

**FISCAL YEAR 2010 BUDGET
REQUESTS OF THE COAST GUARD,
MARITIME ADMINISTRATION, AND
FEDERAL MARITIME COMMISSION**

(111-31)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION
OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

May 13, 2009

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U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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May 12, 2009

SUMMARY OF SUBJECT MATTER

TO: Subcommittee on Coast Guard and Maritime Transportation Members
FROM: Subcommittee on Coast Guard and Maritime Transportation Staff
RE: Hearing on "FY 2010 Budget Requests of the Coast Guard, Maritime Administration, and the Federal Maritime Commission"

PURPOSE OF THE HEARING

The Subcommittee on Coast Guard and Maritime Transportation will meet on Wednesday, May 13, 2009, at 2:00 p.m., in room 2167 of the Rayburn House Office Building to receive testimony on "FY 2010 Budget Requests of the Coast Guard, Maritime Administration, and the Federal Maritime Commission." Representatives for the Coast Guard, Maritime Administration, and the Federal Maritime Commission will present testimony regarding the Administration's Fiscal Year (FY) 2010 budget request.

BACKGROUND

Coast Guard Budget

FY 2010 Coast Guard Budget Request: The President requests \$9.47 billion in FY 2010 for U.S. Coast Guard activities, which is an increase of approximately \$364 million (4 percent) over the total amount enacted in FY 2009 for the service. The Coast Guard's request is designed to sustain the Coast Guard's ability to support America's maritime safety, security, and stewardship interests in FY 2010.

Operating Expenses (OE): The overall budget request for Coast Guard OE in FY 2010 is approximately \$6.55 billion, an increase of more than \$361.2 million (5.8 percent) over the FY 2009 enacted level. The OE account comprises more than two-thirds of the Coast Guard's budget. Funding from this account supports all the Coast Guard's missions

including Search and Rescue, Marine Safety, Aids to Navigations, Living Marine Resources, Drug and Migrant Interdiction, Marine Environmental Protection, Other Law Enforcement, Ports Waterways and Coastal Security and Defense Readiness. This funding also covers the costs associated with the Coast Guard's workforce comprised of over 42,600 active duty, 8,100 reservists and 7,300 civilians. The request covers pay increases for officers and enlisted members (2.9 percent) and civilian employees (2 percent) of the Coast Guard.

The Administration has designated \$7.5 million of this request to provide for 74 new marine inspectors in the Coast Guard's marine safety programs. The FY 2009 budget requested 276 additional marine safety positions. In 2008, the Coast Guard inspected over 70,000 U.S. and 12,000 foreign vessels and conducted over 4,500 marine casualty investigations.

Environmental Compliance and Restoration: The President requests approximately \$13.2 million for environmental compliance and restoration operations, a 1.5 percent increase from the FY 2009 appropriated level. Environmental compliance and restoration provides for the clean-up and restoration of previously and currently contaminated Coast Guard facilities, and provides for the rehabilitation of Coast Guard assets to ensure they comply with environmental laws established to prevent contamination of and damage to the environment.

Reserve Training: The President requests approximately \$133.6 million for reserve pay, an increase of 2.4 percent over the FY 2009 budget; this funding is intended to cover training costs for Coast Guard Reserve personnel. The members of the Coast Guard Reserve are mobilized in the event of a national emergency or disaster. Reservists maintain readiness through mobilization exercises and by undertaking limited duration duty alongside regular Coast Guard members during both routine and emergency operations.

In addition, the Coast Guard Reserve fills critical national security and national defense roles in the Department of Homeland Security and in direct support of the Department of Defense in Iraq as part of Operation Iraqi Freedom, where Reservists manage waterside security around major ports and U.S. military assets.

Acquisitions, Construction, and Improvements (AC&I): The President requests \$1.38 billion to fund all planned Coast Guard capital acquisitions in FY 2010, an approximately \$100.6 million decrease (7.4 percent) from the FY 2009 appropriated level. These funds support the acquisition, construction, and improvement of vessels, aircraft, information management resources, shore facilities, and aids to navigation.

Of the \$1.39 billion request, \$1.05 billion (an approximately \$17 million increase from the appropriated funding for FY 2009) is for the Deepwater program, the Coast Guard's program to replace or rehabilitate cutters and aircraft utilized primarily 50 miles offshore. Specifically, the capital budget requests funding for the following projects:

- \$591.4 million for surface assets recapitalization or enhancement initiatives of existing cutters and patrol boats and production of additional cutters and small boats;
- \$305.5 million of air assets; and

- \$154.6 million for program management, system integration, development of logistics support, and facility improvements at sites where new assets will be home-ported.

The President's budget requests \$340 million for non-Deepwater capital expenses, including only \$10 million for shore-based facilities and aid to navigation recapitalization projects. The Coast Guard received \$98 million in the FY 2009 American Recovery and Reinvestment Act (ARRA) funding for maintenance projects; the service has announced it will direct \$88 million of this funding to rehabilitate its shore infrastructure and \$10 million to service its aging High Endurance Cutters. The ARRA funding combined with the funding requested by the President for the FY 2010 budget is significantly less than amounts historically provided for these capital needs. The Coast Guard has a \$1 billion backlog of on shore maintenance facilities and repair needs throughout its aging shore facilities, including its personnel housing, air stations, sector offices, small boat stations, and at the Coast Guard Academy. Failure to adequately fund maintenance, repair, and replacement of shore facilities will only result in higher outlays in the future; it will also require Coast Guard personnel to continue to work in aging and, in some cases, sub-standard facilities.

Additional Coast Guard FY 2010 initiatives for which the President has requested funding include:

- \$103 million for 30 Response Boats-Medium (to replace the 41 foot Utility Boats).
- \$117 million for the "Rescue 21," initiative to install advanced command, control, and communications system to upgrade search and rescue capabilities and improve mission performance for California and New England Sectors and continued development of the Great Lakes, Guam, Hawaii, and Puerto Rico Sectors.
- \$1.183 million to purchase "Biometrics at Sea System" (BASS) equipment and maintain existing BASS systems on 18 cutters and to fund engineering development and program management of BASS. The biometric program enables the Coast Guard to collect the fingerprints of interdicted migrants and send the information back to a shore-based database to determine if any of the interdicted individuals are wanted to face criminal charges. The Coast Guard is currently using this technology as part of a pilot program in the Mona Pass. Those individuals with outstanding warrants are taken into custody; the remaining individuals are repatriated to their country of origin. The use of this biometric system also enables the Coast Guard to identify individuals who have been interdicted on repeated occasions.
- \$1.088 million to fund the SeaHawk Charleston Interagency Center located in Charleston, South Carolina. The SeaHawk is a prototype multi-agency coordination center and unified command staffed with personnel from the Coast Guard, Federal Bureau of Investigations, Customs and Border Protection, Immigration and Customs Enforcement and other local, state and Federal agencies. The Center will be used to coordinate vessel and intermodal transportation, screen and target vessels and share information to promote port security in the Port of Charleston.
- \$22.4 million has been requested for Coast Guard funding of the Data Centers of the Department of Homeland Security, which provides information technology related to acquisition management and maintenance and support contracts.
- \$20 million requested to modernize the Coast guard's financial management structure.
- \$7.5 million for 74 additional marine inspectors and investigating officers.

Alteration of Bridges: Created by the Truman-Hobbs Act of 1940 (33 U.S.C. 511), the bridge alteration program authorizes the federal government to share with a bridge's owner the cost of altering or removing railroad and publicly owned highway bridges that obstruct maritime navigation. In FY 2008, \$16 million was appropriated for this program. No funds are requested for this program in FY 2010. Although the Coast Guard received \$142 million in the FY 2009 ARRA, there is a significant backlog for the Truman-Hobbs bridge alteration program. In 2009, the Coast Guard determined 32 bridges are potentially unreasonable obstructions to navigation. In 2008, the President's budget proposed to transfer responsibility for the Truman-Hobbs bridge alteration program to the Department of Transportation; that request was not renewed this year.

Research, Development, Test, and Evaluation: The President's budget requests approximately \$19.7 million for Research, Development, Test and Evaluation, a \$1.7 million (9.7 percent) increase from the amount appropriated for FY 2009. The funding supports continued and improved mission performance for the service's 11 Coast Guard missions through applied research and development conducted at the Coast Guard's Research and Development Center.

Retired Pay: The President's budget assumes that \$1.36 billion will be needed for retired pay in Fiscal Year 2010. This represents a \$124.5 million increase (10.1%) over the fiscal year 2009 appropriated level.

LORAN-C Termination: The Administration has concluded that LORAN-C is no longer required by the Armed Forces, the Nations' security interests, or the transportation sector due to the U.S. Global Positioning System (GPS). In FY 2010, the Coast Guard plans to end the federal broadcast of the LORAN-C signal. The Coast Guard plans to de-staff and close its 24 LORAN-C stations and associated support units; resulting in a savings of \$36 million in FY 2010 and subsequent savings of \$190 million over the next five years.

Port Security Grants: The President's budget requests \$250 million for port security grants for FY 2010. In FY 2009, \$400 million was available for port security grants.

COAST GUARD BUDGET REQUEST

(In millions of dollars)

Program	FY2009 Enacted	FY2009 Authorized (last Authorization FY2006)	FY2010 President's Budget	Diff. of FY2010 Pres. Budget and FY2009 Enacted	
				(\$)	(%)
Operating Expenses	6,195.0	None	6,556.2	361.2	5.8
Environmental Compliance	13.0	None	13.2	0.2	1.5
Reserve Training	130.5	None	133.6	3.1	2.4
Acquisition & Constr.	1,494.6	None	1,384.0	-110.6	-7.4
Alteration of Bridges	16.0	None	0	-16.0	-100
Research & Dev.	18	None	19.7	1.7	9.7
Retired Pay	1,236.7	None	1,361.2	124.5	10
Total	9103.8	None	9467.9	364.1	4.0

Maritime Administration Budget

FY 2010 Maritime Administration Budget Request: The President requests \$345.5 million in FY 2010 for Maritime Administration (MARAD) activities, which is an increase of approximately \$32.1 million (10 percent) above the appropriated level in FY 2009 (not including FY 2009 stimulus) for the Administration.

Operations and Training: The overall budget request for MARAD's Operations and Training is approximately \$152.9 million, an increase of approximately \$29.5 million (23.9 percent) under the FY 2009 appropriated level. Of the \$152.9 million, \$74.4 million is for the U.S. Merchant Marine Academy (USMMA); \$15.6 million for the State Maritime Schools; and \$45.5 million for MARAD operations. Funding from this account provides support staff at MARAD headquarters and gateway offices that administer and direct the Federal maritime programs for the operation of the USMMA and financial assistance for the six State maritime schools.

Assistance to Small Shipyards: MARAD did not request funds for the Assistance to Small Shipyards program in FY 2010. A total of \$17.5 million was enacted for this program in FY 2008 and is to remain available until expended. This funding is made available as grants for capital improvements and related infrastructure improvements at qualified shipyards that facilitate the quality, efficiency, and cost-effectiveness of domestic ship construction for commercial and federal government use, as authorized under section 3506 of P.L. 109-163, the "National Defense Authorization Act for Fiscal Year 2006". MARAD received \$100 million in ARRA funding for the Small Shipyard Program. More than 400 grant applications, totaling more than \$1 billion, have been received for this funding, highlighting the demand among small shipyard for modernization support.

Ship Disposal: MARAD requested \$15 million for essential expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet. This is the same amount as the FY 2009 appropriated level.

Maritime Security Program: MARAD requested \$174 million to maintain and preserve a U.S.-crewed, U.S.-flagged merchant fleet to serve the national security needs of the United States. Direct payments are provided to U.S. flag ship operators engaged in U.S. foreign trade. Vessel operators that participate are required to keep the vessels in active commercial service and provide intermodal sealift support to the Department of Defense in times of war or national emergency.

Maritime Guaranteed Loan (Title XI) Program: The budget requested \$3.63 million for the program administration of the Maritime Guaranteed Loan Program. No new funds were requested to subsidize new loan guarantees to support the construction of Jones Act vessels. There are currently \$2.1 billion in guaranteed loans outstanding at the end of FY 2010. Guaranteed loans are provided for purchasers of ships from the U.S. shipbuilding industry and for the modernization of U.S. shipyards.

Mission

MARAD's mission is to strengthen the United States' maritime transportation system – including its infrastructure, industry, and labor – to meet the economic and security needs of the nation. MARAD's programs promote the development and maintenance of an adequate, well-balanced United States merchant marine so that it is sufficient to carry the nation's domestic waterborne commerce and a substantial portion of its waterborne foreign commerce and capable of serving as a naval and military auxiliary in time of war or national emergency. MARAD works to ensure the United States maintains adequate shipbuilding and repair services, efficient ports, effective intermodal water and land transportation systems, and reserve shipping capacity for use in time of national emergency.

MARAD's objectives include:

- Commercial Mobility – reducing congestion on the nation's inland waterway, marine, and landside infrastructure;
- National Security – assuring an intermodal sealift capacity to support America's national security interests; and
- Environment – formalizing environmental considerations in operations and in partnership with other agencies and private stakeholders to streamline processes that lead to environmentally friendly transportation improvements.

MARAD has re-aligned its headquarters offices and will eventually establish offices at 10 of the largest U.S. ports to enable to identify waterway bottlenecks and develop plans to improve freight movement. MARAD will work with stakeholders, promoting collaboration, and focusing particularly on planning and environmental issues.

Short Sea Shipping

Short Sea Shipping is an alternative form of commercial transportation that utilizes inland and coastal waterways to move commercial freight from major domestic ports to its destination.

In 2008, Congress passed the Energy Independence and Security Act of 2007 (P.L. 110-140). Title XI of that bill established a Short Sea Shipping program in MARAD and required the agency to identify short sea transportation projects and routes that will mitigate landside congestion. This includes coordinating resources between U.S.-flag vessel owners, shippers, ports, and state and local governments. This law also made U.S.-flag vessels engaged in short sea transportation between U.S. ports eligible to participate in the Capital Construction Fund Program administered by MARAD. This is a tax deferral program that allows vessel owners to place money in a tax deferred account and withdraw the funds to help finance short sea transportation projects.

MARAD is exploring how it can support the development of a robust short sea shipping system to aid in the reduction of growing freight congestion on U.S. rail and highway systems. MARAD is also looking at the use of public system incentives, vessel financing and construction, and customer requirements for the development of new waterborne transportation services in North America. A Short Sea Shipping Cooperative Program has been formed by MARAD that includes maritime business and community representatives to support projects that advance Short Sea Shipping. A Short Sea Shipping Memorandum of Cooperation has been reached with Canada and Mexico.

MARITIME ADMINISTRATION BUDGET REQUEST
(In millions of dollars)

Program	FY2009 Enacted	FY2009 Authorized	FY2010 President's Budget	Diff. of FY2010 Pres. Budget and FY2009 Enacted	
				(\$)	(%)
Operations and Training	123.36	None	152.9	29.5	23.9%
Assistance to Small Shipyards	17.5	None	0	-17.5	-100%
Ship Disposal Program	15	None	15	0	0%
Maritime Security Program	174	None	174	0	0%
Maritime Guaranteed Loan Program Administrative Expenses	3.5	None	3.6	.1	3%
Maritime Guaranteed Loan Program Loan Guarantees	0	None	0	0	0%
Total	313.4	None	345.5	32.1	10%

Federal Maritime Commission Budget

FY 2010 Federal Maritime Commission Request: The President requests \$24.5 million in FY 2010 for Federal Maritime Commission (FMC) activities, which is an increase of approximately \$1.7 million (7.5 percent) over the total amount appropriated in FY 2009.

Obligations by Program Activities: The President requests \$8 million for formal proceedings; \$1 million for Inspector General; \$11 million for operations; and \$4 million for administrative costs.

The FMC has operated on a 5-year budget authorization. That authorization expired at the end of fiscal year 2008.

Organization

The FMC is typically composed of five Commissioners appointed to five-year terms by the President, with the advice and consent of the Senate. Not more than three members of the FMC may belong to the same political party. The Chairman of the Commissioners is designated by the President.

The Chairman is the administrative officer and chief executive of the agency. The Chairman's position has been vacant since 2006 and one Commissioner resigned in 2008, leaving three sitting Commissioners. In June 2009, another Commissioner will leave the Commission when his five-year term expires; his departure will leave only two Commissioners to be responsible for the management of the agency.

The Commission's organizational units consist of: Office of the Secretary; Office of the General Counsel; Office of Administrative Law Judges; Office of the Inspector General; Office of the Executive Director; Office of Equal Employment Opportunity; Bureau of Consumer Complaints and Licensing; Bureau of Enforcement and Bureau of Trade Analysis. The Executive Director assists the Chairman in providing executive and administrative direction to the bureaus in the Commission. The offices and bureaus are responsible for the Commission's regulatory programs or providing administrative support. The majority of the Commission's personnel are located in Washington, D.C., with area representatives in Los Angeles, New York, Miami, New Orleans, and Seattle.

In the Commission's 2008 Federal Human Capital Survey, there was a 20 percent increase in the satisfaction with the practice and policies of the FMC's senior leaders, an 11 percent increase in job satisfaction, and a 17 percent increase in satisfaction with employee training.

History

The FMC was established August 12, 1961, as an independent regulatory agency by Reorganization Plan No. 7. Prior to that date, the Federal Maritime Board had responsibility for the regulation of ocean commerce and the promotion of the United States Merchant Marine. Under Reorganization Plan No 7, U.S. shipping laws were separated into two categories: regulatory and promotional. The responsibility of promoting an adequate and

efficient U.S. Merchant Marine was assigned to MARAD, now located within the Department of Transportation. The newly formed FMC was charged with the administration of the regulatory provisions of the shipping laws.

When the Shipping Act passed in 1984, major deregulatory changes were made in the regulatory regime for shipping companies operating in the U.S. foreign commerce. In 1998, Congress passed the Ocean Shipping Reform Act that had additional deregulatory amendments and modifications to the Shipping Act of 1984. This was a significant pro-market shift in shipping regulations.

Functions

The principal statutes or statutory provisions administered by the Commission are contained in subtitle IV of title 46, United States Code. This includes filing of tariffs and service contracts under chapter 405; regulation of controlled carriers under chapter 407; regulation of ocean transportation intermediaries such as freight forwarders under chapter 409; and actions to address unfair foreign shipping practices under chapters 421 and 423.

The FMC's regulatory responsibilities include:

- Regulating certain activities of international shipping lines (called "ocean common carriers"), marine terminals operators, and ocean transportation intermediaries that operate in the U.S. foreign commerce or the trade between individuals or legal entities in U.S. with different countries. An Ocean Transportation Intermediary is either an ocean freight forwarder or a non-vessel operating common carrier. An ocean freight forwarder is an individual or company that dispatches shipments from the United States via common carriers and arranges or books space for those shipments on behalf of shippers. They also prepare and process the documentation and perform related activities pertaining to those shipments. A non-vessel operating common carrier is a common carrier that extends itself out to the public to provide ocean transportation. It does not operate the vessels by which ocean transportation is provided, and is a shipper in relation to the involved ocean common carrier.
- Overseeing the financial responsibility of cruise ship lines and other passenger ship operators, ensuring they have the resources to pay compensation for personal injuries or non-performance.
- Monitoring the laws and practices of foreign governments, which could have a discriminatory or otherwise adverse impact on the U.S. maritime trade and U.S. shipping industry and administers bilateral trade sanctions to persuade foreign governments to remove adverse conditions.
- Enforcing special regulatory requirements applicable to shipping lines controlled or owned by foreign governments (so-called "controlled carriers").
- Reviewing and regulating agreements between marine terminals and/or shipping lines (which enjoy statutory immunity from the antitrust laws) and service contracts between shipping lines and their customers.
- Licenses and regulates ocean transportation intermediaries in the U.S., and ensures all maintain evidence of financial responsibility. These intermediaries include freight forwarders, who make bookings and process paperwork for shipper customers

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(roughly analogous to a travel agent for freight), and "non-vessel-operating common carriers," who act as resellers of space on shipping lines' vessels.

- Reviewing common carriers' privately published tariff systems for accessibility and accuracy.

The FMC is authorized by chapters 421 and 423 of title 46, United States Code to take action to ensure that the foreign commerce of the United States is not burdened by non-market barriers to ocean shipping. The FMC may take countervailing action to correct unfavorable shipping conditions in U.S. foreign commerce and may inflict penalties to address actions by carriers or foreign governments that adversely affect shipping in the U.S. foreign oceanborne trades or that impair access of U.S. flag vessels to ocean trade between foreign ports.

The FMC conducts informal and formal investigations as a part of its regulatory responsibility. If a person or company is unable to settle a dispute that involves a possible violation of the Shipping Act, that person or company may file a complaint to the FMC. The complaint will be referred to the Commission's Office of Administrative Law Judges (ALJ). If the ALJ is unable to decide the case merely by reading written evidence, a hearing may be conducted that is similar to trial in which witnesses will appear and give testimony under oath. The ALJ's initial decision may be appealed to the Commission by the filing of exceptions by the parties within 22 days, or may be reviewed by the Commission on its own motion. If there are no exceptions to the initial decision, it becomes administratively final 30 days after the date of issuance.

FEDERAL MARITIME COMMISSION BUDGET REQUEST

(In millions of dollars)

Program	FY2009 Enacted	FY2010 Authorized	FY2010 President's Budget	Diff. of FY2010 Pres. Budget and FY2009 Enacted	
				(\$)	(%)
Formal Proceedings	6	None	8	2	33%
Inspector General	1	None	1	0	0%
Operations	10	None	11	1	10%
Administrative	5	None	4	-1	-20%
Total	22.8	None	24.5	1.7	7.5%

PREVIOUS COMMITTEE ACTION

The Subcommittee on Coast Guard and Maritime Transportation held hearings in the first and second sessions of the 110th Congress to examine the proposed fiscal year 2008 and 2009 budgets for the Coast Guard, MARAD, and FMC. Various hearings held throughout the 110th Congress have also examined specific aspects of the programs

implemented by the Coast Guard (including its Acquisitions program), MARAD (including its work to promote short sea shipping and the continued development of a robust maritime workforce), and the FMC (including its management and regulation of international shipping).

WITNESSES

Panel I

Admiral Thad Allen
Commandant
United States Coast Guard

Master Chief Charles W. Bowen
Master Chief Petty Officer
United States Coast Guard

Panel II

Commissioner Joseph E. Brennan
Commissioner
Federal Maritime Commission

Commissioner Hal Creel
Commissioner
Federal Maritime Commission

Commissioner Rebecca Dye
Commissioner
Federal Maritime Commission

Panel III

Mr. David J. Rivait
Associate Administrator for Budget and Programs
Chief Financial Officer
Maritime Administration

**HEARING ON FISCAL YEAR 2010
BUDGET REQUESTS OF THE COAST GUARD,
MARITIME ADMINISTRATION, AND
FEDERAL MARITIME COMMISSION**

Wednesday, May 13, 2009

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 2:00 p.m., in room 2167, Rayburn House Office Building, the Honorable Elijah E. Cummings [chairman of the subcommittee] presiding.

Mr. CUMMINGS. This hearing will now come to order.

The Subcommittee convenes today to examine fiscal year 2010 budget request for the Coast Guard Federal Maritime Commission and the Federal Maritime Administration. The President requested just under \$9.5 billion in fiscal year 2010 to fund the United States Coast Guard. The request would provide an increase of approximately \$371 million, 4.1 percent, over the service's enacted fiscal year 2009 budget.

The President request \$6.55 billion for the Coast Guard operating expenses in fiscal year 2010, an increase of more than \$361 million, or 5.8 percent, over the fiscal year 2009 level.

The President has requested just under \$1.4 billion to fund all planned Coast Guard capital acquisitions in fiscal year 2010, an approximately \$100.6 million decrease from fiscal year 2009 appropriated level. Of this requested amount, \$1.05 billion is requested for the Deepwater program, an approximately \$72 million increase from the enacted funding for year 2009.

The budget requests only \$344 million for non-Deepwater expenses, including only \$10 million for the repair of shore-side facilities and recapitalization of aids to navigation. The American Recovery and Reinvestment Act provided \$98 million for the rehabilitation of Coast Guard shore and Cutter assets, of which the service has announced \$88 million will go to shore facilities. However, the service has a backlog of shore facility repair needs exceeding \$1 billion. And many Coast Guard personnel continue to work in trailers or in rapidly aging buildings. To be frank, some work is substandard conditions and I continue to believe that this backlog must be reduced to ensure that all Coast Guard personnel work in a safe and modern facility.

The fiscal year 2010 budget request can accurately be described as austere. While it would fund the operation of new assets recently acquired by the Coast Guard, and would fund the addition of 74 new positions in the marine safety function, in addition to the 276 positions added in last year's budget, the President's request does not appear to fund any broad, new Coast Guard initiatives and even contains a slight reduction in the service's overall authorization of military positions. While we obviously strongly support the addition of new personnel to the Marine Safety program, other mission areas are also stretched and I continue to believe that the Coast Guard's resources, particularly in the area of personnel resources, must be more closely aligned with its mission.

The President requests \$24.5 million in fiscal year 2010 for Federal Maritime Commission activities, which is an increase of approximately \$1.7 million, 7.5 percent, over the total amount enacted in fiscal year 2009 for the Commission. The Commission is typically composed of five commissioners appointed to five-year terms by the President, with the advice and consent of the Senate. The Chairman's position has been vacant since 2006, one commissioner resigned in 2008. Next month a new commissioner will leave the Commission when his five-year term expires. His departure will leave only two commissioners to be responsible for the management of the agency.

The effective administration of the Commission has been a major concern to the Subcommittee. The economic downturn in the world, the economy is reducing shipping volumes which may create a new regulatory issue for the Commission to consider. We look forward to examining these issues today.

Regarding the U.S. Maritime Administration, the President has requested \$345.5 million in fiscal year 2010 provided in fiscal year 2009. The largest increase occurs in the request for MARAD's operations and training budget, which would grow by \$29.5 million. This account supports the U.S. Merchant Marine Academy, provides limited support for the State Maritime Schools, and funds MURAD's operations.

I am pleased that the President has requested \$124 million for the Maritime Security Program, which provides direct payments to United States flag ship operators engaged in foreign trade to ensure that these vessels are available to the Department of Defense in time of war or national emergency. I strongly support this funding as it is critical to the preservation of our U.S.-flagged ocean-going fleet.

The President did not request funding for the Assistance to Small Shipyards program in fiscal year 2010. MURAD received \$98 million from the American Government Investment Act to make grants under this program. The agency has already received more than 400 grant applications totaling more than \$1 billion. Such a large number of applications demonstrates a wide demand among small shipyards for modernization support.

The President requested only enough funding for the Title XI Guaranteed Loan Program to enable MURAD to administer an outstanding loan guarantees. No funding was requested to support new loan guarantees was requested. Under this program loan guarantees are available to those purchasing ships from the United

States shipbuilding industry and for the modernization of U.S. Shipyards. The U.S.-flagged ocean-going fleet is aging and the industry will likely need assistance if these vessels are to be replaced with new, modern vessels.

We look forward to the opportunity today to examine all of these budget requests. We thank our witnesses for being with us. Admiral Allen, it is always a pleasure to see you, all of your command, and all of the other witnesses.

With that, I yield to my distinguished Ranking Member, Congressman LoBiondo.

Mr. LOBIONDO. Good afternoon, Mr. Chairman. Thank you very much for calling this hearing. Admiral Allen, Master Chief, thank you for being here.

This afternoon the Subcommittee is reviewing the President's request for the Coast Guard and Maritime Administration and the Federal Maritime Commission. As of today, there are only 170 days remaining in the current fiscal year, which gives us very little time to act on the requests. However, I appreciate the speed with which the Subcommittee is considering the budget given how late it was submitted to us.

I have to start off by expressing my concern and frustration with the Coast Guard's continued refusal to provide the Subcommittee with a detailed explanation of how it plans to utilize the stimulus funding that was provided by the Congress earlier this year. The Subcommittee staff has requested this information more than three weeks ago and we have been informed that the Service is not authorized to make this information available. I am not exactly sure what that means, Mr. Chairman, but it means we are working without information that we need. I do not understand how keeping us in the dark fits in with this new way of doing things in an open and transparent manner. The Service, however, submitted a full justification for its fiscal year 2010 budget request.

The Coast Guard's scope of responsibility seems to grow each and every year, and it is vital that Congress provide the Service with the resources necessary to support all of its missions. I have not been happy with the numbers in past years because of the increased requests, in fact demands, that have been put on the Coast Guard to do these additional missions.

The request includes funding for the recapitalization of the Coast Guard's deteriorating assets. The assets are increasingly unreliable, often suffering major failures while in operation and having a significant impact on the Service's operational capabilities, not to mention the potential to put Coast Guard men and women in harm's way because of failure of equipment. However, I remain concerned that the Coast Guard's plans to replace these legacy assets cannot be carried out in a timely manner in the current funding level of roughly \$1 billion per year. For the foreseeable future the acquisition budget is fully committed to the National Security Cutter, Fast Response Cutter, maritime patrol aircraft, and sustainment of the Medium Endurance Cutters. Unfortunately, that leaves little room for the acquisition of offshore patrol cutters, unmanned aerial systems, inland river tenders, Polar icebreakers, and what I expect will be a frighteningly large and as yet unbudgeted amount to keep the High Endurance Cutters afloat.

The Coast Guard needs to look at all of these planned acquisitions and determine what mix of assets the acquisition budget can support. And if more funding is needed, I humbly request, I plead with the Service to tell us what that request is, to tell us what we need to do. I hope our witnesses will speak to the Coast Guard's strategy to overcome these challenges.

The Coast Guard has also proposed to terminate operation of the LORAN-C system, which provides positioning information to commercial, recreational, and government aircraft and vessels. I am extremely concerned this decision will leave us without any backup to the global positioning system. Has the Federal Government determined that no supplemental navigation system is necessary? If that is the case, I would like that to be explained. What happens if G.P.S. becomes temporarily or permanently unavailable? What is the backup? What do we do? I am getting questions from some ship captains from New Jersey asking what the plan is and I cannot answer them right now. Furthermore, although the Administration has touted a \$36 million savings they expect from shutting down LORAN-C, the Coast Guard has not developed an estimate of the cost associated with environmental cleanup at existing LORAN sites, nor has the Service determined what work would be necessary to the existing infrastructure to support E-LORAN or some other supplemental navigation system. I think these questions need to be addressed before any action to dismantle LORAN-C is taken.

I am also perplexed by the Administration's request of zero dollars for construction and maintenance of the Coast Guard's shore-side facilities. The Coast Guard currently has a shore-side backlog of over \$1 billion. Coast Guard station housing, hangars, and other support buildings are deteriorating as we speak. Yet, no funding has been targeted for these projects. I hope the Service has a good answer for us on how they intend to manage this serious situation.

We will also welcome witnesses from the Maritime Administration, the Federal Maritime Commission this afternoon. I am pleased to see the President including funding to enhance infrastructure at our ports to improve the security and efficiency of cargo as it moves among different modes of transportation. Our Nation's maritime highways are vastly underutilized as an asset and I look forward to hearing more from MURAD's efforts to increase the use of our inland rivers and coastal routes as an alternative to our overloaded roads and rails.

I am also interested to hear more about the FMC's ongoing efforts to level the playing field internationally for U.S. shipping interests and monitoring activities which impact commerce at U.S. ports.

We once again, Mr. Chairman, want to thank you for holding this hearing. I thank the witnesses for being here. I am looking forward to their testimony.

Mr. CUMMINGS. Thank you very much. Do other members have opening statements? Mr. Coble.

Mr. COBLE. I will not take five minutes, Mr. Chairman. I thank you for calling the hearing. I will just say to the Commandant and to the Master Chief that Americans continue to be appreciative for the outstanding service the men and women of the Coast Guard

perform. I commend you two for a job well done. Thank you, Mr. Chairman. I yield back.

Mr. CUMMINGS. Thank you very much, Mr. Coble.

Admiral Allen, I would appreciate it if you would address the stimulus question in your statement, if you do not mind, the question that was just raised. It concerns me, too. So we need to get that off the table.

We now will hear from Admiral Thad Allen, the Commandant of the United States Coast Guard. He is joined by Master Chief Petty Officer Charles Bowen. I want to thank you for being with us also, Master Chief.

Admiral?

**TESTIMONY OF ADMIRAL THAD W. ALLEN, COMMANDANT,
UNITED STATES COAST GUARD, ACCOMPANIED BY MASTER
CHIEF PETTY OFFICER CHARLES W. BOWEN, MASTER CHIEF
PETTY OFFICER, UNITED STATES COAST GUARD**

Admiral ALLEN. Thank you, Mr. Chairman, Representative LoBiondo, and distinguished members of the Subcommittee. I am pleased to testify on the Coast Guard's budget request this year for fiscal year 2010. I have brief opening remarks and ask that you submit my written statement for the record.

When I became Commandant in 2006, one of my primary objectives was to evolve the Coast Guard into a change-sensitive organization to modernize command, control, and logistic support, to optimize workforce, and to improve business practices. Building upon the Coast Guard's culture and bias for action, we have made significant strides toward those goals. Modernization remains Job One in the coming year as it impacts almost everything the Coast Guard does. And as we have carried out our modernization efforts, the dedication, expertise, and professionalism of your Coast Guard has been constant. Despite our Nation's economic struggles and the numerous global threats we face, I believe the state of the Coast Guard remains strong. The Coast Guard has never been more relevant and never been in greater demand. The confluence of globalization, expanding maritime trade, energy exploration, and the tremendous value we provide throughout Government are stimulating unprecedented demand for our services. Going forward, we must ensure the Coast Guard has the resources, authorities, and competencies in place to continue to answer the call for our Nation.

The 2010 budget provides much of what I need to manage safety and security risks in the maritime domain. As the Nation struggles with the current fiscal crisis, we are prepared to make difficult financial decisions to optimize our existing resources. However, we can no longer do more with less. As I told my folks at All Hands meetings and other fora where I meet, we will allocate our resources to buy down risk in the most vulnerable areas. But you cannot do more with less. You do the same with what you have got and you accept risk where you cannot act.

As I reflect on my tenure of service, I am filled with pride and humbled to lead our remarkable workforce. Over the past year our men and women, active duty, reserve, and civilian and auxiliaries alike, performed with profound dignity, courage, and sacrifice, as their predecessors have for two centuries. They embody the highest

ideals of public service. Master Chief Bowen and I are concerned about the welfare of our workforce. Retaining military and civilian employees and attracting the highest quality workforce is the key to our current and future success. I have embraced the goal of a geographically distributed workforce and a diverse workforce. I look forward to working with the Committee on several workforce management issues, including opportunities to expand hiring authorities to increase our competitiveness with other Federal agencies.

I also welcome your interest in how we can improve our accession program to United States Coast Guard Academy. I believe we can establish a process that achieves our shared goal of improving diversity by recognizing the value the Coast Guard Academy brings to this Nation.

Guidance I provided during our review of the Management Directive 715, reviewed last Fall, together with the recent recommendations of the Booze, Allen, Hamilton report are being implemented by our civil rights program. We have added six new positions and reorganized headquarters staff to ensure all of our people are in the most productive environment possible. And earlier this week I approved a new field structure consistent with the Booze, Allen, Hamilton recommendations.

As I mentioned, globalization is drawing the world closer together. Force multiplying partnerships are increasingly critical to protecting U.S. Interests around the globe. For example, in the Pacific we are working closely with Canada, Japan, and the Peoples Republic of China to halt illegal, unreported, and unregulated fishing of tuna, a multinational problem that taxes the global economy over \$10 billion annually.

Further, the Coast Guard law enforcement detachments regularly deploy with U.S. Navy and allied vessels to counter piracy and enforce laws and treaties. In Europe, we maintain close ties with the shipbuilding industry to ensure new cruise ships are safe. And in the central command area of operations, our support to Operations Iraqi and Enduring Freedom safeguard regional economic interests, build partner capacity, and bridge divides between ministries of defense and interior throughout the region. At home the maritime transportation system remains the life blood of our national economy. In the United States it carries 78 percent of our international trade, including 66 percent of all crude oil consumed, while generating and sustaining thousands of jobs. I expect these trends will increase in the next 15 years.

Growth of the marine transportation system has increased demand for Coast Guard to conduct inspections, facilitate safe and efficient vessel movements, and ensure security in an increasingly complex port environment. Safety and security are inextricably linked here and we need to bolster national capability and competency. The President's budget requests \$7.5 million to add an additional 74 marine safety positions in support of Marine Safety Enhancement Plan. Included in this effort is the establishment of several marine safety centers of excellence, expertise that will ensure a collaborative national approach to complex specialized areas of industry such as on-and off-shore LNG terminals which are expected to grow over 200 percent in the next ten years. We expect

to convene a cargo security conference this Fall, Mr. Chairman, consistent with our prior conversations.

Persistent threats including the specter of transnational terrorism, increased sophistication and frequency in human smuggling and drug trafficking, and steadily declining fish docks continue to present operational challenges for Coast Guard men and women. We must understand the most effective way to protect our border. This would address threats long before they make landfall. This requires an awareness of the maritime domain coupled with the right mix of authorities, competencies, capabilities, and partnerships.

The receding Arctic icecap is inviting more tourism, energy exploration, and maritime shipping in this pristine environment. There is water where there once was ice and the Coast Guard has a burgeoning mission there. The signing of the recent National Security Presidential Directive sets interagency policy for the Arctic. However, our national efforts would be significantly enhanced if we ratified the U.N. Convention on the Law of the Sea.

We have significant issues with our High Endurance Cutters, as was mentioned. As we speak today, four of the twelve High Endurance Cutters, representing 33 percent of our long-range fleet, are in dry dock or tied up for unscheduled maintenance. We must do something to sustain this fleet. I have committed base resources to do it and we must keep our promise to our people.

Regarding the stimulus package, Mr. Chairman, Mr. LoBiondo, we are under guidance right now that the amounts of funding cannot be released. We will do that as soon as we can. That is not a decision that is held or taken inside the Coast Guard.

In closing, I am grateful to help address these serious issues. While there will be challenges as we move forward, we have the right structure, institutions, and strategic approach lighting our way. The fiscal year 2010 President's request supports my efforts to modernize, manage our workforce, and deliver the assets and systems needed to meet our future mission needs.

I would add one thing since this is a MURAL hearing also, Mr. Chairman. On Monday the Acting Administrator Jim Caponiti and I met with General Duncan McNab, the head of the Transportation Command, and Vice Admiral Bill Gortney, 5th Fleet Commander from U.S. Central Command in Bahrain, with all U.S. Flag shippers off the Horn of Africa. I want to congratulate Mr. Caponiti on his collaboration and partnership as we issued a new Maritime Security Directive that raise security standards for U.S. Flag vessels operating in and around the Horn of Africa.

I would be happy to take your questions.

Mr. CUMMINGS. Thank you very much.

I am going to just ask a few questions. First of all, let me say that I have often said that I am the Coast Guard's biggest fan but also its biggest constructive critic. In the area of fan, I was just recently in Brazil and Mexico, Panama, and Colombia. I can tell you that the president of Colombia basically said to us, a delegation led by our Majority Leader Steny Hoyer, he said, I beg you to keep the Coast Guard involved with us. And it was extremely complimentary to hear a president of a country say those things. And we got the same thing from the head of the military in Mexico. So I just wanted to pass that along.

I am going to yield to Mr. LoBiondo and then I will come back.
Mr. LOBIONDO. Thank you, Mr. Chairman. Admiral, I appreciate your comments concerning the details of the stimulus. I understand that your hands have been tied on this. Do you have any idea when we might get some details?

Admiral ALLEN. Sir, I do not. But at the earliest opportunity we can provide it, we certainly intend to do that.

Mr. LOBIONDO. Mr. Chairman, I would hope that we could maybe talk to Mr. Oberstar and whoever is blocking the Coast Guard from giving us that information that we might be able to convince them that this Subcommittee is charged with overseeing all Coast Guard personnel and programs. I think it is unacceptable that the Coast Guard is being told that they cannot give us this information.

Mr. CUMMINGS. Will the gentleman yield?

Mr. LOBIONDO. Yes.

Mr. CUMMINGS. I will do everything in my power, because I would like to receive the information also.

Mr. LOBIONDO. Thank you, Mr. Chairman.

Admiral Allen, I wanted to talk to you about LORAN-C for just a minute. I talked about it a little bit during my opening statement. Do you think the Administration has determined that there is no longer a need for the supplemental positioning system?

Admiral ALLEN. Mr. LoBiondo, what the Administration has done in the budget proposal this year is separate the issue of the continued operation of LORAN-C from the issue of whether or not G.P.S. requires a backup and what that backup should be. A year ago there was some discussion that the current LORAN-C system could be migrated to E-LORAN which could serve as a backup to G.P.S. With the rapid deterioration of our LORAN-C system, including four stations that are currently operating on vacuum tube technology, the decision was to proceed with the decommissioning of the LORAN-C chain and then revalidate the requirements for a backup for GPA, whether it would be LORAN or something else, and that would be done at the Department of Homeland Security level. So we are proceeding with the decommissioning of LORAN-C consistent with that policy decision.

Mr. LOBIONDO. Understanding the system has challenges, can you comment on your views what would happen if G.P.S. information became unavailable on a temporary or longer term basis and LORAN-C was not available.

Admiral ALLEN. Yes, sir. Speaking from just a maritime point of view, the Coast Guard sort of represents the stakeholders, loss of G.P.S. is a loss of one form of navigation. Navigation of a ship is the responsibility of the owner-operator or the master. There are other means by which they can determine their position whether it is visual lines of sighting, radar, and other sensors that are on the ship. The understanding is the loss of G.P.S. does not render the vessel unable to navigate. There are other means at their disposal if G.P.S. were not available. Some other input that I have received is there would be some degradation over time to the current locating position systems that are used out there. I am talking about the automated identification system and long range information and tracking which rely on G.P.S. to identify the position of

the vessel and then transmit that to other vessels and other users in the area. At some point that would be degraded as well.

Mr. LOBIONDO. Admiral, could you talk a little bit about how the Coast Guard will address the rapidly decreasing readiness of the 378 foot High Endurance Cutters?

Admiral ALLEN. Yes, sir. First of all, we prioritized our maintenance programs. These vessels, we are not really talking about deferred maintenance here or maintenance that we would like to do, we are talking about things like watertight integrity, fire safety, actually the ability to operate the vessels in a safe manner. We recently took the Dallas and the Gallatin out of service. We took the Dallas out of the water just this last week and found three penetrations in the hull that we did not know existed and we are likely to find more as we do a survey of the hull. These vessels had their service life extended in the late 1980's, early 1990's. It was intended to be for 15 years while we proceeded with the Deepwater program. The service life of these ships and the Deepwater program have not matched up. These are the only long-range vessels that we have that are capable of extended operations at our EZ and beyond. So we are talking about required presence in the Bering Sea or down off Colombia supporting our Colombian partners interdicting drugs. These become the primary platform because of their endurance or staying power and the capabilities they have out there. So this is a significant mission degrader. And it is important enough where I will reprioritize internally to keep these ships safe so our Coast Guardsmen can operate on them and also because the Country needs those hours out there, sir.

Mr. LOBIONDO. OK. Thank you, Admiral.

Master Chief, I have some questions but my time is ready to expire. So, Mr. Chairman, maybe on round two.

Mr. CUMMINGS. Thank you very much.

Mr. TAYLOR. Mr. Chairman. Commandant, thank you again for being with us. Thanks for what you do. And your driver after Katrina, Dwayne Diaz says hello.

As you know, I was very disappointed in the Coast Guard's failure to enforce the Jones Act regulations on a vessel that was rebuilt in China recently. We supplied to the Coast Guard photographs that proved beyond a shadow of a doubt that what went on was not emergency repairs; it was literally the total rebuild of a ship. This was a vessel that was flying under the American Flag done in China. And nothing happened. I am curious, with the change in Administration, is it your intention to continue to ignore those laws or are we going to start enforcing that?

Admiral ALLEN. Sir, it has never been our intention to ignore laws. I have been briefed many, many times on the Jones Act and every time I think I understand it I get more confused after some of these briefings. There are issues that the Coast Guard is responsible for and there are issues other agencies are responsible for. But based on the criteria that has been established, and unless we want to consider a statutory change to that, we have been applying those criteria the best way that we know how to make these determinations. It appears over the years it has been a very great sense of frustration for the Congress, and for you particularly, and for us

trying to discern this. I would really appreciate some statutory clarification if we think that is the best way to go, sir.

Mr. TAYLOR. I appreciate that. And Commandant, I want to mention to you, and I am not going to give you a name, but one of your admirals went so far as to say the Jones Act is an antiquated law that we feel like we do not need to enforce. Again, I want to remind you that is not subject to the interpretation of the individual Coast Guardsman. If it is the law, it is the law.

Admiral ALLEN. Yes, sir.

Mr. TAYLOR. Secondly, it has recently come to my attention, we had a shrimp boat sink off the Mississippi coast, another vessel hit it, unmarked, in speaking with the Group Commander in Mobile and basically was told it is not our responsibility to mark it, even though the Coast Guard rescued the crew of the sunken boat and knew it was there. Particularly since you were good enough to spend a lot of time down in that region and in that time down there I am sure you got to know a lot of fishermen who realize that a lot of those guys lost their homes, that the boat became their home and then when they lose the boat they have got nothing. They do not have a thousand dollars to go mark where that boat sank. With that in mind, I would ask that the Coast Guard would be more flexible in the decision for marking these wrecks when they occur, particularly if they are in an area where a sizeable number of vessels transit. Now the vessel that hit it was going seven knots. A steel boat gets scratched up, the guy's pride gets hurt. If it had been a fiberglass boat going 30 miles an hour in the same circumstances, we probably would have been attending a funeral. So again, I realize the number of restraints that you have. You are being asked to do a lot of things. But I also think that as stewards of the taxpayers trust, we ought to be using common sense whenever we can. And I think the common sense rule would have been, hey, this fisherman does not have any money, he is not going to mark it, we as a Nation ought to remark it. I welcome your thoughts on that.

Admiral ALLEN. Yes, sir. I am not familiar with the individual circumstances of the case. We have many, many cases where we will rescue somebody, cannot go in with a boat, usually we put out a broadcast. If it can be lit or marked, it is. The responsibility to do that depends on the circumstance. And I would be happy to look at the individual circumstances in this case and provide you an answer.

Mr. TAYLOR. Again, I would hope as a policy FE if we know there is a wreck in a highly transited area and that the probability is that someone is going to hit it, then I think it would be prudent for us to have a policy, a common sense policy that says it ought to be marked with some sort of a device so the next guy will not hit it again.

Admiral ALLEN. Yes, sir.

Mr. TAYLOR. OK. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you very much. Mr. Coble.

Mr. COBLE. Thank you, Mr. Chairman. Admiral, thank you for your testimony. In your testimony you indicated that this budget provides much of what you all need to accomplish the Coast Guard's many missions. Are you suggesting that there are addi-

tional resources not contained in this budget that you need to fulfill your duties?

Admiral ALLEN. Mr. Coble, I would say, in general, there has never been a budget that is big enough. So we always have unmet needs. We also understand the current fiscal environment. Tough choices have to be made and Government has to take a position along with everybody else to be responsible in moving forward. Are there some things we would like to have in this budget? Sure. Can we proceed with the critical recapitalization issues that we need to take care of? Yes. Can I operate the Coast Guard with the operating funds? Yes. Am I going to have to make choices about how I maintain 378s versus some other part of the Coast Guard? I will probably have to do that. But I am prepared to make those choices and move forward at this funding level, sir.

Mr. COBLE. Now that you have the benefit of the podium, would you like to specify any of those resources that may be missing that you would like to be included?

Admiral ALLEN. I can talk in general terms, sir, and not get involved in any particular budget year levels. First of all, our fleet is older, more expensive, and current services, or even inflated cost of living, current services is not enough funds to support the fleet the way it is right now. The real issue is we need to retire these expensive vessels and get them replaced with the new ones. In the meantime, we have to manage that gap. That is what I get paid to do and that is what we are doing. We make the tough decisions. We take care of the Dallas and the Gallatin because our people deserve that. Are there other places we would spend money if we were not spending it on that? Yes, there are. But the highest priority is safety of the vessels that we operate out there. That is my challenge. In general, the maintenance accounts for our vessels, we could always use more money there. In general, in our acquisition programs, buying more and sooner is cheaper under a fixed cost environment. You cut costs, you do not break production, you get the assets sooner, and you get them at a better price.

Mr. COBLE. I thank you, Admiral. I yield back, Mr. Chairman.

Mr. CUMMINGS. Thank you very much. Mr. Kagen.

Mr. KAGEN. Thank you, Mr. Chairman. Thank you for being here. I really appreciate the work that you are doing. I really appreciate the Coast Guard. I am going to be very helpful by pointing your attention to the backlog in medical reviews for mariners. You have a system now in place that has created such a backlog that people are having a hard time gaining full employment. I am just curious as to what you are going to do to remedy that, and hopefully appreciate that when a physician examines a patient that you might give that examination and determination more credence than somebody who has not.

Admiral ALLEN. Sir, actually while we have had a backlog, I think in the long run we will improve service in the performance of the organization. The review of those medical records has taken place regionally at our regional exam centers with not a lot of consistency of the criteria being applied across those. In fact, a very legitimate point was raised about some of the medical records associated with the pilot of the Cosco Busan which were being managed locally and not centrally. We were in the process of centralizing all

those records in fact when that event occurred. What we have now is a professional cadre of medical professionals in one place that are reviewing all the records for consistency. The issue that caused the backlog was a low estimation of how many records would actually be brought to the central location. We are pretty much through that backlog right now. We are targeting individuals that need to get their licenses and get working. We are cueing those up to the front. We have gone a long way towards reducing the backlog, and I would be glad to give you a detailed answer for the record. We have got the right fix in place with the right professional eyes looking at those records. It is a matter of just getting that backlog down and just managing the day to day, sir.

Mr. KAGEN. Thank you for your attention to that. I yield back.

Mr. CUMMINGS. We are going to break because we have three votes. But let me ask you this before I leave. What is happening with the pool down there in North Carolina?

Admiral ALLEN. The rescue swimmer facility, sir?

Mr. CUMMINGS. Yes.

Admiral ALLEN. Proceeding. I will give you the dates exactly, timing for it and everything. We will give you that.

Mr. CUMMINGS. The reason why I asked that question is because I think in this Country we have to be very careful. When Mr. Coble asked you about the budget, I think we have to be very careful to make sure we get what the Coast Guard needs. I will never forget visiting that pool, the rescue—what do you call it?

Admiral ALLEN. The rescue swimmer facility, sir.

Mr. CUMMINGS. I will never forget it. And to know that our young men and women had to almost go to that facility 24 hours a day because it was not big enough. And I have said it over and over again, I am not knocking you, Admiral, because I know you have been fighting for it. But everywhere I would go I would talk about that pool because to me that leads to the culture of mediocrity.

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. Where you have got people who are brave, courageous, wanting to be the best they can be, patriotic. I do not care who you are, your son or daughter go there, they come to one of our academies or to one of our services and they bare supposed to be trained or whatever, we want them to have the best, we want them to live in decent facilities, and we want them to feel good about themselves. That is taking nothing away from the Coast Guard. It is like I said, we are the ones who are going to fight. I know you are in kind of a difficult situation here. You have got the President's situation saying we have got to cut back, and I understand that, but you also have a duty to carry out the duties of the Coast Guard. So we understand the bind that you kind of get into. And some way we have got to find a point where we say OK, certain things maybe we can cut back on, but there are certain things we simply cannot. And I was just thinking of one of the things that we also have to do is we have to move more and more towards innovation. I heard you talk about the medical records. We have got to do those kind of things because I think those are the kinds of things that are going to make us more effective and efficient.

So with that, we will resume in about half an hour. I sorry about that but it is unavoidable.

[Recess.]

Mr. CUMMINGS. Welcome back. Mr. Bowen, please proceed.

Master Chief BOWEN. Good afternoon, Mr. Chairman, Mr. LoBiondo, distinguished Members of this Subcommittee. On behalf of the over 51,000 men and women who comprise active and reserve components of our service, I would like to thank you for your support and continued efforts to help us position America's Coast Guard to be ready to answer the call and execute the mission.

The Coast Guard recently adopted a service-wide ethos along with our core values of honor, respect, and devotion to duty. The ethos provides a constant reminder to our people of the noble calling of this organization and the reasons why we serve and the critical importance of our mission. We call it the Guardian Ethos: I am America's maritime guardian. I serve the citizens of the United States. I will protect them. I will defend them. I will save them. I am their shield. For them, I am semper paratus. I live the Coast Guard core values. We are the United States Coast Guard.

A few months ago I attended a memorial service out at Coast Guard Air Station Barbers Point for the crew of the Coast Guard helicopter 6505. That helicopter crashed off Honolulu, Hawaii September 4th of last year. All four crew members lost their lives. The crew members were Captain Thomas Nelson, Lieutenant Commander Andrew Wischmier, AMT2 Joshua Nichols, and ASTI Dave Skimin. As I talked to their families and listened to the words of those who knew them at the memorial service, I thought about the Guardian Ethos. Our members are now required to memorize those words in recruit training.

At the time of the 6505 crash, Coast Guard Cutter AHI, out of Honolulu, got underway to search. There is nothing more devastating than searching for your own. Their newest guardian, almost straight from recruit training, started reciting the Guardian Ethos and then the rest of the crew joined in. And I thought about why the AHI did that, and I think the answer is that sometimes, particularly difficult times, we as human beings need to be reminded of our core purpose. The ethos is who we are, why we serve, and why the crew of the 6505 and countless others before them have sacrificed.

Our people live and work in hard, difficult, often dangerous environments, and while they perform their duties their families need to be taken care of. Along these lines, I have been concerned for some time regarding the state of Coast Guard-owned housing. The vast majority of Coast Guard personnel reside in private sector housing. However, there are some locations where private sector housing is insufficient and it is necessary for the Coast Guard to provide quarters.

As you know, we operate in many remote coastal regions where private housing is unaffordable for our members or even unavailable. Currently, the Coast Guard owns over 4,000 family homes and 227 unaccompanied personnel housing facilities, otherwise known as barracks. The average age of Coast Guard housing is 40-plus years and we have an excessive maintenance and recapitalization backlog. Housing competes with other high priority projects,

including pier and hangar repairs, among others. We work very hard to allocate funding to the highest order needs and sometimes non-operational support requirements just do not fare as well. In my judgment, the use of public-private venture authority, PPV, has almost completely transformed the military housing landscape for the DOD military services. Over 80 percent of the Army, Navy, Air Force and Marine housing inventory in the United States have been upgraded from largely substandard condition to new, modern upscale housing. The quality of life for military families has increased by leaps and bounds.

We have, the Coast Guard, more than 12,000 members and families living in our aged housing, some of which in my view are still substandard. These houses are expensive to maintain and have frequent maintenance issues. For these members and their families the contrast in the quality of life is now inescapable. The Coast Guard's PPV housing authority lapsed a couple of years ago and prior to that lapse 2006 changes to PPV scoring methodologies challenged the Coast Guard's ability to execute large scale PPV partnerships. Providing the Coast Guard with this authority and giving the Coast Guard an additional tool and greater flexibility to tackle our housing challenges, PPV can make a huge difference in the lives of our people. With your support we will be successful.

Mr. CUMMINGS. Mr. Baird.

Mr. BAIRD. Thank you, Mr. Chairman. I thank our witnesses and I thank you for your service to the Country. We are honored to have a number of your folks serve in our district at Cape May. You do a great job out there and save a lot of lives.

Admiral Allen, you mentioned earlier right before the break about the choices you make with budget. We just heard some of the challenges. One of the issues in our district is the proposal to move a LNG tanker facility onto the Columbia River. One of the concerns I have had about that is that in order for it to be managed safely there would be a need for additional Coast Guard assets. Having served on this Committee for a while, I do not know where those assets would come from. How do you deal with that, sir, when you are asked to make reports about the safety of a vessel of some sort, how do you manage the issue of saying, well, theoretically, it could be done when you may not actually have the assets. I wonder if you could comment on that.

Admiral ALLEN. Yes, sir. And I thank you for the question. Frankly, that question has arisen almost every place in the country where they are looking at either an offshore or inshore LNG facility, and the Chairman and I have actually had this discussion as well. Our role as a cooperating agency in the permitting process, in this case it would be the Federal Energy Regulatory Commission for inshore, I think you are probably talking the Bradwood facility in this case?

Mr. BAIRD. Yes, sir.

Admiral ALLEN. It is to make a determination regarding security and safety in the operation not only of tanker transit but in the facility itself and to make recommendations on the permitting process. That sends a waterway suitability assessment. Our job is to say it is either safe and secure or it is not. Sometimes we say it is not safe or secure but could be made safe or secure with the fol-

lowing measures that could be enacted, and that could be for the transportation higher security measures, or maybe perimeter security measures for the facility itself.

We get in the horns of a dilemma here when you start talking about the sourcing of the security. OK? We want them to be safe and secure. I have said at other hearings if a condition of our waterway security assessment, our recommendation was that whatever recommendation we made had to be sourced by the Coast Guard, I would have no reason to ever approve another permit or recommend the approval of a permit. That said, I think we need to have a discussion about who bears the cost of security because that is really where we are going. Now once you decide it can be safely and securely operated, who should bear that cost? Personally, I think that ought to be passed on to the consumer in the price of goods. I think there is a role for the United States Government and the Coast Guard to establish standards, make sure they are complied with, and make sure that security and safety goals are met. But if we start having to earmark a portion of Coast Guard effort in a particular command area, they are going to have to start making trade-offs about which mission they are going to support or not support that day. That takes away the inherent flexibility which I believe is the genius of our organization to allow field commanders to manage risk and allocate resources to the highest need.

I did not give you a real clear answer there, sir, but it is that complex of an issue.

Mr. BAIRD. And that is the problem and I respect the position you are in. My concern is if you are asked to make a decision could this be safe and you decide yes, and therefore people go and say, OK, we can site it, but the yes was contingent upon the funding to provide the crew and the equipment to do the escort. Once they have sited it, presumably you have got to dedicate the equipment and crew to that mission. And what other missions get sacrificed at what other cost. That is our concern on this particular situation.

Admiral ALLEN. Yes, sir. Mr. Chairman, could I provide a more extended answer.

Mr. CUMMINGS. Please do.

Admiral ALLEN. Could I compare and contrast, because I was at an extraordinary meeting on Monday regarding the protection of U.S. Flag ships operating off the Horn of Africa. Over there there are a number of ways you can protect a ship. But if you get to the point where you need a security team, whether armed or unarmed, it becomes a question of cost and sourcing. And if you look at the area we are talking about other, some people say it is the size of four Texas', and with only 15 ships in that coalition task force you cannot be assured that we can put either a ship alongside or an armed team on every vessel. For that reason, I issued a maritime security directive on Monday under my authority as the Maritime Transportation Security Act competent authority to require anti-piracy plans in addition to the vessel security plans that are required for vessels operating in that area. It would have to be approved by the Coast Guard up to and including security teams that could be armed or unarmed. Now the inference there is that is the cost of doing business and that could be passed on in the price of goods.

And whether they are under charter or transcommerce, somebody else, there are ways to deal with the cost of that. But I think the larger issue is how do we clear the cost of security, who bears it, and who sets the standards.

Mr. BAIRD. I fully concur with that approach, both in the Horn of Africa and on the Columbia River. I thank you again for your service and your answers. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman. Admiral Allen, I want to thank you for your strong leadership on Arctic issues. My understanding is that there is currently a staff level agreement on the MOA with the National Science Foundation. Can you give us an update on the status of that MOA.

Admiral ALLEN. Yes, sir. We provided guidance in the appropriations report for the conference last year on two things. One was to look at where the base money for ice breaking resided, and two, to revise the MOA to make sure National Science Foundation and Coast Guard were in alignment. I recently met with Arden Bement, myself, and at that point Acting Deputy Secretary Rambeers from Homeland Security. Mr. Bement and myself are in agreement that the MOU as constructed right now works for both of us. It is a useable document. One we can move forward on. He also agreed that were the fund transfer to take place between the National Science Foundation and the Coast Guard, the National Science Foundation had no objection to that and that was an appropriate thing to do.

Mr. LARSEN. OK. I understand the Polar Sea will be underway later this summer on an NSF science expedition. Were you all able to secure an opportunity for polar sea crew training to occur in combination with this expedition?

Admiral ALLEN. We will do some crew training. Not as much as we would like. That is where we are currently constrained by the base money residing in National Science Foundation but the Coast Guard owning the vessel and the crew. There is a certain amount of time you have to be underway to remain competent and proficient and those number of days have dwindled each year, and it is a concern.

Mr. LARSEN. So is it dwindling this upcoming year compared to last year then?

Admiral ALLEN. Yes, sir. I can give you a trend analysis. We also had some engineering issues with the Polar Sea this year that precluded her getting underway. But another thing is when you do not operate vessels you are going to have more engineering problems when you get underway because ships are like people, they atrophy.

Mr. LARSEN. Right. Right. So did I hear you then say on this particular expedition this summer that you will have some crew for training?

Admiral ALLEN. Yes, sir. We had to adjust the schedule due to some mechanical issues on the vessel, but I can give you an exact number of days for the record.

Mr. LARSEN. Please do.

Mr. LARSEN. Can you give a status on the Polar Star sustainment efforts and estimate of the amount of work the Star

will need to become operational. I understand the 2010 budget does not include any money for sustainment.

Admiral ALLEN. Yes, sir. We structured the contract for the Polar Star so we had a series of options that can allow us to do work with operations and maintenance money but keep separate acquisition and construction money by contract line item numbers and give us a menu of things we could do based on the funding level we received. The current funding level for the Polar Star is about \$30.2 million which was provided to us in 2009. That is enough work to get us through fiscal year 2009 and 2010. But the entire amount of money to make Polar Star operational is \$62.8 million. So we have about a \$32 million shortfall right now. We will continue to work inside the Administration, as we have with the new Arctic policy. But as it stands right now, the work can continue but there is a decision coming up on the other piece of funding

Mr. LARSEN. For 2011 budget decisions?

Admiral ALLEN. Yes, sir. We would have a discussion inside the Administration, sir.

Mr. LARSEN. Right. OK. Chief, with regards to housing, the housing issue, and potential or discussion about PPV using the Defense model, have you look far into that? I know there is some testimony and some other comments that the DOD model is seen as the cat's meow. But where I come from we have had some problems with it but we have worked through those problems and it seems to be working pretty well now. To get something started like that with the Coast Guard, what would that take?

Master Chief BOWEN. In the past the Coast Guard had the authorities but when we were preparing to execute, which was around 2006–2007 time frame, there is a scoring methodology by CBO that requires the entire cost of the private loan or the private person that is in partnership with the Government to be carried on the agency's budget.

In our case, at that time for several properties in Alaska and Cape May it would have been about \$200 million. Coast Guard could not afford to do that. Defense had a huge project cancelled several years ago and they were able to keep \$8 billion in their budget as a line item, as a hedge against anything going wrong with their PPV acquisition. There are a lot of ways to do this. The first thing is we will be proposing legislation that will give us our authorities back. We have to have that so we ask for your support there.

We could also partner with PPV with DOD. We did that successfully in Hawaii. But to do that, we actually had to transfer our properties, 318 family homes in Hawaii, to the Army. Now we have an agreement where we inhabit a certain amount of the new, renewed homes. There is some risk, of course, involved with that in case the Army has some kind of a surge requirement in Hawaii in the future. So, there is some trepidation about going that way again.

But there are a lot of ways to do this. I have traveled all over the Coast Guard. I have looked at these houses. In fifteen years, it is like these ships, they are going to be falling in. We have reduced the inventory to the point where they are only there where

we need them. But where we need them, we really need them and we need to maintain them.

I can show you a house in Petaluma, California, a long way from any public housing, where when it rains there is two inches of water on the lawn and it sits there for a month. It is just mud. The piping is substandard. It is always clogging up. It is just old, costs a lot to maintain, and this needs to be fixed.

Thank you.

Mr. CUMMINGS. Let me make sure I am clear on what you are saying before we go to Ms. Richardson. You are saying you would like to have more money. I am hearing you. You know, I am trying to say this in a nice way. We hear you. The last thing I want is somebody living in a house that is going to fall in on them and I know you don't. At some point, though, somebody has to say to Homeland Security, to the Congress, and yes to the President that we just want decent housing. I understand the whole idea that you have got to kind of stay within certain boundaries. But it makes absolutely no sense, none, to have substandard housing for our people while at the same time we are honoring them saying that they're the greatest in the world, they have got a job to do. What I'm saying to is just say it. Do you want it or not? When I ask you just now, you act like you don't know what I am talking about. Help me.

Admiral ALLEN. This is where I do my job.

Mr. CUMMINGS. Yes, please do your job. I'm not trying to be so hard. I want to know.

Admiral ALLEN. Two things that are required to make this program successful. If it is successful, it shifts a good deal of the burden of investment in housing from the Government to the private sector. One is the authority to have public/private ventures. The second one under current CBO scoring standards is to have an amount of money set aside in budget that is basically an indemnifying the project in case something goes wrong up front so they know who is bearing the risk.

So we don't need money for construction and appropriations. We need authorization to enter into the ventures which requires and then deal with the issue on CBO scoring up front and how we can make that amount available to enter the venture, sir.

Mr. CUMMINGS. Have you all ever made that known to us?

Admiral ALLEN. Sir, this has come and gone over the years. I have been dealing with this for about 10 or 15 years clear back to when I was a budget officer. The issue is always been whether or not we can develop enough money out of our base budget to hold that up to go ahead with the venture. What you are doing is keeping money that could be used for something else and abeyance and you can do this. It is a trade-off for money that you don't get anything for. It's a very difficult dilemma for us.

Mr. CUMMINGS. Chief, I hope you didn't misunderstand me. I wasn't trying to be smart. You gave some very compelling statements and that's kind of what got me. I just want to make sure because I know how you are. You are a very compassionate, strong leader and you want the best for the men and women in the Corps. So we just need to know what you need.

I am convinced that while you have been fighting this battle for a long time, Admiral, maybe we need to join hands, all of us, and say, OK, we are going to stop it right here and try to get it done, whatever it is that we need to get done based upon what you just said.

Admiral ALLEN. Yes, sir. I would be happy to participate.

Mr. CUMMINGS. All right. Ms. Richardson?

Ms. RICHARDSON. Thank you, Mr. Chairman. Actually, your question rolled right into the question that I had for the Master Chief. That question was, as I understand it, the Coast Guard has a backlog exceeding \$1 billion in unmet repair needs throughout its aging shore facilities including its personnel housing, air stations, sector offices, small boat stations, and at the Coast Guard Academy. In many instances, the Coast Guard personnel are living and working in buildings that are substandard. Can you describe the extent of the need, which I think you just did, and can you indicate the number and the total cost of projects that could go to construction now if you had the funding?

So if I understood you, Admiral, you are saying the problem isn't that you have the funding, it is in the right category and getting proper authorization?

Admiral ALLEN. Its authorizing legislation and then dealing with the issue on CBO scoring of the money up front. Those are the two things.

Ms. RICHARDSON. Could you provide to this Committee, to our Chairman, explicit language clarifying that? Also include what particular sections of the categories that I listed, whether it is housing, air stations, sector offices, small boat stations, or the Academy, that would fall in that category that could have the exchanges if you had this occur.

Admiral ALLEN. We can do that, ma'am.

Ms. RICHARDSON. OK, thank you. My next two questions are for the Admiral about a towing vessel regulation. Admiral Watson indicated in an appearance before this Subcommittee that the notice of proposed rulemaking to initiate the rulemaking to bring towing vessels under inspection would be out in the spring. The spring is here; what is the status?

Admiral ALLEN. The status is that we have drafted the notice of proposed rulemaking and we are finalizing some details and questions associated with the Department right now.

Ms. RICHARDSON. So, what can we anticipate because the spring is here?

Admiral ALLEN. As soon as we resolve the questions and the issues between the Coast Guard and the Department we would hope it would move forward, ma'am. We are right in the process right now. I could tell you next week but if its not next week then I would hate to commit because we don't have the paper in the Coast Guard right now.

Ms. RICHARDSON. Well with all due respect, this is I believe May 12th and so the spring is here. So can we anticipate it in the next thirty days?

Admiral ALLEN. I will be glad to carry that message back. Thank you, ma'am.

Ms. RICHARDSON. OK, can you follow up?

Mr. CUMMINGS. Would the gentlewoman yield?

Ms. RICHARDSON. Sure, Mr. Chairman.

Mr. CUMMINGS. Admiral, how long do think it is going to take? Let me say it to the gentlewoman. The Admiral is reluctant to give a specific date because he knows that I am going to hold him to it. So I'm just curious. The gentlewoman was just trying an estimate.

Admiral ALLEN. No, I understand.

Mr. CUMMINGS. Because Admiral, you will be gone in 2010.

[Laughter.]

Admiral ALLEN. Sir, technically it is not a date you will be holding me to. Technically it is a date you are holding myself, the Department, and OMB to.

Mr. CUMMINGS. OK. I don't want you to go, but I'm just saying.

Admiral ALLEN. Speaking collectively for the Government, I can control one part of it but I couldn't tell you a date because I don't control the entire process. That's the issue.

Mr. CUMMINGS. All right. Well, how soon do you think you can get us a date?

Admiral ALLEN. Well, I think I just told you in 30 days and I am happy for the task.

Mr. CUMMINGS. OK, we will give you 45.

Admiral ALLEN. Sir.

Mr. CUMMINGS. OK, we will get it in 45. I yield back to the lady.

Ms. RICHARDSON. To build upon the Chairman's request, the request would be either one, either giving us a date or giving us a timeline of how you're going to get to a date.

Admiral ALLEN. Yes, ma'am.

Ms. RICHARDSON. My last question is a general budget issue because this is a budget hearing. The proposal before us is relatively plain. The funding is providing for operation of new assets that you have and acquiring them for a few ongoing initiatives such as the effort to strengthen the Marine Safety Program, which we obviously strongly support. However, few brand new capabilities are being provided.

What level of additional personnel would you like to see the Coast Guard attain to better align your personnel resources with your mission objectives? Are there new initiatives or capabilities that you believe the Services currently need that are not funded in this budget? Finally, your budget request of 41.403 military positions would actually be a decrease of 24 positions below the enacted 2009 budget. Why is this?

Admiral ALLEN. Let me answer the last one first. Ma'am, there are puts and takes related to decommissioning vessels and aircraft before new ones come on. So that number can change from year to year.

That said, we do know we have a workload coming that we should be planning on that will require increases in the Coast Guard. One of them is just what you mentioned. That is enforcement of the towing vessel regulations. That will require new inspections at frequent periods and a workforce ready to do that.

So as we start looking at some of these rules coming online, I can tell you if you are looking at demand that will not be met, the first one I would give you it tow boat inspections, ma'am.

Ms. RICHARDSON. OK. So how are you going to achieve that if you are requesting a decrease in positions?

Admiral ALLEN. Well, we are in a little bit of a chicken and egg thing here. Until we get the regulation out and we know what the requirements are, we can't go for the workforce to support it. But I would anticipate coming in and saying this is the increment I need in my workforce to support enforcement of the towing vessel regulations.

Ms. RICHARDSON. So for on the record, what do you think you are going to need?

Admiral ALLEN. I would be glad to answer that for the record, ma'am. Off the top of my head, I would have to go back and talk to my experts on that.

Ms. RICHARDSON. Can we get that in 45 days?

Admiral ALLEN. Yes, ma'am.

Ms. RICHARDSON. Thank you, sir. That is all.

Mr. CUMMINGS. Thank you very much. I still have a few questions, Admiral. I want to just talk about acquisitions. We have a hearing on acquisitions on March 24th to examine the progress that the Service has made under your leadership in modernizing its acquisition management capability, including creating a new Acquisition Directorate and issuing and revising the blueprint for acquisition reform. That said, there are several issues of concern that I want to just ask you about.

Admiral Blore testified that all of the projects considered to be a part of Deep Water, when combined with acquisition activities that are also part of Deep Water such as program management cost; systems engineering; and technology obsolescence preventions programs, are currently estimated to cost more than \$26 billion to complete. The figure represents an increase of \$2 billion above the May 2007 baseline cost estimate of \$24 billion.

What do you estimate the full cost of the procurements contained in Deep Water Program will be? What measures are you implementing to effectively control the cost?

The reason why I am asking this, of course, is that the President has made it clear that he is trying to reduce costs. Deep Water, at the rate we are going, is going to be \$2 billion above that. It is possible, I don't know whether it is probable, but it is possible that if it keeps going up at the rate it is going that at the end of the Deep Water acquisition period we won't have the kind of equipment we were bargaining for.

As a matter of fact, I met with a team of manufacturers today and I said to them, you guys have got to get innovative. You have got to change the way you do business. All this cost overrun stuff, you have got to be a lot more careful. You come in, hypothetically, with a contract for \$4 million and then we end up spending \$7 million. I think this President is basically saying we have got to get a new culture. So I am just curious where do you see Deep Water going?

By the way, I congratulate you on the efforts that you have made within the Coast Guard to move more and more towards much more effective and efficient acquisition process. But go ahead.

Admiral ALLEN. Yes, sir. First of all let me state a general principle. Let me walk you through a couple of line items that support

that. The way to control cost is to do these acquisitions better based on a particular asset with open competition. Move into fixed price as soon as you can, removing the risk from the Government.

What we have been doing over the last 18 to 24 months in assuming the lead systems integrator role from Integrated Deep Water Systems is to take each asset, separate it from the system, rebaseline that asset, and where it isn't already under construction to openly compete it. So the reason that the change in the estimate occurred was we have taken every single asset in Deep Water—the national security cutter, the coastal patrol boat—and we have issued a new acquisition baseline validating the cost and the performance.

So to date, I can give you them really quickly. These are the projects that we have rebaselined so far as we move to be the lead systems integrator: the national security cutter, the coastal patrol boat which is just about done, the Medium Endurance Cutter Mission Effectiveness Program, the Patrol Boat Mission Effectiveness Program, response boat medium, the maritime patrol aircraft, and Rescue 21.

We are in the process of taking each asset apart and pulling it through a knot hole new acquisition baseline for the following: the fast response cutter, the H-65 sustainment, and the H-65J conversion.

In other words, we are taking every asset and doing an evaluation on it. If there is still a decision to be made, we are not going to execute that decision through Integrated Coast Guard Systems. We will openly compete it, reduce the risk, and get to fixed price. So while there has been adjustment related to the early cost growth in Deep Water, some of that related to the national security cutter, the best way to control cost and reduce cost in the future is an asset by asset open competition, fixed price, disciplined acquisition process. That is where we are going, sir.

Mr. CUMMINGS. Now, with the national security cutter, are we at that point yet where we level off the course when it began to go down a little bit? Are you following what I am saying?

Admiral ALLEN. Yes sir, we are.

Mr. CUMMINGS. Now that we have got the blueprints, we have been working out all the little kinks. I am just wondering at what point do we get to the point where we begin to see, not savings, but at least leveling off.

Admiral ALLEN. Yes, sir. With hulls four and five, we are there, sir.

Mr. CUMMINGS. Say that again.

Admiral ALLEN. With hulls four and five, we are there.

Mr. CUMMINGS. OK.

Admiral ALLEN. That is why it is critical if we can not to break production between awarding the base contract for construction of the fourth cutter and keeping the long lead time materials in the works for cutter number five going off at the same time so they overlap in the workforces employed, sir.

Mr. CUMMINGS. OK. Mr. Hutton with GAO testified at our hearing a few weeks ago before the Appropriations Committee, Subcommittee on Homeland Security that in September 2008 after conducting a full and open competition the Coast Guard awarded a

\$88.2 million contract for the design and construction of a lead fast response cutter. However, the Coast Guard does not have an approved operational requirements document or test plan for this asset.

Recognizing the risks that are inherent in this approach, the Coast Guard developed a basic requirement document and an acquisition strategy based on procuring a proven design. These documents were reviewed and approved by the Coast Guard's Capabilities Directorate, the Engineering and Logistics Directorate, and the Chief of Staff before the procurement began. According to a Coast Guard official, the Coast Guard intends to have an approved operational requirement document before procuring additional ships.

While I understand the urgent need to recapitalize the Coast Guard's fleet, I am curious why the Coast Guard would deviate from the MSAM process on this procurement, one of the first that it is initiating and managing in house, totally independent of the ICGS contract team.

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. What was that about?

Admiral ALLEN. That is a fair question. There were two competing dynamics here. One was the loss of patrol boat hours from the 123s that were taken out of service and our need to accelerate a replacement patrol boat. To mitigate risk, we put out the solicitation for proposals for the fast response cutter. We indicated there had to be a parent craft that was already in service operating for a certain number of years some place in the world where it was a demonstrated, proven design. That would stabilize the requirements by the fact that a parent craft had been operated. That was the risk mitigator shortening the process we normally would have followed with an operational requirements document. It was done because of the loss of the patrol boat hours.

I would say that after they awarded that contract there was a protest to GAO. That was denied. The Contract Court of Appeals also heard the case and dismissed it with prejudice. In our mind, that validates the procurement strategy. We believe these are stable requirements. We will issue the operational requirements document but for this particular case the need to get this cutter built and into the hands of our people and the stability that comes with a proven parent craft design, which was a requirement, mitigates that risk, sir.

Mr. CUMMINGS. I am concerned and this Subcommittee is concerned about the Coast Guard's equal employment opportunity services. Did you have any comments about that, generally?

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. I know you got that report, didn't you?

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. It was not very flattering to the Coast Guard.

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. Do you take any responsibility for that?

Admiral ALLEN. I am totally responsible. I am the Commandant, sir. As I told you in the past, I am responsible to take care of this as well.

Mr. CUMMINGS. I am going to let you talk. I just want to hear what you have to say.

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. You can also tell us about what is going to be happening with the Academy. We have been looking at the numbers and it seems like, as far as African Americans are concerned, we are going backwards.

Admiral ALLEN. Yes, sir. First of all, in regards to equal opportunity and civil rights, we have for about six months been looking at a number of issues related to that. That predates the Booz Allen Hamilton report, which was issued after the first of the year. I had personal concerns when I reviewed the Management Directive's 7/15 report last fall, which is our annual report that is due on equal opportunity.

There were some issues raised in there that caused me some concern that we probably weren't doing enough robust barrier analysis to entry into our workforce by our civilians. More troubling, we actually stated in our report that we weren't resourcing our Civil Rights Office.

The report was to me to sign leaving the Coast Guard. I thought at one point about sending back and changing the report but I think you and I would both agree that was disingenuous. So in December of 2008 I signed the report and I gave a direction to my Vice Commandant, the Chief of Civil Rights, and the Chief of Personnel to address resource shortfalls, organizational issues, and to come up with a plan to move this program forward. The points that were raised in that review are actually verified and ratified by the Booz Allen Hamilton study.

So we have taken that for action. We have moved out aggressively. I have approved a reorganization of the Office of Civil Rights and the field organization structure. At the hearing you held recently, we said that by the end of May we would fill six positions. We have done that, sir. We have provided about \$750,000 to the Office of Civil Rights this year to start doing manpower studies. Ms. Dickerson has been out visiting the district office, socializing the field changes that she has proposed. The restructuring of the Civil Rights Office is exactly in line with Coast Guard modernization and how we intend to do support services across the Coast Guard.

So we are moving out very, very strongly on all points. We accepted the report. We saw where we need to make changes and we are making the changes, sir.

Mr. CUMMINGS. I have just two other things. We learned during our hearing that you just referred to that the Office Of Civil Rights had repeatedly requested additional personnel specifically as documented in the Coast Guard's own MD715 report. I guess that is what you are referring to?

Admiral ALLEN. Yes, sir.

Mr. CUMMINGS. The Office of Civil Rights had requested additional funding in fiscal year 2008 for six additional personnel to meet the field personnel resource level recommended in the 2001 review of the Coast Guard civil rights program. The funding request was not funded in 2008 and was resubmitted in fiscal year 2009. Why was the recommendation that was made in 2001 left unfulfilled for so long? That is a long time.

Admiral ALLEN. Yes, sir. I would just say this: Again, I wasn't in the position to go back and change that report because it was submitted to me and I forwarded it on.

Mr. CUMMINGS. You act like that is a big deal. I mean, I wouldn't want you to change the report.

Admiral ALLEN. Exactly, sir. But what I was going to say is—

Mr. CUMMINGS. We are just seeking the truth.

Admiral ALLEN. We did provide resources over the last several years that may not have been identified in the report. That is what I saying.

Mr. CUMMINGS. Oh, I see.

Admiral ALLEN. Yes, sir. In fiscal year 2004, we actually added two GS-14 billets to both the Atlantic and the headquarters EEO staff. Over the years, the problem is being successful in an actual budget process for two or three positions. That is very difficult to do, moving that out through the Administration and OMB. So we have actually reprogrammed some base resources over the years.

I would like to give you an answer for the record on where we have done that. In addition to the six that we have just provided, the entire strength before we provided the six was 45 EEO specialists and 14 support personnel. We have now added six to that so we are up to a total of 66 personnel in the civil rights program in the Coast Guard right now. I would like to lay that out for you if I could for the record, sir.

Mr. CUMMINGS. All right. During our last year we saw from data provided by the Coast Guard—and this is just going back to the Academy—that nine African Americans had been offered admission to the Coast Guard Academy, Class of 2013. How many of the nine individuals who were offered admission came from the preparatory school and how many of the nine were direct offers to individuals who had not previously attended the Coast Guard preparatory school? And as of today, how many of the African Americans have accepted the offer for admission?

Admiral ALLEN. Yes sir. Of the nine, four were direct or at large, and four were Coast Guard Scholars coming from the preparatory schools. As it stands right now, we have four acceptances but the window has not closed and we are working the kids as we speak, sir.

Mr. CUMMINGS. And with regard to women, how are we doing with regard to women in the Academy? I understand we are doing pretty good there.

Admiral ALLEN. Yes sir. I would have to go check, I think we are somewhere around 28 percent.

Mr. CUMMINGS. I see. All right.

Mr. LoBiondo?

Mr. LOBIONDO. Thank you Mr. Chairman. Admiral Allen, can you talk a little bit about the current state of Coast Guard's shore side support infrastructure? I talked about that a little bit in the opening statement, my concerns for how you are going to deal with that.

Admiral ALLEN. Yes sir. Are you talking about shore infrastructure, buildings, and facilities?

Mr. LOBIONDO. Yes sir.

Admiral ALLEN. As the Master Chief has stated, many of our facilities are very, very old, 40 or 50 years old. Some of them are actually historical buildings now based on the fact of when they were built. Some of our SAR stations were actually built in the 1930's during the WPA era. When I became Commandant, our shore funding was around, I believe, \$20 million a year. There was a time right after we were awarded the deep water contract, because of funding constraints, where the shore account was not funded at all. In other words, there was zero money.

A couple of years earlier in the 2000 decade, I made it an internal goal of mine to raise the recurring amount for shore facilities to \$100 million before I left as Commandant. I would certainly like to see it rise higher than that.

If I could just make one clarification, there does not appear to be shore money in the 2010 request but a good deal of the \$98 million provided for in the stimulus package will go there once we are allowed to release the details. So I am convinced that as far as establishing the \$100 million goal that we are substantially there for 2010.

We are also the recipient of several hundred million dollars for hurricane repair money as a result of what happened in the Gulf. Sometimes a storm helps you. If you have got an old fallen down station, if it gets hit by a hurricane then you have emergency supplemental funding and you can build that station. Frankly, we have done that pretty much all over the Gulf Coast right now.

So I would tell you, going through 2010, I am OK with where we are at. I am not OK that we have solved the problem long term and that we have got a wedge or a base in there that is enough to sustain us. The floor ought to be \$100 million a year.

Mr. LOBIONDO. I have just one more quick one before I go to the Master Chief. What percentage of Coast Guard owned housing would you say is in need of major repair?

Admiral ALLEN. I would almost refer that to our civil engineers and give you a really detailed answer for the record, sir. The Master Chief and I go out and we see them. If I were to give you just an intuitive answer, if you will let me correct it in case I am wrong, I would say it is probably in thirds. We have a third that is really good; we have a third that is kind of right in the middle, it is kind of OK; and we have a third that you would really have to think twice about whether or not that is where you would want to put your people.

Mr. LOBIONDO. Master Chief, I think that—

Mr. CUMMINGS. Would the gentleman yield?

Mr. LOBIONDO. Certainly.

Mr. CUMMINGS. We can do better than that. I know it is upsetting to you all, but this is the United States of America. This is not some Third World country where we can't provide our members of the Corps with housing so they can have a decent night's sleep and have a place to go to just rest. That is just unacceptable. Really, it is just unacceptable. I think anybody who will sit around and stand for that without fighting, there is a problem. We are going to fight.

I think, I'm sure I speak for both sides, everybody is very complementary of these folks but we have got to make sure that we

provide them with that housing. That is why I am so glad that you said the things that both of you all have said. It means a lot to me.

Thank you for yielding.

Mr. LOBIONDO. Mr. Chairman, to further engage that fighting spirit about which I am very happy to hear, maybe the Master Chief can provide you with some photos that would give a clear indication of just how terrible some of this is. Master Chief, would that be a possibility?

Master Chief BOWEN. Sir, that has already been provided. It is in the package for each Member.

Mr. LOBIONDO. OK. I think Mr. Coble is going to have a question in one area of housing.

But I wanted to ask you, Master Chief, the housing is very critical but in addition to the housing authorities, what other authorities does the Coast Guard currently lack with parity with the Department of Defense? Some of it maybe has to be dealt with by statute and some of it maybe doesn't. We are going to maybe need to know that. If that is not something that you can answer today, maybe you can come back to us with a list on what we can do because we are just short of money on what we need statutory changes on to get ourselves parity with DOD.

Admiral ALLEN. With trepidation, I speak for the Master Chief here. I would give you one kind of thematic issue, sir, to deal with. It is something I deal with and something the Master Chief deals with. This is not an act of commission. I am going to say that right now because we love our DOD partners. We fight and work together everywhere.

But in many cases when you are looking at Defense Authorization, when they are talking about issues like family programs or access say to child development centers and things like that, if the language is not exact and precise about all of the Armed Forces, which include the Coast Guard, which is in DHS, we sometimes run into a barrier where there is an unimplied but all of a sudden a legal constraint because the terminology and legislation say Department of Defense rather than Armed Forces. Sometimes this is one of those things where if there is just better visibility and understanding, it takes care of itself. Master Chief?

Mr. LOBIONDO. Well, before we go to the Master Chief let me just make sure I understand. So what you were saying is if in the Defense Authorization Bill, which is going to be taken up soon, if we are more precise with our language, this will enable the Coast Guard to participate in a fuller way. Is that what I am hearing you say?

Admiral ALLEN. Yes, sir. In cases where there is an entitlement or a family program, there are times where we have gone to bases and approached them and they will say, we understand but you are not Department of Defense and that is what the law says.

Mr. LOBIONDO. This is very timely then.

Admiral ALLEN. I would ask the Master Chief to comment as well.

Mr. LOBIONDO. OK. Master Chief?

Master Chief BOWEN. Recently Admiral Allen's spouse and my wife met with Mrs. Obama and she asked those very same questions. We provided her with a paper that definitely shows that

there is a gap in family program services between what the Coast Guard gets and what the Department of Defense family services are. That is just wrong. My wife hounds me up and down about it.

For instance, I will just throw this out, the Department of Defense is able because they have the money to engage in what is called Military One Source which is a referral for many different support services for military families. The Coast Guard has a referral service. It is called EAP. My wife calls it the economy model. This is one of the differences: With EAP, you can get six referral visits to, say, get counseling for a number of issues. With Military One Source you get 12, which enables you to really get with a counselor and get to the meat of the problem.

In this type of thing, we definitely need equity and we need to move closer to equity. One of the things is language. Another thing is we just need to work very hard to get funding for our work/life programs.

Mr. LOBIONDO. So there is a list you can provide us of the authorities that we should look at changing?

Master Chief BOWEN. Well, there is a paper that was given to the White House regarding the parity issue. But I don't know that it is specific enough for what you are asking.

Mr. LOBIONDO. OK. Well, very directly with the Defense Authorization Bill coming up we need to know what we maybe can fix this year by language so we don't miss this opportunity with the Defense Authorization Bill this year. I would be willing to take that as a personal mission, being on that Committee.

Admiral ALLEN. Yes, sir. We would be happy to create what I will call the art of the possible this year. We will also give you a copy of the paper that our spouses provided to the First Lady.

Mr. LOBIONDO. Thank you Mr. Chairman.

Mr. CUMMINGS. Thank you. Mr. Taylor?

Mr. TAYLOR. Thank you Mr. Chairman. Commandant, Chief, thank you for sticking around. Master Chief, that was a great statement you made a few minutes back.

Chief, I am curious in your travels. I also serve on the Armed Services Committee. We are blessed with both Coast Guards and a large contingency of Navy in my district. Several of the Navy commanders have brought to my attention the high cost of wind insurance for those people who live on the local economy. Seeing as how the Coast Guard is in coastal America and that the insurance industry has pulled out of coastal America, do you hear much of that from your folks who live on the local economy?

Master Chief BOWEN. Sir, I think it is a rising problem, certainly. Say in Florida, many insurers have actually pulled out of there. It is not something that is brought up to me every day, but I am aware that it is rising problem because we have to move our people there and they have to live there. So they need to have affordable insurance.

Mr. TAYLOR. Commandant, the other day a professional maritime operator stopped me and posed what I thought was a very smart question. That is why do we this late in the game still have two sets of rules for inland waters and western rivers with two sets of lights and two different documentations? Again, I didn't have a

good answer for him, quite honestly. So I am asking you, the expert.

Admiral ALLEN. I think the first time I had that question was when I was trying to learn the rules of the road as a Cadet. Can I go back and think about that? I am not sure that isn't a good point.

Mr. TAYLOR. Would you have someone consider that? Because again, I also had to memorize those rules many, many years ago. I just wonder if it wouldn't make sense just to go to inland waters for everything. Could you get back to me on that, again just in the name of standardization?

Admiral ALLEN. Yes, sir. The only comment I would make is we do have a nexus now with the International Navigation Rules and the International Regime as well. But I would be happy to get back and give you some ideas on that, sir.

Mr. TAYLOR. All right. The third thing goes to the failed 123 Program. The more I learn about it, I have to admit that as a taxpayer, the angrier I get. I will just say that up front.

Number one, it was a performance specification. Then when the performance specification didn't work, we pay apparently—and please correct me—we paid the contractor again to weld some plate along the gunnels to try to stiffen the hulls. This was to the tune of about \$130,000 per boat times \$8 million. Then we apparently we took it to a second yard and had many of these vessels replated, which I am certain with my limited legal knowledge, I strongly suspect is going to void the warranty at the first yard. That is just my opinion.

What is being done? Number one, that contract had to have been horribly flawed for our Nation to have to pay that contractor in the first place to make the changes to a performance specification ship that didn't perform. You would think that under normal circumstances that would have been their cost to fix it and their cost to continue fixing it until the ship worked. You would think someone in the acquisition community would have said, don't take it to a second shipyard because we may void our warranty.

What changes have been made? That is water under the bridge. What changes have been made so that you can assure me that this isn't going to happen again?

Admiral ALLEN. Yes, sir. We have had this discussion before, sir. I think one of the frustrations you had, let me talk about water under the bridge just for a little bit, I think there has been general frustration in the Congress and with everybody related Deep Water about what I would call a single point of accountability. So you go back and find out when the decision was made, who is accountable, why didn't they perform, how you are going to hold them accountable, and what you are going to do about it. It was so diffuse and the contract structure was so vague about those types of responsibilities that I am not sure we are ever going to be able to figure that out.

One thing we do know, if you have a technical authority established independent from the program people who are acquiring the vessel who are the ones who have to certify that the performance specification has been met in all technical ways, whether you are talking about hull and engineering, you are talking about the sen-

sors, you are talking about even the personnel accommodations associated with that, if there is a separate technical authority that is warranted to protect those interests then you get performance out of the acquisition.

The new acquisition structure we have formed places a technical authority in a position to make sure the requirements are met. Those are dictated to the program manager that has to execute them to technical specifications.

Many times, in fact more often than not, we will pull in partners to help us, whether it is the folks up at Carderock with the Navy or the American Bureau of Shipping. We use a lot of partnerships to ensure that the technical requirements are met.

I believe that the modernized Coast Guard with the product line management scheme that we have set up, the Service Forces Logistics Center that we have now in Curtis Bay, is the right organizational model that could have helped people or succeeded at the start. I have held for a long, long time that if you are going to award a contract to Integrated Coast Guard Systems you had better damn well have an integrated Coast Guard. We did not.

Mr. TAYLOR. As far as your legal staff, I really am amazed that that contract was allowed to become law without someone raising a flag that, hey, if they screw up building this thing, they ought to pay. As far as the legal end of it, is that part of—again, going forward—is that part of your contracting psyche changed so that the next time we build a cutter?

Admiral ALLEN. Absolutely, sir. The other thing is, as I mentioned earlier, it is getting out of a cost plus contract environment to fixed price where the risk is assumed by the contractor, sir.

Mr. TAYLOR. And going forward, that could be the case?

Admiral ALLEN. Yes, sir.

Mr. TAYLOR. OK.

Mr. CUMMINGS. The gentleman's time is expired.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you. Mr. Coble?

Mr. COBLE. Thank you, Mr. Chairman.

Master Chief, the distinguished gentleman from Washington started the question on housing. The Chairman and the Ranking Member picked up on it. I want to continue it because I believe that second only to safety, I know of no more issue any more pressing or important than housing. Good housing is a direct contributor to high morale.

In your statement you indicated your concern, and I share that concern, about the state of Coast Guard owned housing. The average age is in excess of four decades and not unlike many cutters in the Coast Guard fleet, getting older.

We have a good number of DOD bases in my State of North Carolina and, as you know, in your State. But the Department Of Defense has been very successful in using public/private venture housing authority to improve the quality of their housing facilities.

While I know you all have many demands on your budget and that you may not currently have the resources to commit, would reauthorization of public/private venture housing authority for the Coast Guard be an important first step towards improving the

state of your housing and the quality of life for your shipmates and their families?

Master Chief BOWEN. Yes, sir. I thank you for the question. It absolutely would. I would like to continue with saying that public/private venture is now a proven way using mostly private money to renew these houses. And that is, Mr. Chairman, the reason why I probably looked a little taken aback when you made your statement. It is because I didn't ask for money.

That is the beauty of this. It doesn't take a huge amount of Government money. As long as there aren't failures, and there haven't been, most of it is private money. It can be done. They are over 80 percent complete, all houses in the continental United States and DOD.

Mr. COBLE. Thank you, Master Chief.

I will put this question, Mr. Chairman, to the Commandant and/or the Master Chief. And maybe it has already been answered. You all fielded a lot of questions today. But could you all provide background information on your efforts to privatize family housing and your requirements for achieving parity with the Department of Defense? Could you all do that?

Master Chief BOWEN. Yes, sir. We could.

Mr. COBLE. Thank you, Admiral. Thank you, Master Chief. I yield back, Mr. Chairman.

Mr. CUMMINGS. Thank you very much. Mr. Larsen, you don't have anything? Very well.

Thank you all very much. We really appreciate it.

We will now call the Commissioners of the Federal Maritime Commission: Commissioner Joseph E. Brennan, Commissioner Harold Creel, and Commissioner Rebecca Dye. Thank you all for being here. It is my understanding that you will be speaking for the Commission.

Mr. Brennan, Ms. Dye, and Mr. Creole if you have anything to say, you are welcome to. Mr. Brennan?

TESTIMONY OF JOSEPH E. BRENNAN, COMMISSIONER, FEDERAL MARITIME COMMISSION; HAROLD J. CREEL, JR., COMMISSIONER, FEDERAL MARITIME COMMISSION; AND REBECCA F. DYE, COMMISSIONER, FEDERAL MARITIME COMMISSION

Mr. BRENNAN. Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to present the President's budget for the Federal Maritime Commission. Two other Commissioners are here today, Rebecca Dye and the former and esteemed long term Chairman who will soon be leaving the Commission, Harold Creel. He is well known to many on this Committee.

The FMC is an independent regulatory agency with 120 employees. The main responsibilities of the Commission are to first, enforce the commercial conduct in the transport of containers internationally; second, to stop unreasonable price fixing agreements of ocean carriers of marine terminal operators; third to ensure that passenger vessels have adequate financial resources to repay passenger deposits when a voyage is canceled and to pay judgments for personal injury or death of a passenger; and fourth, to take ac-

tion against foreign practices that are unfavorable to American shipping.

For the fiscal year 2010 the President's budget provides for \$24.6 million for the Commission. This represents an increase of about \$1.8 million. Most of our spending relates to mandatory and non-discretionary expenses such as salary and rent. The requested increase is due to two main expenses, pay increases in benefits and funds to keep the Commission up to date in information technology.

Now with regard to the state of the shipping industry, I have a few key figures. Last year about 15 million containers came in and out of the Country. About 2,200 container vessels called at U.S. ports. The number one U.S. export by volume, very sadly, continues to be waste paper. In fiscal year 2008, the volume of U.S. container exports grew by 15 percent and imports decreased by 6 percent.

However, the demand for cargo fell sharply last fall and continued to decline this year. In February of this year 2009, the total volume of U.S. container exports dropped an alarming 33 percent over February of 2008 while imports fell 25 percent. With the decrease in demand, there is a surplus of vessel space and freight rates have fallen. I would say several hundred container ships lie idle now.

In the fall of 2008, the European Union repealed most anti-trust immunity for container operations in the European trades. The Commission will study the impact of Europe's action and will share that study in a report to the Congress.

Over the past year, the Commission has continued to watch and study international container transport as it relates to the Shipping Act. We have focused on the competitive impact of carrier or terminal operator agreements having rate making authority or high market share.

The last time we were here, questions were raised about employee satisfaction at the Federal Maritime Commission. I am pleased to report that in the 2008 Federal Human Capital Survey, the responses of FMC employees were again more positive than the Federal average. For over 95 percent of the questions asked, 71 out of 74, the responses of the Federal Maritime Commission employees were more positive than the Federal average. The 2008 Survey shows that FMC employees like the work they do and improved the Commission's performance in recruitment, employee development, and employee retention.

The Independent Partnership for Public Service has invited the FMC to receive an award on May 20th of this year at the release of the 2009 Best Places to Work in the Federal Government, kind of a long way since a year ago.

The Survey results and the Best Places to Work award I think confirm that the Commission is moving in the right direction.

Mr. Chairman and Members of the Subcommittee, thank you for supporting the important work of the Federal Maritime Commission. I respectfully request on behalf of the Commission favorable funding consideration for 2010. Now I and my fellow Commissioners are ready to try to answer any questions you might have.

Mr. CUMMINGS. Mr. Creel?

Mr. CREEL. Thank you, Mr. Chairman. I ask just a moment, if I may. Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today with my colleagues to discuss the President's fiscal year 2010 budget for the Federal Maritime Commission.

This will likely be the last time I appear before you as a Commissioner since I will be leaving the Commission next month to pursue new ventures in the private sector. It has been an honor for me to serve on the Commission since 1994 and to serve as Chairman from 1996 to 2002. I am pleased to say I was the longest serving Chairman in the history of the agency, beating out my good friend, Helen Bentley's record by a matter of a few days. As you can imagine this is a thorn in Helen's side and she hits me with her cane every time that I remind her of it.

Mr. Chairman, I would take this opportunity to thank you and the Subcommittee for your support and guidance over the years. I also want to impart to you my belief in the importance of the mission of the Federal Maritime Commission, and that is regulation of the ocean borne transportation and the foreign commerce of the United States.

As an independent agency, the Commission is in the unique position of ensuring that our Country's international trade is fair and unfettered by noncompetitive conditions or the unfair shipping practices of foreign countries. After all, the vast majority of goods coming into this country come to this Country on a ship. Most Americans don't even realize that. One reason the consumers are not aware of that is because the industry works. While occasionally there may be hiccups in the system that cause delays, generally goods flow into the Country freely and unencumbered. Therefore the American consumer has little reason to inquire about how goods are delivered.

I want to take the opportunity to thank my fellow Commissioners for many years we have worked together. You should know that the staff at the FMC is an extremely well qualified and dedicated bunch who are proud of the work they do in the service of the Country.

Mr. Chairman, I wish you, all the Members of the Subcommittee, and the Federal Maritime Commission fair winds and smooth sailing. Thank you, sir.

Mr. CUMMINGS. Thank you very much. Ms. Dye?

Ms. DYE. Thank you Mr. Chairman. I heard you mention earlier the benefits of constructive criticism. I want to tell you that we have taken your suggestions from the last hearings to heart. I believe we have improved working conditions and operational efficiency of the Federal Maritime Commission to the benefit of the folks at the Commission and the American consumer.

Thank you for having me here today. I want to compliment Commissioner Creel. I know that I speak for everybody at the Federal Maritime Commission that it is tough for us to tell him goodbye. He has been an excellent Commissioner and Chairman before my term. We appreciate his service. Thank you again.

Mr. CUMMINGS. Thank you very much. I just want to thank all of you for what you do. We thank you.

Mr. Creel, since you are leaving, I want to thank you. I may not have a chance to do this again in a public forum like this. I want to thank you for all that you have given.

This kind of service to the public is not always easy. I think that you folks are exposed to the public, while they could do some other job and nobody would ever have an idea of what they are doing. But the fact is that you are giving a lot and we do appreciate you very much.

I just want to ask a few questions. But first I am going to yield to my colleague Mr. LoBiondo.

Mr. LOBIONDO. Thank you Mr. Chairman. I too want to join with you in thanking Commissioners for your work. I had a chance to work with Commissioner Dye on the Subcommittee before she moved over. Mr. Creel, I worked with you for a long time. I wish you all the best. I thank you for your service. It is a great record that you have accomplished. Mr. Brennan, I look forward to continuing to work with you.

I had one question that you sort of addressed. That had to do with the price fixing. I think you indicated that you are going to be studying what has happened with the Europeans to determine if that makes sense for us to proceed in that way here? Is that what I understood you to say?

Mr. BRENNAN. Yes, the staff is working on that to analyze what will the effect be, will it result in less service, increased cost, or just what. So we are very conscious of that. I think Commissioner Dye recently went to England to make some observations.

Mr. LOBIONDO. Commissioner Dye, do you have anything that you would like to add? Because without studying it, it seems like it is not necessary. That is the reaction that I have. I would hope that we don't have some long drawn out study that comes back and tells us that yes we can do this and find out we maybe could have been saving money or encouraging more goods transported.

Ms. DYE. Yes sir, I understand. I did have the benefit of speaking in London to the Europeans about the recent changes in their system, their elimination of the competition exemption and how we could harmonize the two systems to make sure that international ocean shipping proceeds unaffected. The Commission has analyzed all of our existing agreements to make sure that there are no problems between the two existing systems.

Of course we deregulated substantially in 1998. So we like to say we were actually ahead of the Europeans. A shipper recently said to me while the Americans have allowed the Europeans to kick in the door, we loosened it substantially and they took it to the next step.

Of course we will be analyzing the benefits of the system here. We won't take years. But we will have to get some experience with the European system before we have good hard data to analyze. Thank you.

Mr. CREEL. Could I just add to that? One thing that sort of clouds the issue at the moment is this economic downturn and determining whether what the Europeans have done has resulted in benefits to the consumer or not. Across the board the numbers are down tremendously as Commissioner Brown just said. It is not a

market that we have seen in a long time and so I think we have to be considerate of that in doing our study.

But we are just at the point now where we are laying out the parameters. We will have two years, the first year of experience under the European regime and then the second year to be able to make up a realistic judgment as to the effect of that.

Mr. LOBIONDO. Thank you. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you. I want to go back to this 2008 Federal Human Capital Survey showing a 20 percent increase in satisfaction with the practices and policies of the FMC senior leaders, an 11 percent increase in job satisfaction, and a 17 percent increase in satisfaction with employee training. That is simply astounding.

One of the things that happens is that when people get used to voting negatively, it is hard to get out of it. In other words, there is a presumption that things are going to stay the same so people have a tendency to vote the same way no matter how much you do. First of all, I congratulate you all because I know you all worked so hard on that. I'm just wondering what do you attribute these increases to? Anybody want to go first? Ms. Dye, I see you smiling.

Ms. DYE. We all worked very hard Mr. Chairman. For myself, I think that we have a greater openness at the Commission in our decision making process. We have worked hard together to reach the best decisions for the Commission and their staff. The most important thing that I was pleased to see is that we began regular open meetings.

Our decision making process is open and everybody is heard before we reach a decision. Of course not everybody's opinion is accepted but everybody's opinion is heard at those times. And we all get the benefit of those. If I had to point to one most important change I would say that is it.

We also filled a lot of personnel positions. We got staff back up as quickly as we could. We filled a couple of important positions with excellent folks.

Right off the top of my head I would have to say those are the things that I would point to first. Thank you.

Mr. CUMMINGS. Mr. Creel?

Mr. CREEL. Yes, sir. I think that as Commissioner Dye says we have been open.

As you said, you can continue along your way doing the same thing in the same way and think that you are getting the word out that we value the work of the staff. But sometimes that is not the message that is being received. I think that it takes an initiative to make them realize that and to be proactive in that.

We have done that, whether it is through the SES Candidate Development Program at the very top, or whether it is our Emerging Leaders Program at sort of mid-level, or the term of ours is upward mobility for the GS-9 and below. I use upward mobility broader than that in speaking.

Upward mobility has been one thing that I have been very concerned about because we are a very small agency. It is difficult to give people encouragement that they can move up. But we have seen that in the last year and we have made a concerted effort. You can't make jobs out of something that is not there but you can be

cognizant of it whenever there is a job opening. And we have seen that over the last year. We have had folks moving into positions who have been with the Commission for a long time and tapped out at a certain level. They then been able to move up into a more professional level. And that is very rewarding, not only to that person but I think to others who see that.

Mr. CUMMINGS. We will get to you in a moment, Mr. Brennan.

What you just talked about Mr. Creel is something called hope, really. When people feel that they can move forward, even if they don't move forward, if they see somebody in their sphere moving forward I think the natural inclination may be some envy. But then they back off and they look and say, you know what, it is probably a good decision that Mary moved up. But you know what, I'm going to be the next one.

But if they never see that, then the question is do I stay where I am or do I move on?

Mr. CREEL. That is when you lose some of your best.

Mr. CUMMINGS. Right. Then they say, I only have one life to live. This is no dress rehearsal. This is that life. So since this is that life, I am moving on.

Mr. CREEL. Excuse me, sir, but I would just point out here that the response to one of the questions was that "promotions in my work unit are based on merit." We went up 24.2 percent in that category.

Mr. CUMMINGS. Say that one more time.

Mr. CREEL. "Promotions in my work unit are based on merit," there we are 24.2 percent increased.

Mr. CUMMINGS. What you just said is very powerful. People want to know if they put out the effort somebody is watching with a possibility, not necessarily the probability, but the possibility that it may yield a promotion.

But if I remember your testimony before, you all talked about how you had a lot of very dedicated employees who really wanted to be there but at the same time seemed like they were hitting a brick wall.

Mr. CREEL. If I could, I would just lead with another one that is even better than that. "How satisfied are you with the recognition you received for doing a good job?" We are up on that as well.

Mr. CUMMINGS. Yes. It is nice to hear some good news.

Mr. BRENNAN. I would say that one of the things that contributed to the increased morale is the meetings every other week. Virtually the entire agency is there—it is a small one—for the first part of the meeting. Then some parts are closed and they go out. But they feel like they are more part of a team.

But I would say, you mentioned hope. If I were starting over in Government and could roll the clock back 40 years, I think the FMC is a great place to work because I think there is upward mobility. Of 120 people, there are five SESs. Some of them come in at the lowest level. Also in a small agency, if you do a good job, you are quickly recognized and you can move ahead. I think it is a terrific agency to work at. That is my view.

Mr. CUMMINGS. You know, I am going to be giving some graduation speeches. As a matter of fact, on Friday I am speaking at the University of Maryland Law School. I am going to pull some stuff

from this report because I think it has a lot to do with how these folks will go out being leaders. They need to remember the people who they may be supervising or what have you. It is very significant.

Mr. LARSEN?

Mr. LARSEN. Thank you, Mr. Chairman. Commissioner Dye, as you are looking at the implications of the EU's decision, or whomever can answer this best, obviously you are going to know a little bit more about this than I will, considering impacts on the East Coast of the U.S. versus the West Coast of the U.S., I am just checking now to see if there are any impacts on the West Coast as well as you are moving forward in looking at this.

The second question has to do with today's state of the economy. The ports of my district in Washington State are seeing it like any other point with 20 to 30 percent decreases in activity coming in and going out. That is reflected in trade numbers all over the world as well.

One of the concerns I have as we look at the potential global economic recovery, as we hit a bottom and come out of that, especially on the West Coast what is the impact that State owned or State operated carriers have? Do they have a different advantage over private common carriers? As well, does this global economic recession give folks an opportunity to establish barriers to access to protect themselves better as we recover? Do you have some thoughts on that?

Ms. DYE. Thank you, Mr. Larsen. It is interesting that you would ask about controlled carriers because we have just had this conversation before I came over today. Obviously, during a time of economic uproar, it is our responsibility to keep on top of those developments. We started last fall to have regular briefings from the staff on the effects of the downturn on all of our stakeholders across the board.

One of the things that we have been watching with controlled carriers is contract prices. We haven't seen any evidence yet that any controlled carrier has actually used unfair advantage against American or for that matter any other interests. In fact, those carriers have seen a decrease in their revenues as well.

Mr. LARSEN. Is that something then you will continue to evaluate as you move forward?

Ms. DYE. Yes, of course.

Mr. LARSEN. That is really just a couple of thoughts I had, Mr. Chairman. I appreciate it.

Ms. DYE. Thank you.

Mr. CUMMINGS. Again, I want to thank you all very much. Mr. Brennan and Ms. Dye, continue on. I am sure that you will be joined by others soon. To Mr. Creel, again, I thank you very much. You are now dismissed.

We will now call up Mr. David Rivait who is the Associate Administrator for Budget and Programs and Chief Financial Officer of the Maritime Administration. You have a whole room to yourself.

Mr. RIVAIT. I am feeling a little lonely down here, Mr. Chairman.

Mr. CUMMINGS. You may proceed.

**TESTIMONY OF DAVID J. RIVAIT, ASSOCIATE ADMINISTRATOR
FOR BUDGET AND PROGRAMS AND CHIEF FINANCIAL OFFICER,
MARITIME ADMINISTRATION**

Mr. RIVAIT. Mr. Chairman, Mr. LoBiondo, Mr. Larsen it is a pleasure being here today. My name is Dave Rivait. I am MariAd's Associate Administrator and Chief Financial Officer. I am here to present the Maritime Administration's 2010 budget request that we received from annual transportation appropriations.

In 2010, the President is requesting \$345.5 million for the Maritime Administration, an increase of 3.6 percent over the 2009 enacted level. That is excluding those funds we received from supplemental appropriations for the Economic Recovery Act.

In 2010, the Maritime Administration has three principle initiatives that are highlighted in more detail in my written testimony. Let me just briefly summarize them here. First, a \$15 million increase is included for a Secure and Efficient Ports Initiative which is part of a larger initiative that is also funded within the Department of Homeland Security. Second, the budget includes a program increase of \$12 million to enhance programs at the U.S. Merchant Marine Academy in New York. Third, our request includes an increase of \$1.1 million to enhance our support to the six State maritime academies across the Country. Let me just give you a bit more detail on each of those three items.

First, in the Secure and Efficient Ports Initiative, the \$15 million program that I mentioned is going to be managed through our Office of the Associate Administrator for Intermodal Systems Development. As I said, it is in partnership with the Department of Homeland Security, which includes \$10 million in their budget for this program. The principle focus of this effort is in considering major port improvements around the Country. This Initiative is going to help identify strategies for integrating security considerations into projects improving port capacity and efficiency.

The main way we are going to do this through these new monies is to provide Federal assistance for studies and joint planning that will assist in preparing for the larger infrastructure expenditures that would be forthcoming for some of these major port improvements. These sorts of study efforts would focus on some of the program areas that are of keen interest to the Maritime Administration, particularly the consideration of links for coastal and inland ports to highways and rail as well as increased use of the marine highway system.

That could have an important security nexus by, for example, moving hazardous materials and hazardous freight away from surface modes and onto what are now underutilized marine corridors.

The second major initiative in the budget is additional funding for the U.S. Merchant Marine Academy, an increase of \$12 million, bringing the total funding for the Academy in 2010 to \$74.4 million. This includes an additional \$4.8 million to support the operations of the school as well as an additional \$7.2 million to enhance the school's capital improvement program. That brings total funding to \$15.4 million.

I wanted to briefly mention as part of my presentation on the Academy that the school has experienced some significant financial management and internal control weaknesses that we identified

last year and brought to the attention of the Congress. These matters as well as others are now the subject of a GAO audit that has been ongoing since July. We expect results from that audit to be delivered to the Secretary and to Congress within the next many weeks. I would be happy and prepared to discuss those additional issues with the Committee.

Finally, the last major initiative that is included in the budget, as I had mentioned previously, is an increase of \$1.1 million to support the State maritime academies, bringing total funding to \$15.6 million. This increase will principally support first an increase to student incentive payments. This is direct assistance to cadets attending these schools. The last Congress enacted legislation that allowed an increase in the annual payment that we could make to each of these students. So this additional funding is in part to help support that.

In addition, there is additional money included in the budget for school ship maintenance and repair. Each of these six State maritime academies have a Federal ship that is owned by the Maritime Administration that we make available to these academies. This funding will help support the adequate maintenance and repair of those ships for the safety of the cadets.

Those are my brief oral comments. I have a longer written statement I would like to submit for the record. I am ready to answer your questions.

Mr. CUMMINGS. Thank you very much. Mr. Taylor wanted us to ask you—he had to leave to go to another hearing—but he wanted to ask how much Title 11 funds do you currently have in hand? How much do you expect to expend this year?

Mr. RIVAÏT. Mr. Chairman, I don't have a good answer for you in terms of our plans for spending this year. Perhaps we can get a response quickly for the record.

But I can tell you that we do have a balance available. Last year we received through the Department of Defense resources that were designed to support the Title 11 program, \$48 million. Of that balance, we have only utilized \$3 million of the \$48 million as supporting loan guarantees. So there is still a balance of \$45 million that remains available to support additional loan guarantees.

Mr. CUMMINGS. Is that why the Administration did not request an increase in this program in fiscal year 2010?

Mr. RIVAÏT. I think that is one of the principal increases apart from some of the tough trade offs that were made in the budget. It was also the case that we did have resources that would support additional loan guarantees from the prior action.

Mr. CUMMINGS. Mr. LoBiondo?

Mr. LOBIONDO. Mr. Chairman, I really don't have any questions. Mr. Rivait, I want to thank you for your presentation. I want to thank you for your service and keeping things moving forward. Thank you, Mr. Chairman.

Mr. CUMMINGS. Mr. Larsen?

Mr. LARSEN. Thank you, Mr. Chairman. Can you talk a little bit about the assistance to small shipyards program? It is a little bit in your testimony. Discuss the timeline for the fiscal year 2009 money as well as the timeline for the ARRA era money.

Mr. RIVAÏT. Sure. I can tell you the Secretary places a very high priority for all of the economic assistance money getting obligated and out as quickly as possible. For the \$100 million, \$2 million of which is being reserved for administrative expenses so \$98 million in the shipyard loans from the supplemental appropriation, there were 451 applications. Many of these our Associate Administrators who have briefed us on this indicate are quite strong. They are in the process now of plowing through those. We expect to essentially make awards all at once sometime around the middle to third week in August.

The \$17.5 million that was appropriated for the program essentially through regular appropriations, applications for that program were actually due earlier this week. I believe the number was 75 applications for that \$17.5 million. We are on a timeline that is actually to make awards for that program I think a bit earlier than the August timeframe. But I would say to call it late July. That is the time period we are on right now.

Mr. LARSEN. Just to clarify, it was the stimulus package for the \$100 million?

Mr. RIVAÏT. Yes.

Mr. LARSEN. Right, OK. Can you talk as well about piracy? We are having a hearing next week. Thanks to the leadership of the Chairman, the Subcommittee is continuing to not just monitor piracy but also to consider the roles that you all, the Coast Guard, and the Navy as well are playing in that. Could you update us in MariAd's continued role in the training and best practices development for industry?

Mr. RIVAÏT. Well, I can say that I am not the piracy expert for our agency.

Mr. LARSEN. OK, let me ask how much money are you spending on developing practices?

[Laughter.]

Mr. RIVAÏT. Well, we are spending no more than we usually would. It is part of our base resources, what we are accomplishing this through.

But MariAd has been very involved with industry and other government partners in the international community in both developing and disseminating best practices. I think one of the areas that we have been actively involved with is working with the Naval Investigative Service on anti-piracy assistance teams. These actually assist shipping companies in examining the capacities of individual vessels in order to make recommendations that would make them less vulnerable and often times would not cost a lot of money.

Mr. LARSEN. Thank you very much. Thank you very much, Mr. Chairman.

Mr. CUMMINGS. I have just two quick things. Do you know how many U.S. flag vessels transit the Horn of Africa region on an annual basis?

Mr. RIVAÏT. I have seen different numbers. But in the Gulf of Aden there may be on any given day 50 to 60 ships that are transiting the region. So that would be something on the order of around 20,000 or a bit more per year. I can say that on any given day, of those 50 or so ships one of them is likely to be a U.S. flag vessel.

Mr. CUMMINGS. What impact is the increase in piracy in the Horn of Africa having on insurance and related costs charged to U.S. flag vessels?

Mr. RIVAIT. Mr. Chairman, I don't have the specifics for you in terms of what the difference would be other than to represent that I know there has been an impact on insurance that shipping companies are paying in order to travel through that region. But we can provide those greater details for the Committee.

Mr. CUMMINGS. I appreciate it. We will be submitting some other questions also.

Thank you very much. This hearing is ended.

[Whereupon, at 5:10 p.m., the subcommittee was adjourned.]

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

**“Fiscal Year 2010 Budget Requests of the Coast Guard, Maritime Administration,
and Federal Maritime Commission”**

Opening Statement of Chairman Elijah E. Cummings

May 13, 2009

The Subcommittee convenes today to examine the fiscal year 2010 budget requests for the Coast Guard, Federal Maritime Commission, and the federal Maritime Administration.

The President has requested just under \$9.5 billion in fiscal year 2010 to fund the U.S. Coast Guard. This request would provide an increase of approximately \$371 million – 4.1 percent – over the service’s enacted fiscal year 2009 budget.

The President has requested \$6.55 billion for Coast Guard operating expenses in fiscal year 2010, an increase of more than \$361.2 million – 5.8 percent – over the fiscal year 2009 enacted level.

The President has requested just under \$1.4 billion to fund all planned Coast Guard capital acquisitions in fiscal year 2010, an approximately \$100.6 million decrease from the fiscal year 2009 appropriated level.

Of this requested amount, \$1.05 billion is requested for the Deepwater program, an approximately \$72 million increase from the enacted funding for fiscal year 2009.

The budget requests only \$340 million for non-Deepwater capital expenses, including only \$10 million for the repair of shore-side facilities and the recapitalization of aids-to-navigation.

The American Recovery and Reinvestment Act provided \$98 million for the rehabilitation of Coast Guard shore and cutter assets, of which the service has announced \$88 million will go to shore facilities.

However, the service has a backlog of shore facility repair needs exceeding \$1 billion – and many Coast Guard personnel continue to work in trailers or in rapidly aging buildings. To be frank, some work in sub-standard conditions – and I continue to believe that this backlog must be reduced to ensure that all Coast Guard personnel work in safe and modern facilities.

The fiscal year 2010 budget request can accurately be described as “austere.” While it would fund the operation of new assets recently acquired by the Coast Guard and would fund the addition of 74 new positions in the marine safety function in addition to the 276 positions added in last year’s budget, the President’s request does not appear to fund any broad new Coast Guard initiatives and even contains a slight reduction in the service’s overall authorization of military positions.

While we obviously strongly support the addition of new personnel to the marine safety program, other mission areas are also stretched and I continue to believe that the Coast Guard's resources – particularly its personnel resources – must be more closely aligned with its mission needs.

The President requests \$24.5 million in fiscal year 2010 for Federal Maritime Commission activities, which is an increase of approximately \$1.7 million – 7.5 percent – over the total amount enacted in FY 2009 for the Commission.

The Commission is typically composed of five Commissioners appointed to five-year terms by the President with the advice and consent of the Senate. The Chairman's position has been vacant since 2006; one Commissioner resigned in 2008.

Next month, another Commissioner will leave the Commission when his five-year term expires; his departure will leave only two Commissioners to be responsible for the management of the agency.

The effective administration of the Commission has been a major concern to this Subcommittee. The economic downturn in the world economy is reducing shipping volumes, which may create new regulatory issues for the Commission to consider. We look forward to examining these issues today.

Regarding the U.S. Maritime Administration, the President has requested \$345.5 million in fiscal year 2010 funding for MARAD's activities – which is an increase of just over \$32 million above the level of funding provided in fiscal year 2009.

The largest increase occurs in the request for MARAD's Operations and Training budget – which would grow by \$29.5 million. This account supports the U.S. Merchant Marine Academy, provides limited support for the state maritime schools, and funds MARAD's operations.

I am pleased that the President has requested \$174 million for the Maritime Security Program, which provides direct payments to U.S.-flagged ship operators in the foreign trade to ensure that these vessels are available to the Department of Defense in times of war or national emergency. I strongly support this funding as it is critical to the preservation of a U.S.-flagged ocean-going fleet.

The President did not request funding for the Assistance to Small Shipyards program in fiscal year 2010. MARAD received \$98 million from the American Recovery and Reinvestment Act to make grants under this program – and the agency has already received more than 400 grant applications, totaling more than \$1 billion.

Such a large number of applications demonstrates a wide demand among small shipyards for modernization support.

The President requested only enough funding for the Title XI Guaranteed Loan Program to enable MARAD to administer outstanding loan guarantees; no funding to support new loan guarantees was requested.

Under this program, loan guarantees are available to those purchasing ships from the U.S. shipbuilding industry and for the modernization of U.S. shipyards. The U.S.-flagged ocean-going fleet is aging and the industry will likely need assistance if these vessels are to be replaced with new and modern vessels.

We look forward to the opportunity today to examine all of these budget requests in detail.

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STATEMENT OF
REP. FRANK A. LOBIONDO
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Fiscal Year 2010 Budget Requests of the Coast Guard, Maritime Administration, and Federal Maritime Commission

May 13, 2009

This afternoon, the Subcommittee is reviewing the President's requests for the Coast Guard, the Maritime Administration, and the Federal Maritime Commission. As of today, there are only 170 days remaining in the current fiscal year, giving us very little time to act on this request. However, I appreciate the speed with which the Subcommittee is considering the budget given how late it was submitted to us.

I have to start by expressing my frustration with the Coast Guard's continued refusal to provide the Subcommittee with a detailed explanation of how it plans to utilize the stimulus funding that was provided by the Congress earlier this year. Subcommittee staff requested this information more than 3 weeks ago, and we have been informed the service is not authorized to make this information available. I don't know how keeping us in the dark fits in with the new way of doing things in an open and transparent manner.

The service has, however, submitted a full justification for its fiscal year 2010 budget request. The Coast Guard's scope of responsibilities seems to grow each year, and it is vital Congress provide the service with the resources necessary to support all of its missions. The request includes funding for the recapitalization of the Coast Guard's deteriorating assets. These assets are increasingly unreliable, often suffering major failures while in operation, and are having a significant impact on the service's operational capabilities.

However, I remain concerned the Coast Guard's plans to replace these legacy assets can not be carried out in a timely manner at the current funding level of roughly \$1 billion per year. For the foreseeable future, the acquisition budget is fully committed to the National Security Cutter, Fast Response Cutter, Maritime Patrol Aircraft, and sustainment of the Medium Endurance Cutters. Unfortunately, that leaves little room for the acquisition of the Offshore Patrol Cutter, unmanned aerial systems, Inland River Tenders, polar icebreakers, and what I expect will be a frighteningly large and as yet unbudgeted amount to keep the High Endurance Cutters afloat.

The Coast Guard needs to look at all these planned acquisitions, and determine what mix of assets the acquisition budget can support. And if more funding is needed, the service needs to tell us that. I hope our witnesses will speak to the Coast Guard's strategies to overcome these challenges.

The Coast Guard has also proposed to terminate operation of the LORAN-C system, which provides positioning information to commercial, recreational and government aircraft and vessels. I am extremely concerned this decision will leave us without any backup to the Global Positioning System. Has the federal

government determined that no supplemental navigation system is necessary? What happens if GPS becomes temporarily or permanently unavailable? Furthermore, although the administration has touted the \$36 million in savings they expect from shutting down LORAN-C, the Coast Guard has not developed an estimate of the costs associated with environmental clean up at existing LORAN sites, nor has the service determined what work would be necessary to use existing infrastructure to support eLORAN or some other supplemental navigation system. I think these questions need to be addressed before any action to dismantle LORAN-C is taken.

I am also perplexed by the Administration's request of zero dollars for construction and major maintenance of the Coast Guard's shoreside facilities. The service currently has a shoreside backlog of over \$1 billion. Coast Guard stations, housing, hangars, and other support buildings are deteriorating as we speak, yet no funding has been targeted for these projects. I hope the service has a good answer for us on how they intend to manage this serious situation.

We will also welcome witnesses from the Maritime Administration and the Federal Maritime Commission this afternoon. I am pleased to see the President included funding to enhance infrastructure at our ports to improve the security and efficiency of cargo as it moves among different modes of transportation. Our nation's marine highways are a vastly underutilized asset, and I look forward to hearing more about MARAD's efforts to increase the use of our inland rivers and coastal routes as an alternative to our overloaded roads and rails.

I am also interested to hear more about the FMC's ongoing efforts to level the playing field internationally for U.S. shipping interests and monitoring activities which impact commerce at U.S. ports.

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DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

**ADMIRAL THAD W. ALLEN
COMMANDANT**

ON

COAST GUARD FISCAL YEAR 2010 BUDGET REQUEST

BEFORE THE

COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

U. S. HOUSE OF REPRESENTATIVES

13 MAY 2009

INTRODUCTION

Good afternoon Mr. Chairman and distinguished members of the Committee. Thank you for the enduring support you have shown to the men and women of the United States Coast Guard.

Over the past year, Coast Guard men and women – active duty, reserve, civilian and auxiliaries alike – continued a consistent trend of delivering premier service to the public. They performed superbly in the heartland, in our ports, and while deployed at sea and around the globe to safeguard America’s maritime interests. They saved over four thousand lives; worked closely with Department of Homeland Security (DHS) partners to respond to last summer’s damaging floods in Missouri and North Dakota; conducted 680 domestic icebreaking operations to facilitate the movement of more than \$2 billion in commerce; operated with other federal partners at sea and in the air to prevent nearly 400 thousand pounds of cocaine from reaching America’s borders or streets; and continued to serve on the front lines to support Operations Iraqi and Enduring Freedom.

When I became Commandant in 2006, one of my primary objectives was to evolve the Coast Guard into a change-centric organization through a modernized command, control and logistics support structure, an optimized workforce and improved business practices. Building upon the Coast Guard’s culture and bias for action, we have made significant strides toward those goals. As we have carried out our modernization efforts, the dedication, expertise and professionalism of your Coast Guard has been a constant. The impacts of the global economic crisis, climate change, activity in the polar regions, persistent conflict, piracy, drug and human smuggling, and the increasing expansion and complexity of the Marine Transportation System (MTS) call not only for a modernized Coast Guard, but for authorities and capabilities needed to carry out all of our safety, security and stewardship missions in a rapidly changing operating environment.

Coast Guard authorities must keep pace with evolving threats. The recent prosecution of the first self-propelled semi-submersible (SPSS) operator under the Drug Trafficking



Self-propelled semi-submersible

Vessel Interdiction Act of 2008 is an important example. This law provides our men and women with the tool necessary to deliver consequences to drug traffickers who would otherwise scuttle their vessels, destroying any evidence that may have been captured, and allowing them to return to their country of origin as a search and rescue victim. I applaud Congress for their responsiveness to this threat and appreciate

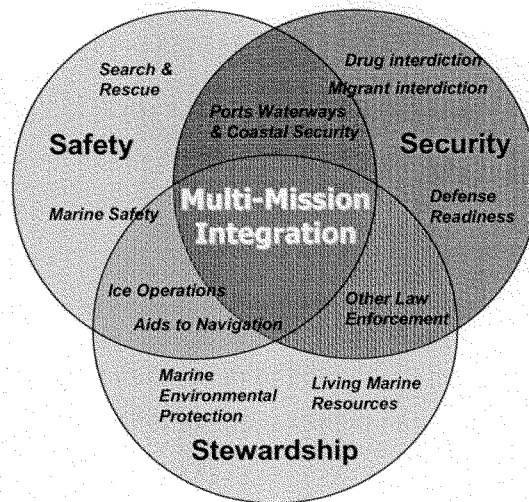
the close cooperation that led to the creation of this vital legislation.

I also appreciate Congress’ continuing efforts to coordinate closely with the Coast Guard to support our progress in modernizing our acquisitions program. I look forward to working with the Committee on this effort and several other modernization, management and operational issues as we move together to achieve our shared goals of a stronger, more capable and effective Coast Guard across all of our safety, security and stewardship missions.

ROLES AND MISSIONS

The U.S. Coast Guard is one of the five Armed Services of the United States and the only military organization within the Department of Homeland Security (DHS). Unique among the Armed Services, the Coast Guard is also a law enforcement and regulatory agency with broad domestic authorities. The Coast Guard delivers innovative solutions and services across a spectrum of authorities, capabilities, competencies, capacities, and partnerships (ACCCP). Today, as in the past, the Coast Guard continues to leverage its multi-mission structure, guardian ethos and established partnerships to protect the American public and global marine transportation system.

Protecting America's Maritime Interests



Modernization

The Coast Guard's modernization efforts represent our commitment to improving the effectiveness and efficiency of not only our mission execution, but also our stewardship of the public's trust and resources as well. The establishment of the Surface and Aviation Forces Logistics Centers introduced immediate improvements to our logistics system through the use of a proven, bi-level maintenance model that minimizes both costs and operational down time. Moreover, our Headquarters policy and management functions were streamlined as well with the establishment of the Deputy Commandant for Operations and Deputy Commandant for Mission Support. These organizations ensure our strategies, policies and human, information technology and capital resource management efforts focus on long-term planning, goals and objectives without sacrificing the organizational agility necessary to address emerging and evolving operational threats and national priorities.

Functional alignment and agility at all levels within our organizational structure are critical to our modernization effort. With the appropriate authorities, we will be able to continue to this effort with the stand up of the Operations Command (OPCOM) and the Force Readiness Command (FORCECOM).

Although the current Area Commands have served us well, they create a bifurcated command, control and support structure that no longer meets our operational



coordination and readiness requirements. Increasingly complex transnational and regional threats demand a centralized command and control structure with the ability to allocate, coordinate and surge assets regionally and globally both independently and in cooperation with our DHS, Department of Defense and international partners. Similarly, we must be able to sustain our aging cutters, boats and aircraft, and train and equip our workforce to operate at maximum efficiency and effectiveness using standardized Coast Guard-wide procedures and processes. OPCOM and FORCECOM will give us the ability to meet these requirements and deliver unsurpassed service to the American people. The modernized command and control structure will significantly improve our ability to support and execute missions. I ask for your support to provide the Coast Guard with authority to carry out the remainder of our modernization efforts, which is known as the Admiral and Vice Admiral provision.

Marine Safety

In 2007, I introduced the Coast Guard's Marine Safety Improvement Plan, which was followed shortly thereafter by the Marine Safety Performance Plan. Expanding the Coast Guard's capacity and continuing to develop the expertise of our marine safety workforce is an essential component of my plans to ensure the Coast Guard remains strong and ready to serve the nation and around the world. I appreciate Congress' support in the effort, but there remains a great deal of work to continue to achieve our shared goals in the Marine Safety program.



Broken & sinking barge on the Mississippi River after a collision.

As I have stated before, there are still too many lives lost at sea, too many people injured, and too much property and environmental damage because of avoidable accidents in our nation's maritime industries. Commercial fishing continues to be one of the most dangerous occupations in the world, yet the Coast Guard has no mechanism to require uninspected fishing vessels to carry minimum safety equipment or meet minimum vessel safety standards. Maintaining such standards, in addition to expanded licensing requirements for towing vessels, would have a positive impact on our ability to protect lives and property in these vital industries.

The safety of recreational boaters and sport fishers is also an important component of the Coast Guard's efforts, in partnership with State and local authorities, to reduce the number of deaths and injuries in our nation's waterways. Reauthorization of the Sport Fish Restoration and Boating Trust Fund (SFRBTF) supports State boating safety and education and law enforcement.

Maritime Security

As the violence by Mexican drug cartels increases along our Southwest border, it has become abundantly clear more must be done to stop of the flow of drugs into Mexico and across our borders. The Coast Guard plays a vital role in reducing the flow of cocaine trafficked through Mexico and the rest of Latin America from South America with record cocaine removals in 2007 and 2008. By the end of 2009, it is likely the Coast Guard, in cooperation with our partners in support of Joint Interagency Task Force – South, will have stopped over one million pounds of cocaine from reaching the United States over the last three years. Our modernization efforts and sustained recapitalization of our aging cutters and aircraft is essential if we are going to address this persistent threat to our Nation.

Similarly, alien migrant smuggling presents a persistent threat to the security of our Nation. Human smugglers are following the lead of Drug Trafficking Organizations (DTO) and are using more aggressive and dangerous tactics including the use of go-fast vessels to evade Coast Guard interdiction assets. As efforts continue to increase security at the land border, I am concerned smugglers will shift to maritime vectors, where the unique operating environment and current legal constraints make consequence delivery more difficult. I am grateful for Congress' ongoing consideration of the Maritime Alien Smuggling Law Enforcement Act (MASLEA) to address the shortfalls in current statute and provide the U.S. Government with appropriate law enforcement and prosecutorial tools that are uniquely tailored to the maritime environment in which this crime occurs.

As we pursue strategies, tactics and authorities to secure our borders from entry of dangerous materials and people, we must also consider the security of legitimate commerce in the maritime domain. This is particularly important when considering the health and safety risks vessels carrying Certain Dangerous Cargoes (CDCs) such as Liquefied Natural Gas (LNG), chlorine, anhydrous ammonia and various petroleum products present in our ports, waterways and adjacent population centers. The expansion of LNG facilities and corresponding increase in waterborne LNG shipments to meet our nation's energy demands is well known. However, LNG is just one of many CDCs transported through the MTS that must be considered in a national dialogue on cargo and energy infrastructure security.



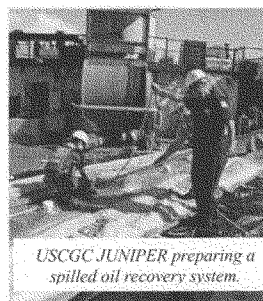
*LNG Tanker security zone enforced
by Coast Guard small boat.*

In their maritime security plans, LNG, high capacity passenger vessels and critical maritime infrastructure must pay particular attention to vulnerabilities to small vessel attacks. Since small vessels are not required to participate in a tracking or reporting regime as larger, commercial vessels, they can operate virtually without restriction in our ports and waterways. In 2008, DHS promulgated the Small Vessel Security Strategy. The Coast Guard was an integral part of the development of this strategy in partnership with the Department and other DHS components including Customs and Border Protection. The Coast Guard is currently working with our DHS partners to develop an implementation plan.

Small boats are also the conveyance of choice for pirates to use in assaulting commercial vessels. Piracy presents an international maritime security challenge. Similar to the shared security responsibilities associated with Especially Hazardous Cargo vessels, the security of commercial vessels against piratical acts requires a coordinated strategy across the Federal government, industry and the international community. Although the U.S. Government has been successful negotiating an arrangement with the Government of Kenya to begin prosecuting Somali pirates captured in the Horn of Africa, more international engagement and coordination on this issue is required.

Stewardship

Whether enforcing fisheries in the Arctic or responding to hazardous materials spills in the Gulf of Mexico in the aftermath of a hurricane, I am committed to ensuring the Coast Guard maintains the capability to protect our environment and our natural resources. The Coast Guard's authorities under our stewardship missions are extensive. We are currently developing new Ballast Water Discharge and Non-Tank Vessel Response Plan regulations to decrease the introduction of invasive species in U.S. internal waters and ensure industry has sufficient response capability to minimize the impact of hazardous materials spills. The Coast Guard routinely investigates allegations of wrongdoing that turn on the availability of a foreign seafarer witness who possesses direct knowledge of how damage to the environment, cargo, and vessel, as well as loss of life, occurred. The ship owner—who is aware of the importance of foreign seafarer witnesses to an investigation, as well as his practical ability to control the continued availability of the witnesses in the United States—will threaten to abandon the crew to protect his interests in a criminal or administrative investigation. Without the ability to protect and temporarily support these crewmembers in the case of abandonment, the Coast Guard's ability to investigate alleged criminal or illegal activity is severely impaired. In addition, seafarers may be abandoned in the United States for purely economic reasons. There is currently no authority nor resources for the Coast Guard to assist these seafarers, and no incentive for other nations to assist American seafarers in a similar situation.



USCGC JUNIPER preparing a spilled oil recovery system.

CONCLUSION

As a maritime Nation and leader in the global maritime environment, our security, resilience, and economic prosperity are intrinsically linked to the oceans. Safety and freedom of transit on the high seas are essential to our well-being, yet are very fragile. Threats to border security, growth in the global marine transportation system, expanded use of the Arctic, and burgeoning coastal development are challenging conventional paradigms. *The Coast Guard is ideally-suited to help the Nation address these and other challenges through its comprehensive, complementary authorities, flexible and adaptive operational capabilities, and centuries of experience protecting America's maritime security interests.* Full support for the President's FY 2010 budget request is an important step forward. Our ability to optimize our broad spectrum of authorities, capabilities and partnerships remains critical to effectively allocating resources across the Coast Guard's broad mission portfolio.

As our Nation faces the challenges of a global economy, the environmental impacts of climate change, piracy, and the long-term struggle against radical extremism; the Coast Guard must be equipped to conduct preparedness and response operations across a broad spectrum of potential risks, threats and hazards. The men and women of the Coast Guard perform with courage, sacrifice and dignity and are eager and prepared to answer the Nation's call now and into the future.

Thank you for the opportunity to testify before you today. I am pleased to answer your questions.

Appendix I - FISCAL YEAR 2010 BUDGET REQUEST

The Coast Guard's FY 2010 budget request maintains DoD Parity for its workforce and continues critical recapitalization efforts while focusing on: *enhancing maritime safety and security and modernizing business practice. Highlights include:*

Recapitalizing Aging Assets**Deepwater - Surface Assets**

\$591.4M (50 Full-Time Equivalents (FTE))

The President's Budget requests \$591.4M for the following surface asset recapitalization or enhancement initiatives: completion of National Security Cutter #4; continued analysis and design for the Offshore Patrol Cutter (OPC); production of Fast Response Cutters #5-#8; production of Deepwater Cutter Small Boats; and crucial operational enhancement of five Medium Endurance Cutters and three 110-foot Patrol Boats at the Coast Guard Yard through the Mission Effectiveness Program.

Deepwater - Air Assets

\$305.5M (0 FTE)

The President's Budget requests \$305.5M for the following air asset recapitalization or enhancement initiatives: delivery of HC-144A Maritime Patrol Aircraft #13-#14; HH-60 engine sustainment and avionics, wiring, and sensor upgrades for eight aircraft; HH-65 conversion to modernized components, cockpit, and enhanced interoperability for 22 aircraft; and HC-130H avionics and sensor upgrades for eight aircraft, as well as four center wing box replacements.

Deepwater - Other

\$154.6M (0 FTE)

The President's Budget requests \$154.6M for the following equipment and services: Government Program Management funds for critical oversight and contract management; Systems Engineering and Integration funds for continued integration of complex and diverse technical configurations for all projects; continued development of logistics capability and facility upgrades at shore sites where new assets will be homeported; upgrades to command, control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR) items; and prevention of asset obsolescence by replacing aging technology.

Response Boat Medium (RB-M)

\$103M (0 FTE)

The President's Budget requests \$103M to order 30 boats to replace the aging 41-foot utility boat and other non-standard boats with an asset more capable of meeting the Coast Guard's multi-mission requirements.

Rescue 21

\$117M (0 FTE)

The President's Budget requests \$117M for California and New England Sectors to receive Rescue 21 capability, and continued development of Great Lakes, Hawaii, Guam, and Puerto Rico Sectors.

Shore Facilities and ATON Recap Projects
\$10M (0 FTE)

The President's Budget requests \$10M to support shore facility and ATON recapitalization. The Coast Guard received \$88M from Recovery Act funding for shore projects. The Coast Guard occupies more than 22,000 shore facilities with a replacement value of approximately \$7.4B. FY 2010 funding supports \$6M for Survey and Design (planning and engineering of outyear shore projects) and \$4M for ATON infrastructure (improvements to short-range aids and infrastructure).

Enhancing Maritime Safety and Security

Marine Safety Program
\$7.5M (37 FTE)

The President's Budget requests \$7.5M to support 74 additional personnel including marine inspectors and investigating officers at field units, marine inspector training officers at feeder ports, staffing for the Steam and Vintage Vessels Center of Expertise, engineers for standards development and review, and expanded training curricula at the Marine Safety School in Yorktown, VA.

Armed Helicopters Enhancement
\$0.845M (7 FTE)

The President's Budget requests \$845K for 14 gunners to support an additional 450 armed deployed days away from home station (DDAS), increasing the total DDAS to 1,450. This additional capability will significantly improve the Coast Guard's ability to deter drug trafficking and maritime threats, and will play a vital role in establishing an integrated, interoperable border security system.

Biometrics at Sea System
\$1.183M (1 FTE)

The President's Budget requests \$1.183M to purchase equipment and provide maintenance on 18 cutters currently operating the Biometrics at Sea system (BASS), as well as engineering development and program management. BASS enables Coast Guard personnel to identify dangerous individuals documented in the U.S. Visitor and Immigration Status Indicator Technology (US-VISIT) database including known felons, those under deportation orders, and those on a terrorist watchlist. With a nearly 75 percent reduction in undocumented migrant flow from the Dominican Republic, the BASS pilot program demonstrated its effectiveness in deterring attempts by undocumented migrants to enter the United States illegally.

SeaHawk Charleston IOC Sustainment
\$1.088M (1 FTE)

The President's Budget requests \$1.088M to fund SeaHawk Charleston. SeaHawk is a multi-agency collaborative, unified command-based work environment with the cooperative and complementary capabilities of an intelligence cell. Members include the Federal Bureau of Investigation, Joint Terrorism Task Force, Coast Guard, Customs and Border Protection, Immigration and Customs Enforcement, and other Federal, state, and local agencies.

Modernizing Business Practices**Financial Management Oversight****\$20M (44 FTE)**

The President's Budget requests \$20M to support critical modernization of the Coast Guard's financial management structure, which includes processes, internal controls, IT systems, and human resources. The goals of this transformation are to improve the Service's ability to link mission performance to budget and ensure compliance with the DHS Financial Accountability Act. Financial management modernization will create an environment for a sustainable clean audit opinion on annual financial statements.

Reinvestments**(88.4M) (399 Full-Time Positions (FTP))**

FY 2010 savings include:

Termination of FY 2009 one-time costs	(\$32.7M)
Decommissioning of four aging aircraft	(\$11.2M)
Annualization of FY 2009 management of technology efficiencies.....	(\$4.9M)
LORAN-C termination	(\$36M)
OSC Martinsburg earmark reduction.....	(\$3.6M)

LORAN-C Termination

As a result of technological advancements over the last 20 years and the emergence of the U.S. Global Positioning System (GPS), LORAN-C is no longer required by the Armed Forces, the transportation sector, or the Nation's security interests. The LORAN-C system was not established as or intended to be a viable backup for GPS. Consistent with the Administration's pledge to eliminate unnecessary Federal programs and systems, Federal broadcast of the LORAN-C signal will be terminated in FY 2010 after satisfying domestic and international notification obligations. The Coast Guard will systematically close, harden, and de-staff its 24 LORAN-C stations and associated support units.

Termination of LORAN-C will result in a savings of \$36M in FY 2010 and \$190M over five years. In total, 293 FTP associated with LORAN-C will be eliminated during the fiscal year and military personnel will be reassigned to other missions.

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



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DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

**STATEMENT OF THE
MASTER CHIEF PETTY OFFICER OF THE COAST GUARD
CHARLES W. BOWEN**

ON THE

FISCAL YEAR 2010 BUDGET REQUEST

BEFORE THE

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

U.S. HOUSE OF REPRESENTATIVES

MAY 13, 2009

Good afternoon Mr. Chairman and distinguished members of the Committee. It is a pleasure to appear before you today.

As America's Maritime Guardians, the United States Coast Guard is responsible for the Nation's maritime safety and security. We save lives. We defend the homeland. We protect the environment. These are responsibilities we take very seriously. Our Commandant, Admiral Thad Allen, is dedicated to mission execution and committed to ensuring that Coast Guard men and women are equipped with the most capable fleet of multi-mission ships, aircraft, and boats available in order to complete the mission at hand.

2008 was another exceptional year in terms of mission performance for the U.S. Coast Guard. Every task completed by the men and women of our service is in direct support of one of our fundamental roles. It is our job to protect our borders, safeguard our infrastructure, and improve our Nation's abilities to prevent, respond to, and recover from natural and manmade hazards. Whether conducting security operations in the Arabian Gulf, interdicting illegal drugs in the Caribbean, or inspecting vessels and facilities in our domestic ports, the men and women of the Coast Guard ensured 2008 was a year like no other. We responded to over 24,000 search and rescue cases and saved over 4,000 lives. We seized over 167 metric tons of cocaine that was headed for the United States, conducted more than 28,000 small vessel security boardings, and interdicted nearly 5,000 migrants on the high seas. We also continued supporting Operations Iraqi Freedom and Enduring Freedom.

The personnel performing our Coast Guard missions did so in demanding conditions. Over the course of the last year I visited thousands of Coast Guardsmen all over the world and know firsthand what they do. We are a service of everyday heroes whose daring rescues are the stuff of legend. Their individual responses to each situation are amazing. However, for every Guardian who performs a harrowing rescue there are hundreds of others that execute missions that are of equal importance. Here are just a few examples of the selfless dedication of the Coast Guard workforce.

Petty Officer Laura Smith, a Health Services Technician, volunteered to deploy onboard USS KEARSAGE to augment their medical staff for the duration of Operation Continuing Promise. She filled nearly 4,000 prescriptions and ensured proper patient education that greatly enhanced mission effectiveness as part of a humanitarian and civic assistance mission that brought health care and other relief services to eight Latin American and Caribbean nations. During the deployment USS KEARSAGE was diverted to provide emergency assistance to the citizens of Haiti after that island nation was devastated by Hurricane Gustav.

Petty Officer Aaron Harvey, a Rescue Swimmer, was assigned to a helicopter crew that responded to the deadly crash of an oil rig supply helicopter in a swamp southwest of New Orleans. Once on scene, Petty Officer Harvey had to perform the somber task of retrieving the bodies of eight victims from the wreckage. Although physically sick from being soaked with jet fuel and dealing with the carnage he had witnessed, he was able to summon the inner strength necessary to re-enter the wreckage to locate and rescue the lone survivor.

As part Operation Assured Delivery the crew of Coast Guard Cutter DALLAS provided urgently needed humanitarian relief to the people of the Republic of Georgia. They offloaded over 76,000 pounds of supplies including food, water, bedding and medical supplies.

At three o'clock in the morning on Easter Sunday, the Coast Guard received a distress call from the fishing vessel ALASKA RANGER, a 200-foot catcher-processor saying that it was taking on water. Minutes later he radioed that 47 crewmembers were abandoning ship into the frigid water of the Bering Sea. Over the next several hours one of the most dramatic rescues in modern Coast Guard history unfolded. Working in 20-foot seas in the pre-dawn darkness Petty Officer Second Class Obrien Hollow pulled 13 survivors into the first helicopter - completely filling its spaces. The second smaller helicopter that had been launched from the wildly pitching decks of the Coast Guard Cutter MUNRO, arrived on scene and Petty Officer Third Class Abram Heller hoisted another three survivors. Needing to return to MUNRO because it was running low on fuel, the crew made the decision to deploy its own life-raft, leaving Petty Officer Heller alone with three remaining fishermen. After offloading the survivors onto the MUNRO, the first helicopter returned to retrieve Petty Officer Heller and hoist the fishermen to safety. Through the training, determination and courage of the crew of the cutter MUNRO, two helicopters and the timely assistance of the ALASKA WARRIOR, 42 people were saved from certain death

During 2008 U. S. Coast Guard active and reserve personnel continued to deploy around the world in support of our country's defense. Currently we have two Port Security Units deployed to both Guantanamo Bay and Kuwait. Our six 110' patrol boats, two law enforcement detachments and supporting personnel bolster the ability of the naval component commander in the Arabian Gulf to secure the sea lanes, prosecute terrorism at sea, train Iraqi naval forces and protect Iraq's vital off-shore oil infrastructure.

The Coast Guard recently adopted a service wide Ethos. Along with our core values of Honor, Respect, and Devotion to Duty, the Ethos provides a constant reminder to our people of the noble calling of our service, the reasons why we serve, and the critical importance of our missions.

The Guardian Ethos

I am America's Maritime Guardian
 I serve the citizens of the United States
 I will protect them
 I will defend them
 I will save them
 I am their shield
 For them I am Semper Paratus
 I live the Coast Guard core values
 We are the United States Coast Guard

A few months ago I attended a memorial service held at Coast Guard Air Station Barbers Point for the crew of Coast Guard helicopter 6505. The helicopter crashed offshore of Honolulu Hawaii September 4th of last year. All four crewmembers lost their lives, Captain Thomas Nelson, Lieutenant Commander Andrew Wischmier, AST1 Dave Skimin and AMT2 Joshua Nichols. As I talked to their families and listened to the words of those who knew them at the memorial service, I thought about the Guardian Ethos. Our members are now required to memorize these words in recruit training. Shortly after Honolulu based Coast Guard Cutter AHI got underway for a search and rescue mission they were notified it was a downed CG Helo. There is nothing more devastating then searching for your own. Their newest Guardian almost straight from recruit training started reciting the Guardian Ethos as the rest of the crew joined in. I thought about why the crew did that. The Ethos is, Who we are... Why we serve....and Why the crew of CG6505 and countless others before them have sacrificed.

Now I would like to shift the focus to address a number of quality of life issues that are vital to the morale and well being of our members.

HOUSING

The state of Coast Guard owned housing continues to be a major issue for me. The vast majority of Coast Guard personnel reside in private sector housing; however, there are some locations where private sector housing is insufficient and it is necessary for the Coast Guard to provide housing. Currently, the Coast Guard owns approximately 4,350 family houses and 227 unaccompanied personnel housing (UPH or barracks) facilities. The average age of Coast Guard housing is 45+ years, and we have an excessive maintenance and recapitalization backlog. We are leaving over 12,000 members and families living in aged houses, some of which are substandard. These houses are expensive to maintain, and have frequent maintenance issues. Several years ago the entire Coast Guard owned housing program was evaluated, and the inventory was reduced to include only those areas/houses absolutely critical to Coast Guard families.

Examples of our aging inventory include 200 family homes in Aguadilla, Puerto Rico, and our largest 200 room UPH facility located in Staten Island, New York. Both of these are inadequate for our current needs due to the amount of outstanding maintenance. The Coast Guard needs to maintain housing in both locations, and the improvement projects will remain a priority until funding becomes available. The rehabilitation project to repair the problems at the UPH in New York is well underway and is making progress; however, these housing issues are an indicative subset of the aging shore facility infrastructure throughout the Coast Guard.

Due to the very nature of our missions, the Coast Guard often requires its members to reside in remote areas that may not have adequate housing to support our needs. What compounds this matter is that many of these remote locations are also home to some of the country's mostly highly sought resort areas and therefore the available housing is often prohibitively expensive. In those areas where housing is particularly inaccessible, the Coast Guard declares them Critical Housing Areas (CHA). This allows members the choice to move their family to the new duty station and find housing or leave their family behind without negatively impacting their housing allowance. The Coast Guard currently has twenty four locations declared as CHAs as well as five areas designated by the Navy.

The challenging economy we're facing places extra attention on this important work-life matter and we appreciate the inclusion of the Homeowners Assistance Program in the recent economic stimulus law. This program provides help to military homeowners who receive PCS orders and are unable to sell their homes.

We are also grateful for your continued support of annual basic allowance for housing (BAH). Adequate BAH permits our members to obtain housing on the local economy which, in turn, reduces the need for Coast Guard owned and leased housing.

On a more positive note, with your support, the Coast Guard will begin construction on one of the last phases of new housing construction in Cordova, Alaska this summer and begin a housing project for Coast Guard Station Montauk, New York. These projects will allow the Coast Guard to acquire homes in an extremely tight housing market on eastern Long Island. Both projects will solve housing needs in their respective locations that cannot be otherwise solved. We are also in the final stages of the largest GSA Relocation project ever undertaken for the Coast Guard. The

Coast Guard leveraged \$10 million from excess housing units in Miami, FL through a GSA managed sale and directed the capital toward a new housing mission that supports Coast Guard forces in Marathon, FL. We expect the construction to be complete in FY 2010.

We are committed to seeking and implementing alternative solutions to improve the state of housing for our personnel. It is a top priority, and we seek your support of future legislation to improve the quality of Coast Guard housing.

The U. S. Coast Guard is the nation's premier life-saving service, but our fleet is the 22nd oldest fleet of 22 similar fleets in the world. The cost of maintaining and operating our Legacy cutters is a continuing challenge that is of particular importance to me. An enormous amount of time, energy, manpower and money goes into sustaining assets that are years – and in some case decades - past their designed service lives. The men and women of the United States Coast Guard are doing more than we've ever asked them to do in more places than we've ever asked them to go. It is our responsibility to provide them with safe, reliable platforms. Scheduled patrols are often times followed by an unscheduled maintenance period which comes at the expense of mission execution. Our presence in the maritime domain corresponds to our fleet readiness. What all this means is that in order to keep our fleet in an acceptable operating condition we are asking our people to work harder. It is important to emphasize that these aging assets are also where we ask our people to live. A Guardian assigned to a cutter will spend an average of 185 days a year away from homeport. Our cutters need to be sustained for the sake of the quality of life for our people. As these cutters continue to age, it is becoming more and more of a challenge to simply provide a safe, clean environment for our people to live in.

Shore side infrastructure is also important to our people's quality of life. We must provide our people with safe and secure buildings from which to operate and maintain our assets. There are many that are in critical need of renovation and repair and, in some cases, not safe. We must make sure that these critical repairs are assigned the highest priority as we address our maintenance backlog.

There have been successes. We received and commissioned Coast Guard Cutter BERTHOLF, our first Legend-class National Security Cutter, launched the second, USCGC WAESCHE, and began fabrication on the third, USCGC STRATTON. And the contract has been awarded to build the first-of-class of the Fast Response Cutter (FRC), a new generation of Coast Guard patrol boats. The 153-foot Sentinel-class patrol boat will continue the Coast Guard's long history of protecting America's citizens, assets and interests at home and abroad. The FRC will replace the 110-foot Island-class patrol boats, which have reached the end of their 20-year service lives. We also received the first of our newest multi-mission asset: the 45-foot Response Boat – Medium (RBM). The RB-M will help revitalize our shore-based response fleet.

Ultimately, the future operational success of the Coast Guard is dependent upon the ongoing comprehensive recapitalization of front line afloat assets and shore/support infrastructure. Your continued support is vital to the success of the modernization of the Coast Guard and the well-being of our people.

HEALTHCARE

Available healthcare is one of the most important issues affecting Coast Guard families today. Military healthcare is the cornerstone of our quality of life benefit system, and one that is critical to our people. The U.S. Coast Guard is unique among the armed services in that our mission set

often dictates that the majority of our workforce is spread out at sometimes very small commands in the most geographically remote locations in the country. Approximately 50 percent of our members and their families are more than one hour from the nearest Department of Defense military treatment facilities (MTF). These members and their families must rely upon the TRICARE provider network or more specifically, TRICARE Prime Remote. This means that not only is there no MTF nearby, but there is often no established TRICARE network. The remote locations that are members are located in are often also high cost resort areas. We have members who have not been able to locate TRICARE participating providers simply because the providers are reluctant to accept the low reimbursement rate that TRICARE offers. DoD and TRICARE managers are aware of these issues and are working to address them. We have made significant progress with TRICARE over the past few years and with your continued support we hope to ensure that this positive trend continues.

CHILD CARE

Child care is a significant issue for Coast Guard families. Available, affordable and accessible childcare is one of the most important quality of life issues for Coast Guard personnel. As previously stated, due to the locations in which we serve, our people are very often located in remote, high cost areas. High child care costs impact our workforce throughout all geographical areas, but particularly those with no access to Department of Defense (DOD) or Coast Guard child development centers. This makes it difficult, if not impossible to maintain parity with the other armed services in respect to providing our people with quality and affordable child care options.

The Coast Guard child care system supports a much smaller percentage of Coast Guard children than the DOD childcare system. As of the end of December 2008, 1,616 Coast Guard children were enrolled in Coast Guard-sponsored child care services; an increase from 3 percent of all eligible children in FY 2004 to 5.5 percent in FY 2009. By comparison, approximately 14 percent of DoD children under 12 are enrolled in some form of DOD child care (sponsored/subsidized by DOD). Today, there are approximately 29,000 Coast Guard children under the age of 12. Our goal is provide at least the same percentage of children with services, as DOD provides. That would equal approximately 4,035 children.

Our GSA subsidy program has been very popular, and we would like to be able to provide all Coast Guard families seeking child care assistance these subsidies.

RECRUITING

Our mission – saving lives, enforcing the law, protecting the environment and defending our nation – attracts bright, talented people. We have over 360 dedicated individuals assigned to our recruiting offices nationwide. The key to mission execution begins here. Despite the fact that less than 30 percent of the general population is eligible to be recruited for military service, our recruiters continue to find young people attracted by our missions.

Fiscal year 2008 was an impressive year not only for meeting 100 percent of our active duty recruiting targets with highly qualified recruits, but we continued to excel at diversifying our workforce. We achieved the second highest percentage of active duty minority accessions (36.0 percent) in the history of our service. Recruiting is one of the most demanding and rewarding jobs we ask our people to do. Our recruiters are doing a superb job and are more than meeting the challenge to make our Coast Guard the best it can be.

RETENTION

Not only are we recruiting a quality workforce, but more importantly we are retaining a quality workforce. The current retention rates within our officer and enlisted communities are 93.3 percent and 89.7 percent, respectively. Our recruiters are finding and recruiting high quality people and our service has become a "service of choice". But just as importantly, as a public service organization, it is essential that we retain a workforce that reflects the changing face of our country. By continuing to increase diversity we improve our mission performance. Last Winter I was underway on one of our large cutters operating in the straights of Florida. If that crew had not had a diverse workforce onboard who understood different languages and cultures their mission effectiveness would have been degraded as they tried to take care of the over 100 Cuban migrants they had interdicted and rescued at sea.

TRAINING

The U.S. Coast Guard is a multi-mission, maritime force. We are a major element of the nation's antiterrorism effort and responsible for coordinating the security of its critical ports and waterways. Our future success hinges upon our ability to continue building competencies to meet emerging demands and increasingly complicated, sometimes dangerous mission responsibilities. We are committed to ensuring that our workforce is prepared for such missions now and in the future. To accomplish these activities safely, our people need tailored effective training programs. Despite our best efforts and the professionalism, bravery and dedication of our workforce, casualties and mishaps have occurred, as in the case of Coast Guard Helicopter 6505 lead to serious injury or death in the line of duty. Such incidents are never acceptable and require us to implement better accident prevention programs.

CONCLUSION

I am very proud of the accomplishments of our service members. We succeed through the courage, sacrifice and devotion of its people. We ask much, and expect much from our people. By asking more of them, we are asking more from their families. We must continue to support the programs and initiatives we presently have in place, and they must continue to evolve as the needs of our families change.

On behalf of the over 51,000 men and women who make up Active and Reserve components of the Coast Guard, I would like to thank Congress for their support, and continued efforts to help us position America's Coast Guard to answer the call, to execute the mission, and to be *Semper Paratus*. With honor, respect and devotion to duty they are ALWAYS READY to answer the call.

We are Guardians. We are the United States Coast Guard.

Mr. Chairman, thank you for the opportunity to appear before you and for all that you do for the men and women of the Coast Guard. I look forward to answering any questions that you may have.

**STATEMENT OF
THE FEDERAL MARITIME COMMISSION
PRESENTED BY
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COMMISSIONER, FEDERAL MARITIME COMMISSION
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**BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES**

May 13, 2009

Mr. Chairman, and members of the Subcommittee, thank you for this opportunity to present the President's fiscal year 2010 budget for the Federal Maritime Commission.

The President's budget for the Commission provides \$24,558,000 for fiscal year 2010. This represents an increase of 7.7%, or \$1,758,000, over our fiscal year 2009 appropriation. This budget includes 130.5 workyears of employment.

Our fiscal year 2010 budget request contains \$17,770,000 for salaries and benefits to support the Commission's programs. This is an increase of \$1,951,000 over our fiscal year 2009 appropriation. This includes all salaries, including those for employees hired in fiscal year 2009, promotions, and within-grade increases. The funding includes annualization of the fiscal year 2009 cost of living adjustment increase, and an anticipated 2.5 percent fiscal year 2010 cost of living adjustment.

Official travel has been straight-lined at the fiscal year 2009 level of \$283,000. 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.

Administrative expenses have decreased \$193,000 below the fiscal year 2009 level. Commercial and government contracts are increased by \$88,000, GPO printing costs are increased by \$13,000, and costs associated with sending correspondence via Federal Express are increased by \$3,000. These increases are offset by reductions for furniture and equipment, telephone usage costs, and library materials. Administrative expenses to be funded in fiscal year 2010 support our customary business expenses, such as for telephones, postage, commercial and government contracts, and supplies.

Like many small agencies, the Commission is dependent on information technology to accomplish its mission and has set out to streamline the agency's work processes to enhance the productivity of workforce through comprehensive automation. Funding levels in recent years have allowed the FMC to commence modest and overdue improvements to its information technology infrastructure and information systems. A significant number of our performance goals for fiscal year 2010 focus on further improving efficiency, security, and service to the public. The importance of these undertakings is also reflected in the Commission's 2010-2015 Strategic Plan, in which the Commission set an objective to effectively allocate technological, financial and human resources to support the agency's vital programs.

The Commission's Technology Plan envisions overdue modernization of the public access points to Commission services and records through the electronic forms utilized by the public, as well as the databases which support those public forms, subject to available funding. Such efforts require an overall information technology strategy with consistent funding to build on the successful efforts of past years. In support of that objective, the Commission established a performance target to improve information technology infrastructure sufficient to support, by 2015, an increase to 80 percent usage of digital commerce, i.e. the forms, applications, and payments received electronically by regulated entities. Meeting this and other performance goals will allow the agency to effectively and efficiently meet the needs of the shipping industry. This increase in productivity will require extensive work to create and modernize the Commission's automated systems, while ensuring compliance with Federal Information Security Management Act requirements for secure computer networks and robust security protections for personal data.

In summary, the Commission's budget represents the basic spending necessary to conduct day-to-day operations and to meet the responsibilities Congress has entrusted to this agency.

State of the U.S. Trades

Since 1916, the Commission and its predecessor agencies have effectively administered Congress's directives for oversight of the ocean transportation industry. 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 the state of some of the major U.S. trades, as well as identify significant current events, programs and initiatives at the Commission.

In fiscal year 2008, the total volume of U.S. liner exports shipped worldwide grew by 15 percent, while imports declined by 6 percent. These growth rates mask the dramatic recent declines in cargo volumes. Generally, the weakness of the U.S. dollar relative to

foreign currencies for much of the fiscal year made U.S. goods more affordable overseas. However, at the end of the fiscal year, indications of the serious economic downturn were present as the credit and financial crises unfolded and recessionary conditions began to affect worldwide economies. As consumer spending in the U.S. and abroad contracted, the demand for liner cargo declined dramatically. In the first quarter of fiscal year 2009, U.S. liner exports dropped by 13% and imports dropped by 10%. Freight rates have also declined precipitously since the fourth quarter of 2008.

In the largest of the U.S. liner trades, the U.S.-Asia trade, U.S. exports to Asia grew at an overall rate of 18 percent for fiscal year 2008. Declining conditions in the economy reduced the U.S. demand for imports from Asia, causing cargo volume to fall by 6 percent for the fiscal year. During the first quarter of fiscal year 2009, the economic downturn significantly affected this trade. U.S. liner imports from Asia declined by 11%, while exports declined by 19% over the same period the previous year.

In the liner trade between the U.S. and Europe, U.S. export growth for the fiscal year was significant at 13 percent, while import cargo was down by 5.5%. For the first time in over a decade, the cargo volume in each trade direction was approximately balanced during fiscal year 2008. Again, these fiscal year numbers mask a dramatic drop in recent cargo volumes due to the recessionary conditions in the economies of Europe and the U.S. In the first quarter of fiscal year 2009, U.S. liner exports and imports both dropped by 11% compared to the same period the previous year. In February 2009, the total volume of U.S. liner exports dropped 33% over February 2008, while imports fell 25%. Carriers have increased the coordination of their operations in order to manage the excess capacity. What began initially as relatively modest cuts in vessel capacity of 5 percent in each trade direction for the fiscal year have escalated significantly since the first quarter of fiscal year 2009.

As an even more dramatic comparison, in January 2009, the total volume of U.S. liner exports shipped worldwide fell 24% over January 2008, while imports fell 15% as compared to January 2008. U.S. ports also report a similar picture for February 2009. Of the five major U.S. ports which have made data available to date, it appears that throughput levels are down between 17 and 40%.

As the worldwide economic conditions set in, carriers are working to cut costs in response to the declining cargo volumes. Current cost-cutting measures being taken by most carriers include: laying up vessels; delaying the delivery of new-builds; reducing or eliminating ocean freight forwarder compensation; renegotiating and reducing charter terms; consolidating offices, sales forces and all non-essential spending; slow-steaming; and the creation of new partnering arrangements. Further, vessel sharing agreements continue to be the dominant type of agreement filed with the Commission. This trend is likely to continue as carriers collaborate to bring vessel capacity in line with the sharp decline in demand.

Containership capacity deployed on the world market continued to exceed demand, and it is forecasted that more capacity will be added to the market despite rapid declines in cargo volume. To date, roughly 11% of the global containership capacity lays idle. Concentration in the liner shipping industry remained unchanged for the fiscal year, with the top ten ocean carriers in control of about 60 percent of the world's containership capacity. However, additional concentration is expected to occur as a result of the global economic conditions.

Commission Activities

In fiscal year 2008, the Commission formulated a Strategic Plan for FY 2010-2015, and restated its mission: to foster a fair, efficient and reliable international ocean transportation system and to protect the public from unfair and deceptive practices. The Commission set forth three strategic goals: (1) to maintain an efficient and competitive international ocean transportation system; (2) to protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes; and (3) to advance agency objectives through high-performance leadership and efficient stewardship of resources.

Over the past year, the Commission has continued to monitor the international liner trades, focusing in large part on agreement activities relating to ocean common carriers and marine terminal operators. The Commission continued to monitor agreements that had potential for the greatest competitive impacts due to the parties' ratemaking authority or high market share. The Commission, through several of its offices and bureaus, reviewed the Clean Trucks Program that was devised as part of the Clean Air Action Plan under the *Los Angeles and Long Beach Port Infrastructure and Environmental Programs Cooperative Working Agreement*. Pursuant to the agreement review process, the Commission conducted a competitive impact assessment of the Ports' Clean Trucks Program, and determined that certain elements of the program would likely, by a reduction in competition, produce an unreasonable reduction in transportation service or an unreasonable increase in transportation costs. On October 31, 2008, the Commission challenged the underlying MTO agreement in U.S. District Court on the basis that it violated the anti-competitive standards of the Shipping Act. This is the first time the Commission has challenged an agreement in court under the section 6(g) standard. In a ruling issued on April 15, 2009, Judge Richard Leon denied the Commission's request for preliminary injunction. Nevertheless, the core elements of our case under section 6(g) have been preserved for a determination on the merits. The Commission is currently examining its options as to appeal and in pursuing a permanent injunction.

The Commission has also monitored other agreement matters, particularly agreements where carriers or marine terminal operators wield ratemaking authority under agreements filed with the FMC. For example, in August of 2008, the Commission, due to competitive concerns, issued an order under section 15 of the Shipping Act which required

specific pricing and operational data from carriers serving the trade between the U.S. and Australia/New Zealand. The Commission's order explained that the combined impacts of carrier agreements in U.S. - Australia/New Zealand trades may potentially reduce competition, which could affect prices and services in the trade to an unreasonable extent under the Shipping Act. We continue to actively monitor developments in these and other important agreement areas. As one example, the *Transpacific Stabilization Agreement* withdrew a proposed amendment which would have allowed agreement parties to discuss the development of a plan to jointly rationalize capacity in the nation's largest inbound trades. TSA took this action in reaction to formal Commission inquiries and the expressed concerns of U.S. shippers' groups.

In the fall of 2008, the European Union repealed most antitrust immunity for ocean liner operations in the European trades. The long-term effects of the EU's policy shift are difficult to predict, as oceanborne transportation has been immune from the antitrust laws since the turn of the 20th century. The Commission intends to closely track developments in the U.S.-Europe trades, and, to this end, the Commission is currently defining the parameters of a study which will examine the impact of eliminating antitrust immunity in this important trade. The Commission has committed to an open process that allows input from the shipping industry and other stakeholders. Once that study is complete, the Commission will be in a better position to report to Congress on the impact of eliminating antitrust immunity from one of our major trade lanes. The recent economic downturn has significantly complicated the Commission's study, given that it is difficult to know whether conditions in the trade result from changing competition laws or from the global economic climate.

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 of government-controlled carriers to ensure that they are not below a level that is just and reasonable. The Commission is carefully monitoring state-owned carriers to ensure that U.S. trades remain substantially free of unfair trading practices of foreign governments.

The Commission has continued its efforts to better meet the needs of all sectors of the shipping industry. To this end, the Commission has recently implemented electronic filing of an automated Form FMC-18, *Application for an Ocean Transportation Intermediary License*; continued to modernize and expand the Regulated Person Index ("RPI"), a Commission database containing up-to-date records of licensed ocean transportation intermediaries (ocean freight forwarders and non-vessel-operating common carriers), ocean common carriers and other entities; and developed a plan to automate the passenger

vessel operator (PVO) Application Form FMC-131, *Application for Certificate of Financial Responsibility* to facilitate the filing of PVO applications. While the increasing demands of Federal information security mandates remain a constant challenge to these efforts, our information technology initiatives seek to assist the Commission in effectively carrying out our responsibilities while efficiently meeting the demands of our stakeholders. These modernization efforts include improvement such as digital signatures, electronic payments, and other measures.

The Commission continues to exchange enforcement information with U.S. Customs and Border Patrol (CBP) in accordance with our existing Memorandum of Understanding. Cooperation with CBP has expanded into joint field operations to investigate entities suspected of violating both agencies' statutes or regulations. Such cooperation often involves local police and U.S. Citizenship and Immigration Services (formerly INS) officers. FMC Area Representatives also confer with CBP regarding ongoing matters of mutual interest, such as misdescriptions of shipments inbound from China and other industry malpractices.

Finally, the Commission's oversight of ocean common carriers, ocean transportation intermediaries and marine terminal operators, is an important element in the effort to protect our nation's seaports. The FMC has a wealth of information available to assist our nation's efforts to secure not only our seaports but the entire supply chain. Unique among federal agencies, the FMC regulates virtually all entities involved in liner shipping, receiving, handling, and transporting cargo and passengers in foreign commerce. Our unique mission affords us the opportunity to assist front-line security efforts by providing information regarding the backgrounds of all parties utilizing our nation's supply chain - including those with direct access to our seaports. We continue to collaborate with CBP and with the Department of Justice in these areas.

The Commission is currently assisting national security efforts by working to share its informational resources with other federal agencies, including the CBP and the Department of Homeland Security, through the International Trade Data System (ITDS) and the Automated Commercial Environment (ACE) portal. An updated Memorandum of Understanding with Customs is in process of negotiation and will solidify the cooperative relationship between the two agencies, particularly with respect to the sharing of information. For its part, the Commission expects to provide access to its extensive informational resources and databases containing background information on entities regulated by the Commission. These are some of the most complete databases identifying OTIs and other persons engaged in U.S. foreign commerce. Once completed, the ACE/ITDS system will provide greater transparency of the nation's supply chain.

Finally, we are pleased to report the results of the 2008 Federal Human Capital Survey. The rate of positive responses by FMC employees exceeded the government wide average in all but three of the seventy-four questions included in the survey. Overall,

results from the 2008 Survey indicate that FMC employees like the work they do and believe the Commission does a good job in the areas of recruitment, employee development, and retention. The Commission substantially improved its scores in questions relating to overall job satisfaction. Notable was a 20% increase in satisfaction with the practices and policies of the FMC's senior leaders, a 17% increase in satisfaction with employee training, and an 11% increase in job satisfaction. Overall, employee satisfaction increased by 20% above the 2006 Survey results. With these results, the Commission is confident that it is on the right path to effectively and efficiently meet the needs of the shipping industry with a workforce that is not only devoted to the Commission's mission but also proud of their contributions and confident in their professional development.

Mr. Chairman, I hope that these comments give you a clear indication of the state of the U.S. shipping industry and the important work to be accomplished by the Federal Maritime Commission. I thank the Subcommittee for its support of the Commission through the years and respectfully request favorable funding consideration for 2010 and beyond so that the agency may continue to perform its vital statutory functions and so that the public and shipping industry may continue to be served efficiently and effectively.

**STATEMENT OF
THE HONORABLE REBECCA DYE
COMMISSIONER, FEDERAL MARITIME COMMISSION
MAY 13, 2009**

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to appear before you today. Since our last appearance before the Subcommittee last year, the Commission has made significant operational and management improvements. The areas about which I am most pleased include significant personnel changes and related personnel surveys and human capital plans, a predictable and public Commission hearing schedule, completion of our fiscal years 2010 through 2015 Strategic Plan, and the important information technology improvements in our agency.

Before I discuss these areas, I would also like to thank the Subcommittee for your significant oversight activities involving the Commission during the last two years. I believe the Subcommittee's continued

constructive interest in our agency has lead to important changes in Commission practices. These changes have greatly improved our agency's performance. I would also like to specifically thank Chairman Cummings and Ranking Republican LoBiondo and their capable staffs for the cooperation and support they have displayed while working with us and our staff.

The Commission has filled a number of personnel vacancies which have resulted from the large number of Commission employees who have either retired or found positions outside the Commission. Of the staff that report directly to the Commission, the Commission has retained a new permanent General Counsel, Secretary, and Director of our Office of Equal Employment Opportunity. On September 28, 2008, the Commission appointed Karen Gregory to be the Commission's Secretary and Peter King to be the Commission's General Counsel.

I am also happy to report that last December the Commission hired Keith Gilmore to be the Director of the Office of Equal Employment Opportunity. I had the

opportunity to be the Commissioners' representative on the panel which conducted the interviews for this position at the Commission. Our EEO Director's position had been vacant since November, 2007, we were searching for a highly qualified individual to lead a robust EEO program for our agency. Mr. Gilmore served with the Federal Aviation Administration and has significant EEO experience.

Another direct result of the Subcommittee's interest in the Commission is the establishment of regularly scheduled Commission meetings to facilitate Commission discussion and action on matters before the agency. Every three months, the Commission publishes a schedule of meetings for the next three months. I believe these meetings have improved the public transparency of the Commission's decision making process, and have resulted in better Commission decisions overall.

Late last November, the Commission submitted to Congress its new Strategic Plan for fiscal years 2010 through 2015. The plan is different from the agency's former five-year plan in several ways. It replaces the

five former strategic goals contained in the earlier plan with three goals to better capture the agency's regulatory focus. In short, the dual focus of the Federal Maritime Commission is consumer protection and competition enforcement in ocean transportation

At our next Commission meeting scheduled for May 20, the Commission will consider our Human Capital Plan developed in cooperation with the National Business Center to address several human capital objectives. The plan will align our human resources with our operational, information technology, and support processes to enhance performance-based decision making. One of the most important parts of the Plan is the agency Succession Management Plan to ensure continuity of leadership in the agency.

I have been a strong supporter of using agency resources to improve the information technology at the Commission. I support President Obama's agenda to use cutting-edge technologies to create a new level of government transparency, accountability, and participation for America's citizens. Last year, we dedicated budgetary savings to two important

communication projects, one of which will allow video conferencing from monitors placed strategically around the agency, and another to facilitate streaming video from our Commission meetings and hearings. These communication improvements will enhance the Commission's ability to more effectively communicate both internally and externally. Through these improvements, the Commission will be able to more timely disseminate information on its actions and activities, better communicate its mission strategies and objectives, and reach a wider audience.

Over the last several months, I have had the opportunity to speak to and meet with a number of groups with a direct interest in the Commission's maritime regulatory policies. In April, I traveled to London and spoke at the Global Liner Shipping Conference. My remarks focused on the U.S.'s and European Union's two systems of regulating ocean shipping liner operators.

Later in April, I also spoke at the annual conference of the National Custom Brokers and Forwarders Association of America. This important group of ocean

transportation intermediaries was interested in hearing about the Commission's regulatory actions. I discussed carrier antitrust immunity, possible regulatory changes affecting OTIs, as well as the Commission's involvement with Ports of Los Angeles and Long Beach Clean Truck Program.

On May 6th, the Commission and its staff met with representatives of the Pacific Coast Council of Customs Brokers and Freight Forwarders Associations. The meeting allowed members of this private group and the Commission staff to exchange views thereby gaining greater insight and understanding of current issues and concerns affecting the freight forwarding and non-vessel-operating common carrier industry conducting business on the west coast.

All of these groups displayed a respect for the Commission and praised the Commission for its actions in a number of its proceedings during the past year.

Finally, I could not leave here today without recognizing Commission Hal Creel who has announced that he will be leaving the agency at the end of his term on June 30th. I have truly enjoyed working with

Commissioner Creel during his many years with the Commission and on Capitol Hill. His departure is a huge loss to the Commission. I am going to miss him, and I wish him all the best in his future endeavors.

Mr. Chairman, thank you for the opportunity to appear before your Subcommittee today.

**STATEMENT OF DAVID J. RIVAIT
ASSOCIATE ADMINISTRATOR FOR BUDGET AND PROGRAMS
AND CHIEF FINANCIAL OFFICER**

**MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION**

**BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION**

MAY 13, 2009

Good afternoon Chairman Cummings, Ranking Member LoBiondo, and Members of the Subcommittee. Thank you for inviting me to discuss the budget priorities of the Maritime Administration (MARAD) for 2010. I am pleased to appear before you to describe how the President's budget request will support maritime transportation, contributing to improving this Nation's economy, environment, and security. For 2010, MARAD requests appropriations of \$346 million.

MARAD 2010 program initiatives are highlighted by a \$15 million Presidential Initiative for integrated maritime transportation planning between DOT and DHS, a \$12 million program increase for U.S Merchant Marine Academy operations and capital improvements, and a \$1.1 million increase in funding to support the State Maritime Academies. We are also focused on administering the Small Shipyard grant program, which has expanded tenfold in FY 2009 with American Recovery and Reinvestment Act (ARRA) funding.

Another priority emphasis for our agency is our coordination with industry, U.S. Government agencies, the military, and international parties on anti-piracy efforts. Before addressing the specifics of our 2010 budget proposal, I wanted to take a moment to review our activities in this area.

PIRACY

Together with the U.S. Coast Guard, Department of State, Department of Defense, and other government partners, MARAD is working directly with the maritime sector in coordinating government/industry anti-piracy efforts, including the use by industry of best management practices that reduce the risk of successful piracy attack. Our engagement has resulted in issuance of industry best practices, systematic dissemination of anti-piracy information, and increased coordination and communication between commercial vessels and naval authorities.

We are working in close coordination with other government agencies on a range of anti-piracy initiatives. MARAD and the Office of Naval Intelligence are publishing piracy advisories and alerts for the benefit of industry. We are continuously updating our website and electronic system "MARVIEW", providing information to commercial shipping, and continuing to improve vessel tracking and projected schedules in the Horn of Africa region by collaborating with the U.S. flag industry and the National Maritime Intelligence Center. And, with the Military Sealift Command and the Navy Criminal Investigation Service, MARAD has developed "Anti-Piracy Assistance Teams" to provide advice on improving anti-piracy physical and operational security measures.

MARAD has been actively engaged in the work of the international cooperation mechanism known as the Contact Group on Piracy off the Coast of Somalia, which has four constituent Working Groups. The United States is the assigned lead for Working Group #3, which focuses on industry self-awareness and outreach. The Maritime Administration has been co-leading the efforts of the working group in close collaboration with the Coast Guard. The principal output to date has been the development and dissemination of anti-piracy Best Management Practices. MARAD is also coordinating with the International Maritime Organization's Marine Safety Committee, and other groups.

ECONOMIC GROWTH AND RECOVERY

Serving one of the most pressing national priorities, in 2010, MARAD plans to devote \$59 million, or approximately 17 percent of the agency request, to programs focused on reducing congestion, expanding global connectivity, and advancing economic growth. This compares with the 2009 enacted budget of \$144 million, which included \$100 million in ARRA funding.

MARAD's programs also help strengthen and improve the Marine Transportation System, relieving pressure on highways by helping to increase the use of our nation's waterways. As waterborne transport provides a cost-effective transportation alternative, it can help impact congestion in other transportation modes, and significantly reduce fuel consumption per ton-mile, with a related carbon footprint reduction. It can reduce the cost of goods consumers use every day, and contribute to improving quality of life. The MARAD 2010 program also includes a Presidential Initiative for integrated maritime transportation planning with the Department of Homeland Security to inform development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

Presidential Initiative: Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports Initiative

The MARAD 2010 program is highlighted by the Presidential Initiative for the Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports. A program increase of \$15 million is requested for this initiative, which is aimed at supporting integrated planning between the DOT and DHS in the area of maritime transportation. The initiative will advance the development and modernization of intermodal freight

infrastructure, linking coastal and inland ports to highway and rail networks. These funds will be administered in partnership with the DHS to support studies and joint planning that considers the interdependencies between strategic port security requirements and system throughput, support marine highway transportation database and research development, and advance the Maritime Safety and Security Information System, a global vessel tracking system used by DHS, DOD, DOT, and other federal agencies.

Assistance to Small Shipyard Grants

In FY 2009, Congress provided \$17.5 million and an additional \$100 million in American Recovery and Reinvestment Act (ARRA) to support capital improvements at qualified shipyards to improve the ability of domestic shipyards to compete for domestic and international commercial ship construction. The total funding represents over a tenfold increase to our program. Our deadline for receipt of ARRA shipyard grant applications was April 20, and we have received a very significant response. We are reviewing applications now, and plan to have all grants awarded and the full amount obligated by August 17, 2009. The deadline for award of the \$17.5 million is July 9, 2009, and these funds will be fully obligated by that date. As the focus of our FY 2010 grant program will be on the administration and oversight of the FY 2009 grant awards, no funding is requested for shipyard grants in FY 2010.

Maritime Guaranteed Loan Program (Title XI)

Title XI offers loan guarantees for shipyard modernization projects and for building vessels in U.S. shipyards. The FY 2010 request provides \$3.6 million, an increase of \$0.1 million over the FY 2009 enacted, to maintain the administration of the Title XI guaranteed loan portfolio. No subsidy funds are requested for FY 2010.

Ocean Freight Differential

The Ocean Freight Differential program is an important component of the Cargo Preference program. The MARAD request includes an estimated \$175 million in new borrowing authority for 2010 to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels.

SECURITY, PREPAREDNESS, AND RESPONSE

Security, preparedness, and response is the agency's priority mission, and commands the largest share of the budget request – \$265.6 million or 77 percent, representing an increase of \$0.2 million over 2009. The agency's activities focus on developing and maintaining a vital and viable U.S. merchant marine for commerce, emergency response, and national security. The budget request will support three agency programs contributing to defense mobilization and emergency response readiness: United States Merchant Marine Academy, State Maritime Academies, and Maritime Security Program. MARAD's programs help ensure the readiness of sealift capacity to respond to national crises and DOD mobilizations. The U.S. Merchant Marine Academy and State Maritime

Academies educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. The Maritime Security Program sustains a fleet of commercial vessels capable of supporting national security and federal emergency response requirements.

United States Merchant Marine Academy

The U.S Merchant Marine Academy (USMMA) has been an area of focus for the agency. Providing support and oversight to restore and strengthen USMMA programs and processes is a Maritime Administration management imperative. And, heightening the profile and prestige of the Academy is a priority of Secretary LaHood. In 2009, MARAD took positive steps to address and remediate a number of identified internal control issues, including: conversion to Civil Service of staff previously funded by non-appropriated funding instrumentalities, and the appointment of an Assistant Chief Financial Officer (CFO) at the USMMA reporting to the MARAD CFO. In 2009, MARAD provided Congress with an operating plan providing transparency as to how appropriated funds are expected to be expended by the USMMA.

The agency's 2010 budget request for \$74.4 million will support the continued improvement of USMMA management. The request includes a program increase of \$12 million, of which \$4.8 million is for Academy Operations and \$7.2 million is for the Capital Improvement Program.

The increase in Academy Operations will compensate for non-appropriated funding sources no longer available for mission-related activities, and will establish for the Academy a sufficient appropriated funding base. MARAD's request includes \$0.8 million for the services of an Architecture/Engineering firm to support a blue ribbon panel of experts who will continue work started in 2009 to examine the Academy's long-term capital improvement needs. This panel will make their recommendations for an updated capital improvement master plan to the Secretary of Transportation.

The requested increase of \$7.2 million for capital improvements will augment capital investment funding to \$15.4 million, allowing for significant deferred renovations of Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities. The deteriorated condition of the pier could present safety implications if not remedied.

State Maritime Academies

The 2010 request for the State Maritime Academy (SMA) program includes \$15.6 million, an increase of \$1.1 million from the FY 2009 enacted level. MARAD's 2010 request includes funds for: (1) annual direct payments to each of the six state maritime academies, (2) the Student Incentive Payment (SIP) program, and (3) payment of maintenance and repair costs for training ships on loan to the state academies. Of the \$15.6 million request:

- \$2.4 million will be paid directly to the SMA for maintenance and support, a payment of \$400,000 to each school in 2010.
- \$2.0 million will fund the SIP program, for which the annual incentive payment per cadet will be \$8,000 in 2010.
- \$11.2 million will fund maintenance and repair costs for Federally-owned training ships on loan to the various state academies.

The state academies regard the SIP Program as among the most important recruiting tools to encourage state maritime academy cadets to pursue careers as Civil Service Mariners. We expect the authorized increase in SIP payments from \$4,000 per year to \$8,000 to increase interest in the program. This major improvement positions the program for a successful 2010.

Maritime Security Program

The Maritime Security Program (MSP) is the agency's largest appropriated program. The primary purpose of the MSP is to provide the DOD with assured access to commercial U.S.-flag ships and related intermodal systems, as well as a pool of trained U.S. mariners available to support national security requirements during war or national emergency. MSP vessel participants also deliver cargoes supporting overseas deployments of U.S. forces. The DOD Surface Deployment and Distribution Command reports that since September 11, 2001, U.S.-flag commercial ships have delivered over 425,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. MSP ships have also supported the rebuilding of Iraq. For 2010, the MARAD request of \$174 million will fund 60 ships in the MSP fleet in at the authorized level of \$2.9 million per ship. Funding at this level will enable DOT to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve the Nation's commercial and national security needs.

ENVIRONMENT

MARAD environmental programs are aimed at reducing pollution and the adverse environmental effects of maritime transportation and facilities on communities and livability; focusing on obsolete vessel disposal, reducing marine air emissions, and treating ballast water. The 2010 request includes \$19 million, or 5% of the agency's request.

Ship Disposal

Of the 2010 request of \$15 million for the Ship Disposal program, \$12 million will support the disposal of obsolete ships in the National Defense Reserve Fleet. Due to the presence of onboard hazardous materials such as residual fuel, asbestos and solid polychlorinated biphenyls on these ships, they must be disposed of properly. Expedited disposal of obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding possible harm to the environment, but also in terms of reducing costs. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal. The budget request is expected to support the

removal of 15 obsolete vessels from the inventory in 2010, providing for domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available).

The 2010 budget request also includes \$3 million in funding to continue nuclear license management for the inactive Nuclear Ship SAVANNAH. The budget will support the continued maintenance and safeguarding of the SAVANNAH nuclear plant, and technical actions to keep the vessel into conformance with Nuclear Regulatory Commission standards.

Environmental Programs

The impact of marine transportation on the human and natural environment has become more evident particularly in port and coastal communities, which are feeling the brunt of environmental quality impacts from marine transportation activities. At the same time, marine transportation is expected to grow considerably due to increased use of our nations waterways for freight and passenger movement. Marine-related environmental impacts will therefore become more profound. The environmental impacts of marine transportation must be adequately anticipated and addressed or they will adversely affect the nation's economic growth and the quality of life of our port communities. The MARAD 2010 program will work toward the reduction of port and vessel air pollution, further critical multi-modal transportation research to reduce environmental pollution, implement initiatives to reduce the agency's carbon footprint, and advance ballast water treatment technologies.

Mr. Chairman, I wish to express my appreciation for the opportunity to present and discuss our program initiatives for 2010, and for the Committee's continuing support for maritime programs. We will continue to keep this Committee apprised of the progress of our programs in these areas in the coming year, including our efforts working with other agencies on anti-piracy issues.

I look forward to working with you on advancing maritime transportation in the United States, and am happy to respond to any questions you and the members of this Committee may have. Thank you.