the cutter to operate in a contaminated area for 36 hours (not 3 weeks); adding intelligence collection capability which includes additional electronics equipment, space, weight, and electrical capacity; changing to an interoperable Navy weapons suite; modifying the flight deck to expand operability to include DHS and additional DoD helicopters and improve helicopter handling system; and increasing the berthing for the additional crew related to these changes. The Coast Guard cost estimates for the NSC are provided in the table below.

National Security Cutter (NSC)	Quantity	Projected Base Unit Cost	Projected Total Base Cost for Associated Quantity	Projected Unit Cost Due to Changes	Projected Total Unit Cost After Changes	Projected Total Cost for Associated Quantity After Changes
Lead Ship	1	335.0	335.0	140.0	475.0	475.0
Follow On Units	7	185.0	1,295.0	80.0	265.0	1,855.0
Total of 8 NSCs at Base Cost			1,630.0	Total of 8 NSCs After Changes		2,330.0

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
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**NATIONAL SECURITY CUTTER (NSC) OPERATIONS
IN A CONTAMINATED ENVIRONMENT**

QUESTION: Please give us an example of the type of operation that the Coast Guard would be performing on a NSC in an area contaminated by a biological contaminate?

ANSWER: The NSC will be a multi-mission cutter with robust command and control capability, and the ability to conduct operations with an extended presence. The NSC will be capable of functioning as Coastal Sea Control Commander, Maritime Interception Operations Commander and Search and Rescue On-Scene Commander. The NSC will be also act as Commander, Task Unit during surge operations, and be the equivalent of a floating command & control center.

Ports, Waterways, and Coastal Security (PWCS) and National Defense (including Homeland Defense) roles are included in the mission sets NSC will be required to fill. These are mission areas that have the potential for operating in a contaminated environment, whether from biological or other agents (chemical, radiological, explosive, etc.). While executing these missions it is imperative that the NSC (the capital ship of the new cutter fleet) have the capability to safely operate and that the crew be adequately protected. If these inherent capabilities do not exist, the Coast Guard, as the lead federal agency for maritime security, would in essence be forced to evacuate the area. Revised NSC capabilities will allow it to operate in a contaminated environment for up to 36 hours.

Additionally, our extensive law enforcement and layered defense for homeland security roles will take this cutter to the farthest reaches of the world. This increases the potential for encountering threatening agents while conducting all Coast Guard Deepwater missions (including overseas National Defense missions, Search and Rescue, Maritime Interception Operations).

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DELAYED CAPITAL MAINTENANCE IN THE FACE OF DEEPWATER

QUESTION: Have other capital maintenance and improvement projects been delayed due to funding demands of the Deepwater project? If so, please submit a list of the outstanding capital improvements planned for during FY05.

ANSWER: Deepwater and Rescue 21 are operational first response platforms and therefore the Coast Guard's highest recapitalization priorities. Other Acquisition, Construction, and Improvements (AC&I) projects for which funding is requested in FY05 are seen in the Capital Investment Plan below. These include:

- Great Lakes Icebreaker, replacement for the CG Mackinaw;
- Response Boat – Medium, to replace the 41' UTBs and other non-standard response boats in the CG fleet;
- Armed Helicopter Equipment, to outfit helicopters to support CG Law Enforcement and Maritime Homeland Security missions;
- Automatic Identification System, which will provide receptors/transmitters to receive internationally-mandated signals from commercial vessels that provide vessel id, vessel type, name, position, heading, speed, length, beam, draft and cargo information; and
- Shore and Aids to Navigation (ATON) projects outlined below.

(thousands of dollars)

The Coast Guard's Five Year Capital Investment Plan

	FY2005	FY2005	FY2006	FY2007	FY2008	FY2009
Vessels and Critical Infrastructure Projects						
TB0 - Other Vessel Projects	6,461	19,750	40,000	50,200	73,485	73,112
Great Lakes Icebreaker (GLIB) Replacement				5,000	15,200	38,112
Response Boat - Medium (RB-M)	6,461	7,750	-	-	-	-
		12,000	35,000	35,000	35,000	35,000
Integrated Deepwater Systems	335,000	678,000	686,848	700,558	713,168	726,005
Aircraft Projects						
Armed Helicopter Equipment Part I (LEGACY ASSET)	-	1,800	8,300	14,700	-	-
		1,800	8,300	14,700	-	-
Other Equipment	161,110	165,000	99,516	83,023	68,000	62,000
TB0 - Other Equipment Projects		-	-	37,023	41,200	42,000
Rescue 21	161,110	161,000	78,516	-	-	-
AS for MDA		4,000	10,500	26,000	20,000	20,000
Ports and Waterways Safety Systems (PAWSS)			10,500	20,000	6,800	-

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<u>Shore Facilities and Aids to Navigation</u>					
TBD - Future Shore Facilities	5,000	46,799	50,000	60,000	70,000
Survey and Design - Shore Operational and Support Projects	-	28,799	32,000	42,000	52,000
Minor AC&I Shore Construction Projects	1,000	1,000	1,000	1,000	1,000
Coast Guard Housing - Various Locations	1,600	5,000	5,000	5,000	5,000
Waterways Aids to Navigation Infrastructure	-	10,000	10,000	10,000	10,000
Small Arms Range at ISC Honolulu, HI	800	2,000	2,000	2,000	2,000
	1,600	-	-	-	-
<u>Personnel and Related Support</u>					
Direct Personnel Costs	30,000	75,482	78,048	80,702	83,446
AC&I Core	30,000	74,965	77,514	80,149	82,874
	500	517	535	553	572
<u>Acquisition Request Total</u>	532,571	958,945	976,530	995,356	1,014,563

QFRs from the 4 March "FY05 Budget Request" Hearing before the
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AIRCRAFT COST COMPARISONS

QUESTION: What are the cost comparisons of a HH-65 SLEP to an EC 155 (including re-engining costs) compared to introducing an AB 139 as quickly as possible?

ANSWER: The Coast Guard has not conducted detailed cost comparisons between the HH-65, EC 155 and the AB 139, nor has the Coast Guard tasked its systems integrator, Integrated Coast Guard Systems, to compare the aircraft. The Coast Guard's near-term priority is the re-engining of the HH-65 to restore unrestricted safe and reliable operations. No additional helicopter acquisitions or conversions have been planned through fiscal year 2005.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
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MISSION ANALYSIS H-65, EC-155, AB-139

QUESTION: How do the mission capabilities of an HH-65/EC 155 compare to an AB 139? Which aircraft can carry more crew and passengers? Which can carry more lifesaving equipment? Which has a longer range? Please submit a mission analysis comparison for each aircraft.

ANSWER: The following table depicts the characteristics of the HH-65, AB-139, EC-155 and the HH-65G3 (HH-65 with upgrades to execute the Deepwater Multi-Mission Cutter Helicopter (MCH) Role). Ranges and capabilities are depicted. In a Coast Guard role, each aircraft is capable of carrying the required number of crew and mission equipment. With regard to number of passengers/survivors, as with any rotary-wing aircraft, the determining factor is based upon the weight of the aircraft in the particular mission profile and the ambient conditions. The number of passengers or survivors would be determined in terms of weight that could be safely added without putting the aircraft in an over-weight condition. Maximum Loading data (Empty vs. Max Gross Weight) highlights each aircraft's capability to be loaded, and includes the weight of crew, fuel, mission equipment, and survivors. Finally, for helicopters that will deploy aboard Coast Guard cutters bigger is not always better. Helicopter dimensions and maximum gross weight will affect cutter and flight deck design. In general, it is easier to accommodate smaller and lighter aircraft.

Rotary Wing Characteristics Comparison

Class Name	HH-65	AB-139	EC-155	HH-65G3 (MCH)
Manufacturer	Eurocopter	Agusta/ Bell	Eurocopter	Eurocopter
Rotor Diameter	39' 2"	45' 4"	41' 7"	39' 2"
Height (MAX)	13'	16' 4"	14' 4"	13'
Length (with blades turning)	44' 5"	54' 8"	47' 3"	44' 5"
Empty Weight (lbs)	6,092	7,715	5,700	6,092
Max Gross Weight (lbs)	9,200	13,227	10,600	10,500
Max Loading	3,108	5,512	4,900	4,408
Number Engines	2	2	2	2
Power Plant	Honeywell LTS-101-750B-2 Gas Turbines	Pratt & Whitney, PT6C-67C	Turbomeca Arriel 2C2	Turbomeca Arriel 2C2
Fuel Capacity (lbs)	1,900	4,290	2,300	2,164
Max Endurance (hrs)	3+30	3+40	4+30	4+00
Max Speed (ktas)	165	167	175	175
Cruise Speed (ktas)	125	155	150	130

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
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Class Name	HH-65	AB-139	EC-155	HH-65G3 (MCH)
Max Range at alt (nm)	400	450	460	430
Radius of Action (nm)	130	175	220	168
Service Ceiling (ft)	15,000	17,000	15,000	15,000
Take-Off Power (shp or thrust/engine)	680	1,679	935	935
Fuel consumption (lbs /hr)	570	1,477	620	620
Sea Level Climb (fpm)	325	2,000	1,710	1,800
Number Crew	4	4	4	4
Cargo Sling Capacity (lbs)	2,000	6,000	3,000	2,000
Rescue Hoist Capacity (lbs)	600	600	600	600
Payload at MAX fuel	100	590	1450	1,100
Cabin Height	4'	4' 7"	4' 6"	4'
Cabin Length	7' 3"	8' 10"	8' 2"	7' 3"
Cabin Width	5' 4"	6' 6"	6' 7"	5' 4"

QFRs from the 4 March "FY05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

OPERATING AND LIFE-CYCLE AIRCRAFT COST COMPARISONS

QUESTION: What are operating and life-cycle cost comparisons between a HH-65/EC 155 compared to an AB 139?

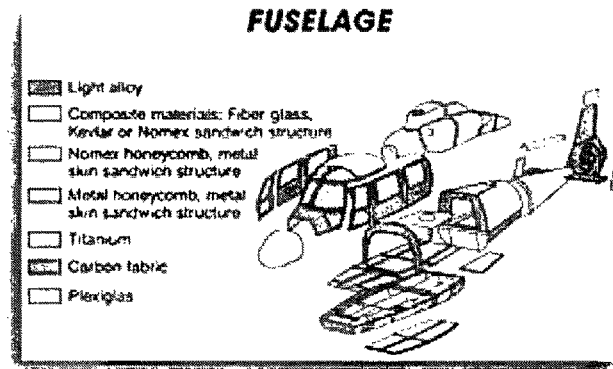
ANSWER: The Coast Guard has not conducted detailed cost comparisons between the HH-65, EC 155 and the AB 139, nor has the Coast Guard tasked its systems integrator, Integrated Coast Guard Systems, to compare the aircraft. The Coast Guard's near-term priority is the re-engining of the HH-65 to restore unrestricted safe and reliable operations. No additional helicopter acquisitions or conversions have been planned through fiscal year 2005.

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LIFESPAN OF HH-65

QUESTION: What is the lifespan of the airframe of a HH-65? Does the Coast Guard have any concerns that at the end of the Deepwater project these airframes will be almost 40 years old?

ANSWER: The airframe of the HH-65 has no service life limit, and there are no concerns about the age of the airframe. All major structural components can be repaired or replaced, during Programmed Depot Maintenance (PDM) cycles. The Coast Guard has gained extensive experience repairing this airframe including crash damage, saltwater emersion and corrosion repairs. Below is a graphic of the HH-65 fuselage in its current configuration.



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HH-65 AIRFRAME ASSET ALLOCATIONS AND FUTURE FORCE

QUESTION: How many HH-65 airframes does the Coast Guard currently own? Is the Coast Guard considering buying any additional new or used HH-65 airframes to increase the size of the overall helicopter fleet?

ANSWER: The Coast Guard currently owns 96 HH-65 airframes, of which 95 are operated/supported (84 Operational, 11 Support, 1 green airframe (shell)). The Coast Guard is continuously assessing required capabilities and capacities to respond to threats to the maritime domain. The current focus within the HH65 fleet, at this time, is to procure a safe and reliable engine and engine control system to restore operational restrictions previously imposed. Currently, there are no requests for additional HH-65 airframes.

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CONTRACTING OUT FOR SMALL BOAT MAINTENANCE AND REPAIRS

QUESTION: Admiral Collins, the former Customs Service contracts out the maintenance and repair of their small boats. Would the Coast Guard consider contracting out the maintenance and repair of your small boats – such as the SAFEBOATS, Rigid Hull Inflatable, and similar small craft so that you can spend more of your time operating boats – and less time repairing them?

ANSWER: The Coast Guard already contracts out a significant amount of maintenance and repair of its boats, primarily intermediate and depot level maintenance. In addition, the Coast Guard is currently researching the feasibility and impact of competing expanded levels of boat maintenance and repair. This may include competing in-house and contract maintenance of a specific piece of equipment (e.g., outboard engines), an entire boat class, such as the Defender Class Response Boats built by SAFE Boats International or the inclusion of boat maintenance and repair in the acquisition of fleet expansions. However, the large differences between ICE and Coast Guard boat operations must be considered when making these types of comparisons.

The Coast Guard is a multi-mission agency that currently operates 1,745 boats on a 24 by 7, 365 days a year readiness basis. There are approximately 189 Coast Guard stations that are located throughout the country, both within the Continental U.S. and outside the Continental U.S. in Hawaii, Guam, Alaska, and Puerto Rico. Additionally, every station is required to have at least one boat in standby for immediate response.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
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AIS TO PREVENT NEW ORLEANS ACCIDENT

QUESTION: Admiral Collins, 2 weeks ago there was the tragic accident on the lower Mississippi River involving the collision in the fog between the offshore supply vessel LEE III and the freighter ZIM MEXICO III killing 5 people. Do you believe that full implementation of the Automatic Information System (AIS) with electronic chart displays could help prevent these types of accidents in the future on all of the navigable waters of the United States?

ANSWER: The Coast Guard's accident investigation should reveal why the vessels involved in this accident did not, or were unable to, take sufficient action in ample time to avoid a collision, as required by the Inland Navigation Rules Act of 1980 (Public Law 96-591, 94 Stat. 3415, 33 U.S.C. 2001-2038).

In general, if two meeting vessels are able to communicate with one another, they are able to mutually agree on how and where they want to meet in transit and thereby reduce the likelihood of an accident. If both vessels involved are fitted with AIS, the first step in establishing communication—identification of a vessel of concern—could happen sooner. Although an electronic chart display enhances a mariner's situational awareness, particularly to prevent grounding, it is not essential when determining a collision avoidance solution. The plain text display on an AIS transceiver is sufficient to convey ships' identification information to the bridge team on nearby vessels.

In this case, the LEE III was not equipped with AIS, so the master could not benefit from this additional information.

INVESTIGATION OFFICER AS COLLATERAL DUTY

QUESTION: One of the reasons that these investigations and reports take so long to complete is that it is a collateral duty of an otherwise very busy Coast Guard officer. Has the Coast Guard ever considered having a permanent team of investigators that just conduct major marine casualty investigations? If not, why not?

ANSWER: The Coast Guard has approximately 150 full time marine casualty investigation officers. Additional officers and reservists also conduct marine casualty investigations on a part time basis. Personnel assigned to the responsible Coast Guard field unit conduct almost all major marine casualty investigations. On the infrequent occasions when the Commandant convenes a Marine Board of Investigation to investigate a very serious casualty, investigating officers are selected based on their experience and expertise with the safety issues involved in the particular case. Such personnel can be drawn from field units, district and area offices, and Coast Guard Headquarters. Although the Coast Guard has considered having a permanent team of investigators for major marine casualty investigations, the infrequent occurrence of those very serious casualties does not justify a permanent staff to investigate them.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

MARINE CASUALTY REPORTS ON THE INTERNET

QUESTION: When will the Coast Guard begin to put all marine casualty investigation reports on the Internet? Please submit the project implementation schedule for this project.

ANSWER: The Coast Guard plans to publish all marine casualty investigations on the Internet by December 31, 2004, using data extracted from the Marine Information for Safety and Law Enforcement (MISLE) system. These automated reports will be published on the U.S. Coast Guard Maritime Information Exchange Internet site at: <http://cgmix.uscg.mil/>. Limited information on marine casualty investigations is currently available in the Port State Information Exchange (PSIX) portion of that web site.

ZODIAC RHIBS

QUESTION: "The Coast Guard recently signed a contract to buy several hundred Rigid Hull Inflatable Boats (RHIs) from Zodiac. These vessels will be built in British Columbia. How does this comply with Section 665 of Title 14, United States Code that states: "no Coast Guard vessel, and no major component of the hull or superstructure of a Coast Guard vessel, may be constructed in a foreign shipyard"?"

ANSWER: The Coast Guard has ordered 52 RHIs from Zodiac under Contract DTCG23-03-F-AMP111 for use by our 87' Coastal Patrol Boats, not several hundred as indicated in your question. The hull and superstructure of the RHIs are fabricated in Zodiac's plant in Washington State and then sent to Zodiac's plant in Canada. The hull and superstructure are assembled in Canada along with the other components of the boat, including the engines and inflatable sponsors.

The Coast Guard applies the prohibition of 14 U.S.C. 665 to RHIs, although incidentally, DoD's corresponding statute (10 U.S.C. 7309) was amended to expressly allow foreign construction of rigid inflatable hull vessels. Both statutes use the verb "constructed" in their prohibitions. That word or its derivatives - "construct" or "construction" - are not defined in the statutes, the United States Code definition of terms at 1 U.S.C. 3, or in the Federal Acquisition definition of words at FAR 2.101. With no statutory or other legal guidance on how to apply the term or its derivatives to vessels, the Coast Guard uses a dictionary-based meaning of the term, mainly, to fabricate, manufacture by use of tools, dyes, etc. The intent of the statute is found in the "Tollefson Amendment" to the 1965 Navy shipbuilding appropriation, which was to prevent the construction of midbody sections of ships in foreign shipyards and then have them towed across the ocean and finished in domestic shipyards. Therefore, we believe that the Coast Guard has complied with the spirit and letter of the law of 14 U.S.C. 665 since Zodiac builds the hulls and superstructures of the RHIs in the United States.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

COI'S TO CARRY MORE PASSENGERS

QUESTION: Does the Coast Guard certificate of inspection (COI) ever authorize a small passenger vessel, such as those used to take people to look at seals, to carry more people than the number stated on the manufacturers placard? For example, do COIs for the standard "Parker" boats (<http://www.parkerboats.net>) used to transport passengers to watch seals out of Chatham, MA authorize the vessel to carry more than the 8 people included on the manufacturers placard?

ANSWER: Yes, the Coast Guard may authorize a small passenger vessel to carry more than the number of people stated on the manufacturer's placard for a recreational vessel. Vessels such as the referenced "Parker" boats were originally constructed as recreational vessels and as such, the method of determining the maximum capacity is left to the manufacturer for vessels greater than 20 feet in length. This determination method is based upon a mathematical formula.

However, if the owner of a recreational vessel desires to enter the commercial trade carrying passengers, then the vessel must meet the applicable regulations for inspected small passenger vessels. This includes a stability "proof" test, which involves placing weights on the vessel and completing a heeling test in order to generate a "heeling moment." This ensures that the vessels stability can safely carry the total weight of the passengers it is certificated for as stated on the vessel's COI.

It is our understanding that there are two Coast Guard inspected "Parker" boats that operate in the vicinity of Chatham, MA. The first is the CHATHAM BARS INN, Official Number (O.N.) MS8632ZC, which is 21 feet in length and has a manufacturer's capacity rating for 10 total persons. In June of 2000, the Coast Guard conducted a stability test on the vessel and issued the vessel a COI that it could satisfactorily carry up to 10 total persons (passengers and crew).

The second is the RIP RYDER, O.N. MS9284KG, which is 25.4 feet long and has a manufacturer's capacity rating for 15 total persons. In May 2001, the Coast Guard conducted a stability test on it and found that it could satisfactorily carry up to 22 total persons (passengers and crew). This number was then reduced on the vessels COI to 20 based on the limiting amount of seating available on the vessel.

QFRs from the 4 March "FY05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

RE-OPEN ARCTIC ROSE CASE

QUESTION: Does the Coast Guard plan to reopen the report on the ARCTIC ROSE casualty to amend the facts as reported by the Board?

ANSWER: The Coast Guard investigation report on the sinking of the ARCTIC ROSE will be amended to accurately reflect stability calculations. In the section on vessel stability, the investigation report states "the stability calculations performed by JMC accounted for a 13,500 lb keel shoe (ballast bar) and approximately 20,000 lbs of boiler shot (boiler shot is a term used to describe round steel pieces approximately 1-2 inches in diameter) cement mixture, which was poured into the shaft alley area of the fish hold of the vessel after the inclining." That statement is incorrect since the stability calculations did not account for the 20,000 lbs of boiler shot. However, this error has no effect on the conclusions and recommendations of the report, and therefore the Coast Guard will not reopen the investigation.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

ARCTIC ROSE STABILITY REQUIREMENTS

QUESTION: Please explain for the Committee why the changes made to the physical characteristics of the ARCTIC ROSE after December 31, 1989 did not require the vessel to comply with the stability requirements of section 4502(d) of title 46, United States Code?

ANSWER: The alterations to the ARCTIC ROSE made after December 31, 1989 and prior to 1999, required that the vessel meet the stability regulations in Title 46, Code of Federal Regulations (CFR), Part 28. Specifically, 46 CFR 28.501 requires that if a vessel is substantially altered it "need not comply with the remainder of this subpart, *provided that it has stability instructions developed by a qualified individual*, which comply with Sec. 28.530 (c) through (e)." The Coast Guard's Marine Board Investigation Report states that the ARCTIC ROSE did meet this requirement and had stability instructions completed by Jensen Maritime Consultants (JMC) on July 9, 1999.

46 CFR 28.501(b) further requires that stability instructions be "based on loading conditions or operating restrictions, or both, which compensate for the adverse affects of the alterations." The Marine Board's Investigation Report states that the stability booklet provided "operating limits" for the vessel based on the Coast Guard's Navigation and Vessel Inspection Circular (NVIC) 5-86, which includes recommended loading conditions.

QFRs from the 4 March "Fy05 Budget Request" Hearing before the
House Subcommittee on Coast Guard & Maritime Transportation

TRACKING FISHING VESSEL COMPLIANCE

QUESTION: How does the Coast Guard keep track of new fishing vessels built after December 31, 1989 that are required to comply with the stability requirements in section 4502(d) of title 46, United States Code? For example, the vessel PRINCESS LAURA (official number 1149379) was built in 2003 and is 88.9 feet in length. When does the Coast Guard require a stability book to be submitted? How would the Coast Guard know if the owner fails to submit a stability book? How does the Coast Guard ensure that a vessel, when at sea, is operating in compliance with the vessel's stability book?

ANSWER: Because these vessels are uninspected, there is no formal method for tracking stability compliance among commercial fishing vessels and there are no requirements for the vessel's owner or operator to submit a stability book or to have it reviewed by the Coast Guard.

Coast Guard inspectors normally verify stability compliance on inspected vessels when conducting mandatory exams or inspections at the dock. For uninspected commercial fishing vessels, this verification is much more difficult. Fishing vessels can be checked on general stability compliance during at-sea law enforcement boardings. However, stability booklet verification is normally conducted as part of a voluntary dockside exam by Coast Guard Fishing Vessel Examiners.

The Coast Guard continues to contact both shipyards and fishing vessel owners through various outreach efforts to remind them of their responsibilities under section 4502(d) of Title 46, United States Code, to have the proper test and stability booklet aboard the vessel when operating. However, it remains the fishing vessel owner or operator's responsibility to comply under Title 46, Code of Federal Regulations, Part 28.505.

Stability compliance for these vessels is a work task item on the agenda for the Commercial Fishing Industry Vessel Safety Advisory Committee (CFIVSAC) meeting on March 30-31, 2004, in Galveston, Texas. The Coast Guard is awaiting receipt of the recommendations from that meeting. We will continue to assess every action recommended by the Committee and the fishing industry to better identify and find ways to address this issue under a voluntary program.

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
 2005 BUDGET REQUESTS, AND H.R. ~~3879~~ ³⁸⁷⁹ - THE COAST GUARD AUTHORIZATION
 ACT FOR FISCAL YEAR 2005
 MARCH 4, 2004

Today, we are reviewing the President's fiscal year 2005 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 2005. Nevertheless, the Subcommittee has concerns with some areas of the Coast Guard's budget and is not pleased with the requested level of funding for port security grants.

The Administration has requested \$7.5 billion for the Coast Guard in fiscal year 2005, an increase of \$430 million or approximately 6.1 percent more than the amount appropriated for fiscal year 2004. Much of this increase has been budgeted for Coast Guard operating expenses including a significant increase in funding to support missions related to maritime homeland security.

The homeland security mission of the Coast Guard has continued to expand in the years following the events of September 11th. Under the Maritime Transportation Security Act (MTSA) the Coast Guard is required to develop and implement plans in order to better prevent terrorist attacks on American ports and maritime industries. I commend the Administration's request of an additional \$101 million to support implementation of the MTSA. It will help the service meet its responsibilities in safeguarding homeland security on America's shores.

Unfortunately on the capital side of the Coast Guard's budget, the news is not so good. Funding for the Deepwater program is \$678 million. A paltry \$10 million increase over fiscal year 2004, and well below the amount necessary to meet the program's original 20-year schedule. This Subcommittee insists on a level of funding that will, at the very least, get the program back on track and we will continue to support efforts to accelerate the program. Completing Deepwater in less than 20 years is critically important if the Coast Guard is expected to successfully carry out its missions.

Other capital acquisitions are reduced well below the fiscal year 2004 level. I look forward to an explanation from the Commandant about the effects these funding levels will have on the ability of the service to carry out its missions.

Despite the particular attention placed on the Coast Guard's homeland security related missions in recent years, the service performs a much broader range of jobs. As we meet today, the Coast Guard's search and rescue, marine environmental protection, and vessel safety and inspections jobs are being highlighted in the national media as the service works to search for the

crew, address the oil spill, and investigate the cause of the recent tanker explosion off the Virginia coast. It is imperative that these non-homeland security functions remain priorities for the Coast Guard. 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 that these programs also receive attention in the budget.

Of particular concern, is the request to transfer Research, Development, Training and Evaluation funds from the Coast Guard to the Science and Technology Directorate of the Department of Homeland Security. It is not clear how this transfer improves the ability of the Coast Guard to carry out its mission.

The Marine Transportation Security Act authorizes grants to help ports improve security. More than \$442 million has been awarded over the last three years under this provision. The Administration proposes that \$46 million be available in fiscal year 2005. This amount is far lower than the \$124.5 million provided to the Transportation Security Administration during fiscal year 2004. I look forward to an explanation of the effects this provision will have on implementing the port and facility security plans called for under the MTSA.

Finally, the President's fiscal year 2005 budget for the Federal Maritime Commission proposes \$19.5 million for the Federal Maritime Commission, an increase of approximately 6 percent. 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 their testimony.

U. S. Department of
Homeland Security

United States
Coast Guard



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DEPARTMENT OF HOMELAND SECURITY

UNITED STATES COAST GUARD

STATEMENT OF

THE MASTER CHIEF PETTY OFFICER OF THE COAST GUARD

FRANKLIN A. WELCH

ON THE FISCAL YEAR 2005 BUDGET AUTHORIZATION

BEFORE THE

**SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION**

U.S. HOUSE OF REPRESENTATIVES

4 MARCH 2004

DEPARTMENT OF HOMELAND SECURITY
U. S. COAST GUARD
STATEMENT OF
THE MASTER CHIEF PETTY OFFICER OF THE COAST GUARD
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SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
4 MARCH 2004

Mr. Chairman and distinguished members of this subcommittee, I am honored to appear before you again as the Master Chief Petty Officer of the Coast Guard to share my views in support of the Coast Guard service members and their families that I am so privileged to represent. Forums such as this provide our workforce with a necessary means to communicate with the highest levels of our government and I am very appreciative of your sincere interest in ensuring the continued success of our United States Coast Guard.

I am pleased to report that the men and women of all components of the Coast Guard met the many demands of 2003 with the same humble professionalism and can-do spirit for which our service is known. I have every faith and confidence that the stellar work and commitment of our workforce will continue well into the future. As we meet the challenges of today, it is more apparent than ever that the preservation of our free and prosperous nation is of unprecedented criticality. Your Coast Guard, through the service of our great people, is doing the important and necessary work of our country with the absolute distinction and dogged persistence that our core values of honor, respect and devotion to duty were founded upon.

While many know us for only our Search and Rescue prowess, I know for certain that you possess a global understanding of our lengthy list of roles and missions. They include our role in the Iraq war and ongoing operations in the region, the war against terrorism and the war against drugs. We also continue to guard against illicit trade and transportation of people and goods into and out of our country, economic depletion and marine safety fatalities. All of these missions we perform admirably every day. It is also important to recall that the Coast Guard was involved in one of the largest governmental reorganizations in history during 2003, while simultaneously meeting the implementation mandates of the Maritime Transportation Security Act (MTSA) of 2002. 2003 was a busy year for the Coast Guard.

Without question, the Coast Guard continues to provide a service to our nation that affords multiple returns on our taxpayer's investments. So much so, that I am often asked, "How in the world do you do it?" This refers of course to the relatively small size of our service as it relates to our expansive portfolio of responsibilities to the American and international public. The response to that commonly asked question is simply an honest acknowledgement of the superior work, dedication and many sacrifices made by our people on a continuing basis.

The past year found the Coast Guard with increasing responsibilities and too few people to sustain the post September 11, 2001 operational environment while concurrently meeting MTSA implementation requirements. I am very thankful for your support in authorizing increased personnel end strengths and we are managing our growth in the most responsible and methodical way possible. We have recently enjoyed a

tremendously positive year in terms of recruiting and retention and expect similar results in 2004. As a result of our Strategic Metropolitan Area Recruiting Territory Program we have achieved a record-high result in recruiting minority members and the sixth best year on record for recruiting women. We are also mindful that personnel growth alone is not enough to effectively posture ourselves to meet the requirements of the future. The Coast Guard remains committed and aggressive in our pursuit to diversify our workforce. These recruiting successes, coupled with the second highest retention rate since 1958 (87.6 percent) are positive indicators that we are an attractive service to our nation's youth and an equally attractive employer as well.

The Coast Guard is extremely mindful of the needs of our people and we take their needs both seriously and responsibly. I believe that our Commandant's strong emphasis on our people is precisely what the Coast Guard needs in order to attract and retain the best and the brightest that our American public has to offer. Based upon recent personnel successes I am pleased to inform you that we are achieving the desired results. We have expanded personal tuition assistance funding to a maximum of \$4,500 per year and have authorized over 20,000 courses. The Coast Guard tuition assistance program currently has a 13 percent workforce participation, which has doubled since 2000. Our tuition assistance investments total nearly \$9 million. Coast Guard men and women are also eligible to participate in the U.S. Military Apprenticeship Program (USMAP) as well as the Servicemember's Opportunity College network.

We also remain committed to providing our workforce with professional development opportunities to better prepare them for service in positions of increased responsibility and authority. We must strive to offer much more. We are developing a strategy to improve our ability to provide professional development training for our men and women. This strategy includes the transformation of our existing leadership and management course into an E-5 course, the possible establishment of a command master chief course, as well as the introduction of a professional military education program during the summer of 2004. I believe that all of these initiatives are imperative for the future success of our men and women of the Coast Guard and I appreciate your understanding of the issue.

While I normally speak to you with a focus on our enlisted personnel, I represent the entire Coast Guard workforce. As such, I need to alert you to a concern about our officer cap. With this committee's support, the Coast Guard work force has grown by approximately three thousand people since 9/11/01. The increased responsibilities that the Coast Guard has undertaken since the terrorist attacks have required an increase in personnel. These billets are critically important to the Coast Guard, and current authority allows the Coast Guard to only have 6,200 officers at any one time, a limit not changed since 1993. Language has been proposed in the Coast Guard Authorization Bill to raise this limit to 7,100. The Coast Guard is projected to exceed the 6,200 officer cap in May of 2004 when the Academy class graduates. Without passage of the Coast Guard Authorization Bill, the Coast Guard will be forced to delay officer commissionings, the exact opposite message that we should be sending to young officers during this heightened period of terrorist alert.

As exceptionally as the men and women of the Coast Guard have performed, I also submit to you that we are not a service without challenges. Challenges, that if not pursued and overcome could have a detrimental impact on the potential tenure of many among our workforce.

I stated during last year's hearing that, "The first challenge we face is that of our aging and antiquated fleet of cutters and aircraft. With aged equipment comes increased maintenance costs and expended man hours, out-dated technology and a general degradation of true operational readiness." The state of our operational resources is now another year older and another year outdated. While maintenance costs continue to increase due to the lack of spare parts and economic growth, we have also experienced increasing unscheduled maintenance days at the expense of planned missions. Our cutters and aircraft are the front-line offense in the pursuit of our mission sets and they must be our highest priority. The Integrated Deepwater System program is absolutely necessary in order for us to ensure the continued operational success of our Coast Guard.

I would like to shift focus from the loss of operational opportunities caused by unscheduled maintenance to our deepwater fleet to the impact these breakdowns have on our people. The current state of our aging fleet of cutters and aircraft has direct and negative impacts on safety and morale. We have had numerous incidents this year that serve as cases in point. To cite a few; a 270 foot cutter lost a rudder en route her patrol area. This loss of vital equipment caused increased days away from homeport to effect repairs. A different 270 foot cutter experienced a major generator explosion while on patrol in the Caribbean Sea. Fortunately, there were no injuries. A 110 foot cutter experienced active flooding while underway due to loss of hull integrity. The cutter was forced to return to port to effect permanent repairs. We had excessive mishaps last year due to HH-65 power losses. One aircraft alone had eight torque mishaps within a month requiring two engine changes and close to 300 man-hours of maintenance. Our crews work long enough hours completing operational missions before adding significant additional hours for maintenance purposes. The state of our fleet of cutters and aircraft has become so problematic that I routinely hear that many of our men and women are unable to take advantage of earned leave due to operational and maintenance demands and this is a fundamental injustice to their commitment to service.

Maintaining parity with regard to the pay, benefits and compensation package offered by Department of Defense services remains a constant challenge for the Coast Guard. While most of our fellow armed services assign personnel to large bases with accompanying support services, the Coast Guard must assign personnel to small remote locations. We are very much aware of the disparity introduced by assignments to remote areas, most of which are far removed from Department of Defense facilities. One example is the high cost of childcare. Having available and accessible childcare is a very important quality of life issue for Coast Guard personnel. Our remote assignments preclude access to Department of Defense and Coast Guard child development centers. The extremely high cost of childcare in remote areas is a concern, and we are exploring ways to defer reasonable costs to our members. Our typical remote assignments present financial hardships to our members and their families that are not usually encountered by our fellow armed forces due to our lack of facility and support infrastructure.

Our service members also face significant challenges within the TRICARE health care system. Again, these difficulties are mainly attributed to our more remote assignment locations, most of which are outside Military Treatment Facility catchment areas coupled with too few TRICARE providers in these areas. Travel and transportation costs associated with obtaining health care is also problematic, particularly for our men and women assigned in Alaska and Puerto Rico. This is a particular burden for families with children when a spouse is deployed in support of Coast Guard operations.

I am very grateful for the recent Medicare overhaul bill that was passed at the end of 2003 and I am hopeful that the increase in Medicare and TRICARE reimbursements to providers will make TRICARE more attractive to our nation's physicians. I believe that low reimbursement rates are the principle reason that many health care providers elect not to become TRICARE providers, thereby limiting the pool of physicians from which our men and women could otherwise access. While many positive changes have been made to TRICARE during the last year, this is a health care system that will require very close monitoring and continued progress throughout the future.

Basic Allowance for Housing (BAH) reform continues to ease the financial burdens of members securing housing from the private sector and I am very thankful for your support that enabled continued increases to this important quality of life initiative. However, we still need to address areas of special concern like resort areas where Coast Guard owned housing is the only financially viable housing alternative. We face many challenges regarding the maintenance of our housing units due to the age of our infrastructure. Since Rescue 21 and Integrated Deepwater Systems acquisitions are our rightful highest capital priorities, we must explore ways to improve our family housing within the Coast Guard budget and work to employ a mix of market and housing solutions. The recent reinstatement of Coast Guard housing authorities now permit us to pursue privatization initiatives and we are progressing toward that end.

The habitability of Coast Guard unaccompanied personnel housing units remain problematic as well. As with our owned family housing units, our unaccompanied personnel housing is also very dated and in need of repair and new furnishings. We continue to explore new methods for supporting the housing needs of our single members, including the expansion of unaccompanied leased housing for our young men and women assigned ashore. We have enjoyed a tremendous year in terms of recruiting and retention and I believe we have the obligation to our first term workforce to aggressively pursue quality of life initiatives on their behalf. Beyond pay, housing is the highest concern of our young Coast Guard men and women and they are most deserving of rapid enhancements.

Mr. Chairman, it has been a demanding but remarkable year for the United States Coast Guard. It has also been an equally remarkable year in terms of the support and recognition of our great people who make so many sacrifices in support of our homeland. We are extremely grateful for your continued emphasis on our pay, benefits and compensation packages and trust that the American public understands the importance of constant enhancements to all of our service programs and benefits. We are a service committed to the ideals of this terrific country and we need and deserve the continued commitment of our country to us, the men and women of the United States Coast Guard!

I am very grateful for your leadership and the leadership of this subcommittee and I look forward to continuing a mutually respectful and hard working relationship with you on behalf of all of the men and women of the Coast Guard that I proudly represent.

Semper Paratus!

FLEET RESERVE ASSOCIATION

Statement of the Fleet Reserve Association
on the
United States Coast Guard's
FY 2005 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 12, 2004

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 2005 Budget. 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.

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

Pay

FRA would like to thank the Administration and Congress for their continued support for the pay and benefits for all Coast Guard personnel. Of particular note, are the recent increases in base pay, targeted pay raises for certain pay grades, and continuing buy down of the average cost of out of pocket housing expenses (BAH) that will decrease from 3.5% to 0% in keeping with the multi-year plan to reduce the out of pocket expense to zero.

The President's FY2005 budget provides a military pay raise of 3.5% across-the-board. This is commensurate with the 1999 formula to provide increases of 0.5 percentage points greater than that of the previous year for the private sector. The formula, with the addition of targeted raises, has reduced the pay gap with the private sector from 13.5% to 5.2% following the pay increase programmed for January 1, 2005.

FRA, however, is disappointed that the Office of Management and Budget (OMB) is opposed to targeted pay increases for certain enlisted and officer pay grades. This is despite the

Defense Department's projected recommendation to affect targeted pays along the line of those authorized for FY 2004. Targeting pay hikes for FY 2005 and FY 2006 will aid the Department's quest to increase basic pay for career personnel to equal the level of private sector workers having similar education and experience levels. Comparability with private sector wage growth remains a fundamental underpinning of the all-volunteer force. To ignore it would result in severe consequences to the national defense.

FRA, in concert with The Military Coalition, 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 2005 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 for most benefits applicable to all services. On exception is the authorization of hazardous duty incentive pay (HDIP).

Hazardous Duty Incentive Pay (HDIP)

Only Coast Guard crews supporting flight deck operations, receive hazardous duty incentive pay. However, DoD authorizes HDIP for all Visit, Board, Search and Seizure (VBSS) Teams and depending upon the type of duty, HDIP ranges from \$150 to \$225 per month. In addition, DoD personnel participating in maritime interception operations qualify for HDIP for duty that includes support of - Operation Southern Watch, Operation Enduring Freedom, Operation Iraqi Freedom and the global war on terrorism; counter-drug operations; and homeland defense.

The Coast Guard has been conducting at sea boardings since its inception and just like their DoD counterparts, countless boarding officers and boarding team members put themselves into harms way during each and every boarding but do not receive any special compensation. And since Sept 11th, 2001, these boardings have been conducted during periods of significantly higher

readiness levels and threat conditions. The intent of every boarding is protecting the Homeland from weapons of mass destruction, terrorist threats, illegal aliens desperate to enter our country, or other means of inflicting catastrophic damage to the United States.

Accordingly, FRA requests that the dedicated Coast Guard men and women serving as boarding Officers and Boarding Team Members, be authorized to receive hazardous duty incentive pay (HDIP).

Dislocation Allowance (DLA)

Moving households on government orders is costly and throughout a military career service members endure a number of permanent changes of station (PCS). 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.

Health Care

FRA appreciates the TRICARE Management Activity's (TMA's) continued work to improve accessibility to providers for active duty, reserve and retired personnel and their dependents. However, access to providers can be especially challenging for Coast Guard personnel,

particularly in areas where there are limited providers or members are limited by distance from a Military Treatment Facility (MTF).

Unfortunately Coast Guard personnel and their families continue to encounter providers that prefer not to accept TRICARE patients mainly due to the low reimbursement rates. In locations where TRICARE Prime is present, there is a noteworthy trend of providers leaving the network. This mostly impacts active duty service members and their dependents; however, retirees and their dependents are encountering similar situations.

TRICARE Prime Remote (TPR) access has improved as a result of combining TRICARE Regions. However, there are pockets of beneficiaries that still reside in geographic locations where there is no access to a uniformed healthcare benefit, primarily in high cost areas. The Coast Guard and TMA continue to work to resolve these challenges.

Areas that are most severely impacted include Alaska where there are limited medical and dental providers willing to participate and accept government reimbursement rates. FRA understands that there is no dental care available in Cordova and Petersburg. In addition, Port Angeles, WA and Marin County, CA are problematic as network providers panels are full and non-network providers are not willing to see Coast Guard beneficiaries.

Reserve Support

As of February 12, 2004, the Coast Guard had approximately 1,430 Title 10 mobilized Reservists supporting the contingency operations associated with the War on Terrorism. In addition, there are more than 700 Reservists on other voluntary active duty contracts.

With regard to reserve training, the FY 2005 budget supports a Selected Reserve force of 8,100; assuming approximately 500 Reservists are still mobilized. The Coast Guard is currently reviewing its new and existing requirements as well as determining the optimum size and make-up of the Reserve force.

FRA understands that there is a shortage of funding to support IDT travel and requests that increased funding be authorized for FY 2005.

Reserve Health Care and Other Issues

Health Care.

FRA is grateful to Congress for ensuring that the Temporary Reserve Health Care Program was included in the FY 2004 National Defense Authorization Act. This program will provide coverage, through December 2004, for Reserve (and National Guard) members who are

unemployed or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to expedite implementation; however, no one is certain how long this will take. Immediate implementation is required, and a permanent program must be established.

Health insurance coverage varies widely for members of the Reserve: some 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. Being disenrolled from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some Reservists from reenlisting. Many Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE 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. However, this new benefit only affects about ten percent of the Selected Reserve. FRA urges the authority for federal payment of civilian health care premiums (up to the TRICARE limit) for dependents of mobilized service members.

Dental Care.

Dental readiness is another important aspect of readiness for Reserve personnel. Currently, DoD offers a dental program to Selected Reserve members and their families. This program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of \$1,200 per enrollee per year. However, only five percent of eligible members are enrolled.

During the recent mobilization, soldiers with repairable dental problems were having teeth extracted at mobilization stations in the interest of time and money instead of having the proper dental care administered earlier. Congress responded by passing legislation that allows DoD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation,

national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, not sufficient time to improve dental readiness. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many Reservists receiving only days of notice before mobilizing.

The TRICARE Dental Plan benefits should be expanded for Reserve service members. This would allow Reserve personnel to maintain dental readiness and alleviate the need for dental care during training or mobilization. As a matter of morale, equity, and personnel readiness, even more needs to be done to assist Reservists who are being called up more frequently in support of national security missions.

The FRA urges: making the Temporary Reserve Health Care Program permanent and expanding coverage to all members of the Reserve Component and their families on a cost-sharing basis; allowing federal payment of civilian health care premiums for the families of deployed Reservists who choose to keep their civilian healthcare; and the expansion of the TRICARE Dental Plan for Reserve service members in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve.

Operational Tempo.

The increase in the use of Reserve units to serve along side active duty components in Iraq, as an example, has caused considerable challenges for individual reservists. Not only has their mobilization placed a strain on employment and income, but on the family as well. Employer support, once strong, decreases as more essential employees are whisked-off to spend longer periods in uniform leaving the employer frustrated with having to find a replacement and, at the same time, hold the position open for the Reservist's return.

FRA has always supported the Total Force Policy but is concerned that the sustained use of Reserve forces will eventually harm the recruiting and retention of young men and women willing to serve. The United States must maintain a strong Reserve force at all times in the event of a greater need than at the present.

FRA recommends that a review of the Reserve's role in the Total Force Policy be affected at the earliest and that it provided to appropriate oversight committees. The study should examine what enhancements are necessary to recruit and retain the number of Reservists required for the

defense of the United States. Recommendations may include such issues as tax relief, health care, retirement upgrades, improvements in the MGIB-SR, and family support programs.

USCG COMMANDANT ADVICE AND RECOMMENDATIONS

FRA strongly supports legislation (H.R. 3374) that would authorize the Commandant of the Coast Guard the authority to express his or her personal opinion, if asked, while testifying before Congress. The military heads of the Army, Navy, Air Force, and Marine Corps currently have authority to provide to Congress, after first notifying the Secretary of Defense, recommendations relating to their Service as they consider appropriate. However, the Commandant of the Coast Guard, despite serving as the chief of the fifth Armed Service, does not have the same authority. The legislation would authorize the Commandant of the Coast Guard to make such recommendations to the Congress relating to the Coast Guard as he or she deems relevant after informing the Secretary of Homeland Security.

FRA believes the advice received from the other service chiefs has been invaluable in ensuring that Congress provides the proper resources and legislative support to the services. And at a time when the Coast Guard is engaged a wide range of military operations abroad, and homeland defense missions at home, it is even more important that Congress receive the same level of advice from its Commandant.

Training and End Strengths

Coast Guard training systems continue to run at full capacity training active duty and Reserve members. The Coast Guard is challenged by infrastructure (predominantly classrooms and berthing) and staff limitations given the increasing end strengths) Resourceful solutions developed and implemented by dedicated Coast Guard personnel are providing maximum effectiveness and efficiencies. The Coast Guard is also working closely with other Department of Homeland Security (DHS) Agencies to identify opportunities for consolidation and shared resources.

FRA notes with concern that increased OPTEMPO. Running at full capacity significantly limits the effectiveness of the Coast Guard's surge requirements, and negatively impacts facility maintenance and staff professional development. FRA appreciates the support of the Administration and DHS with regard to Coast Guard's training needs and understands that DHS is working with the Coast Guard and the other internal agencies to identify the operational requirements and specific training necessary to support completion of all mission requirements.

Housing Challenges

FRA appreciates Congressional support for increased BAH rates for Coast Guard personnel and enactment of a plan to eliminate out of pocket housing costs. The President's FY2005 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, alleviating the need for government housing. In communities where there is a lack of adequate housing, the Coast Guard will continue to use traditional Acquisition Construction and Improvement funds, along with tools contained in Coast Guard Housing Authorities legislation, to improve government housing.

FRA also appreciates the recent reinstatement of Coast Guard housing authorities permits privatization initiatives. Public Privatization Venture (PPV) program holds promise for the Coast Guard based on DoD success. To that end, the Coast Guard will conduct a PPV feasibility study in Kodiak, AK and perhaps other locations to determine priority target areas for these projects.

As noted above, FRA continues to press for restructuring housing standards for enlisted personnel.

Recruiting and Retention

FRA is pleased that the President's FY2005 budget fully supports all Coast Guard recruiting initiatives and incentives. Active duty retention for FY2003 was the second best on record 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 high retention rates seen in 2003.

Recent officer continuation legislation as well as steadily increased promotion selection opportunities for mid-grade officers has 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.

Funding and Availability of Childcare

High cost childcare remains a concern for Coast Guard personnel. This is principally attributed to the fact that most of the unit locations preclude access to DoD and Coast Guard child

development centers. In the past FRA has noted the disparity of resources allocated by DoD, as compared to the Coast Guard for childcare services and again stresses the importance of adequately funding this important program.

The availability and accessibility of childcare is a very important quality of life issue for Coast Guard personnel and their families. There are approximately 800 children in Coast Guard childcare facilities and the program operates under the same standards for care as that of DoD.

The Coast Guard continues to explore ways to defer childcare costs to members in remote areas where the cost of childcare is extremely high. 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 assigned to remote duty stations.

Education Benefits

The President's FY2005 budget supports the Coast Guard education programs, specifically the Tuition Assistance Program and allows 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 MGIB have significantly impacted recruiting and retention efforts.

FRA continues to press for achieving a benchmark for MGIB benefits equal to the average cost of a four-year public college education.

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, Well-Being, 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 the MWR programs.

These activities and programs include 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 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

Mister 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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