ADM THAD ALLEN
Commandant, U. S. Coast Guard

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ADM ALLEN: It's great to be here today.

A few months ago I met with maritime executives in Houston at a very open, unscripted, two-hour session talking about the current challenges facing the Coast Guard in the marine safety mission area. And one of the people in the room said, "you know, it used to be when we dealt with the Coast Guard it's like we're sitting in our living room talking to each other, and now it feels like we're no longer in the living room."

Welcome to the living room.

(Laughter.)

ADM ALLEN: I'm going to take some time today to go over our current challenges. I think you kind of need to understand where I see us going, where we've been, some historical perspective.

My doctrinal belief is that stewardship, security and safety are not severable, they are interwoven in our mission mix, and the country is not well served by separating them. The fact of the matter is industry is growing and the Coast Guard
needs to grow with it. And industry has to have a
voice in how we do that.

Our association with the maritime industry
goes back many, many years but really started formally
coming together in 1938 when the U.S. Maritime Service
was transferred to the Coast Guard to make war
preparations.

I think it's often lost that there were over
1,500 merchant vessels sunk in World War II, 9,000
lives given by the maritime community in the defense
of this country. The long enduring association with
the Merchant Marine has been critical to the Coast
Guard's success. And I might add just as one little
note we finally figured out a way to beat the Merchant
Marine Academy this year.

(Laughter.)

ADM ALLEN: I've never seen Secretary
Chertoff so happy. As you know, the transfer of the
Bureau of Marine Inspection and Navigation during the
war kind of completed the portfolio that we have today
in our dealings with the maritime community.

Given the challenges that we're facing right
now I thought it might be interesting to take a look at how you really pull something together that indicates the value of stewardship, security and safety being resident in the same agency.

And so I brought along a picture in the back of the room there. I'm sure many of you know it. It's the car carrier COUGAR ACE. It's not an optical illusion or a doctored photo. That is a 654-foot vessel listing a full 90 degrees.

This is a case from earlier in the year, took place about 230 miles south of the Aleutian Islands. It's hard to believe it, but the vessel was righted, none of the crew was lost. It is a great illustration of the remarkable coordination of the different types of skill sets that have to come into play and the unity of effort between the federal government and the maritime industry.

But the picture is probably more instructive for what it doesn't show. Those are the non-events, the non-Search and Rescue cases, the non-sinking, the non-pollution, the non-legal issues associated with all of that. This is what happens when you're able to
bring to bear all of the elements of subject matter expertise during an event to protect, mitigate and respond.

We had a similar case with a grounded passenger vessel near Juneau, the EMPRESS OF THE NORTH, which was successfully freed again with the same non-events occurring.

There are reasons why this happens. One is the organizational structure of the Coast Guard. The second is our partnership with industry. We have better technology to assist us, including the technical support where stability is so critical in working a case like this and better coordination and unity of effort at the port level.

And not since World War II have we seen this kind of unity that's been going on in this country since 9/11 and since the new challenges of security that have been brought to us.

That said, we've got a full plate. We've got a lot of legislative mandates that have been issued to us since 9/11 and after several conversations with Chairman Oberstar and members of
the committee and Chairman Cummings I decided that before we did anything in the Coast Guard, we should get an independent look by somebody that was knowledgeable in the industry to come in and tell me something that I always demand from my subordinates. That's the ability to speak truth to power.

Many of you know now retired VADM Jim Card, our former Vice Commandant, and former head of the Marine Safety Office of the Coast Guard. He has been out and about for about two-and-a-half months in the country conducting interviews, all of them without attribution.

I got a brief out on his work last week. He will be providing us with written findings. Those will be made public in keeping with my policy of transparency about what goes on in our organization.

He told me to look at six things. I'll pass them on to you right now because I'm going to tell you what we're going to do about it.

We need to focus on better strategy. We need to get the Coast Guard leadership involved. We need to focus on our people, their qualifications,
their skills and their assignments. We need to understand the implications of current policy, how to better implement policy, a lot of issues associated with rule making, look at customer focus and the organizational structure of the Coast Guard; and I agree with all of those.

He also said, "you need to understand the industry is not the industry that was present when I was Chief of Marine Safety and the Vice Commandant." The ships are bigger. They're more technically complex; there are more safety features. These offshore systems we're dealing with right now are really pushing the envelope regarding technology and operating areas.

Your business is tougher. Margins are tighter. The ships and offshore systems are using technology not addressed in many cases by the current regulatory schemes and the regulatory scheme worldwide is tougher and getting tougher, especially in the European area.

And the bottom line, advice from Jim Card, my Dutch uncle, is the Coast Guard needs to change and
grow with the industry. We get it. 

So there will be a report going to Congress later on this week, early next week, generally entitled -- this may not be the final title, “Enhancing the Coast Guard Marine Safety Program.”

Get your pens out. This should be 85 percent of what you're going to see, folks.

The Coast Guard's Marine Safety Program is responsible for ensuring the safe operation and navigation of some 20,000 U.S. and foreign flag vessels. We conduct over 70,000 domestic vessel inspections and 10,000 port state control examinations each year to safeguard maritime commerce, international trade and supply chain security.

We also conduct 14,000 casualty, suspension and revocation civil penalty cases annually to leverage the lessons learned and prevent future maritime tragedies. These missions are accomplished by a cadre of approximately 1,000 uniformed and civil inspectors, investigators and port state control officers stationed domestically and around the world.

They are carried out through a shared commitment with
industry to facilitate safe, secure and environmentally sound maritime transportation.

The Coast Guard's responsibility to improve marine safety service delivery is time critical given growth trends in the maritime industry and the increase for maritime safety services. Industry growth and increased complexity over the last ten years outpaced commensurate growth in the Coast Guard Marine Safety Program, resulting in a performance gap.

For example, last year United States -- seaports and seaport-related firms employed over 8 million American citizens, providing nearly $2 trillion dollars for our domestic economy.

From 2002 to 2005, U.S. port calls of large, oceangoing merchant vessels, over 10,000 gross tons, increased nearly 10 percent to over 61,000. Moreover, in the last five years, the number of U.S. flag passenger vessels increased by seven percent and offshore oil industry vessel growth exceeded 35 percent. We recognize industry's perception that the Marine Safety Program lacked sufficient capacity, competency to be responsive, inclusive, accessible and
customer focused.

Projected growth areas for marine safety include the following areas; new inspection requirements for as many as 7,000 un-inspected towing vessels, market-driven shifts in port activity due to increased demand for such products as liquefied natural gas, over 40 permits we are processing right now; petroleum, dangerous cargos and containerized freight.

Personal growth in maritime investigations resulting from industry growth inevitable. Increased demand for commercial fishing vessel examinations, needed, including rule making in my view. This is an industry that needs to be regulated -- continued growth and requirements to publish implementing regulations.

On 9/11 we had a backlog of rule making in the Coast Guard of about 50 rules. Number 25 was alternative tonnage. We now have over 90 rules that are backlogged and alternative tonnage is number 50. It's a relative -- place but losing ground.

An integrated Coast Guard approach to
safety, environmental protection and waterways management and security thus ensures the long-term success of the global maritime transportation system. The goal in preventing or responding to major maritime incidents, regardless of the cause, is the same, to save lives, preserve property, protect the environment and minimize disruption to the marine transportation system.

The Coast Guard's operational model is flexible, adaptive, efficient and capable of succeeding with a myriad of maritime scenarios. Today as in the past our safety, security and stewardship program goals and authority are inextricably and doctrinally linked in the Coast Guard.

Following the terrorist attacks of 9/11, our longstanding industry partnerships were critical in protecting the global maritime transportation system. These partnerships remain vital today. We must ensure resources match the growing demand for marine safety services.

Our marine safety capacity and competencies and effective engagement with stakeholders demands
senior leadership attention. It has mine.

We will improve marine safety program focus and performance. I have directed the development of strategy and action items that address three broad areas of concern. The first one is to improve major marine safety program capacity, competency and performance. The second one is to enhance service delivery to mariners and industry customers. The third is expand outreach and advisory mechanisms for industry and maritime communities.

I would like to cover the major actions that I have directed or that are being taken in each of these areas this afternoon, but let me add I intend to accomplish much of this through policy, leadership focus, outreach and redirection of base resources, but I am not an alchemist.

Sooner or later there will have to be a serious discussion regarding the additional resources needed to effectively execute this mission. I will not shrink from asking. The question is, will you shrink from acting.

The first series of issues, improve marine
safety program capacity, competency and performance.
Number one, increase marine inspector and investigator
capacity. Based on staffing estimates the Coast Guard
requires significantly more marine inspectors, port
state control officers and investigators. We require
these full time positions to meet current and
anticipated growth in maritime commerce and expansion
of the regulated fleet.

Demand for inspection and investigation work
is increasing and capacity to match these demands must
be built and sustained as a result of growth factors,
such as a projected LNGs, ships, facilities and
thousands of towing vessel examinations, vessel
response plan reviews. We need to balance management
and oversight and regulatory development.

We also need to strengthen marine inspection
and investigation consistency by adding civilian
positions. We intend to significantly increase the
number of civilian inspectors and investigators.
Additional civilian inspector, port state control
officer positions and investigating officers will help
the Coast Guard retain expertise and geographic
specific competencies while ensuring long-term continuity in critical mission areas.

We will distribute civilian positions according to demand and to complement the military workforce. Military personnel must continue to serve as marine inspectors and investigators to ensure innovation and garner requisite experience for future program management and command responsibilities.

A blend of military and civilian personnel is critical to building and sustaining consistency and competency. We will also increase accessions from the U.S. Merchant Marine Academy and maritime institutions. The Coast Guard will strengthen recruiting efforts at the maritime colleges through additional liaison officers and by seeking opportunities for Coast Guard officers to serve as faculty at those institutions.

Maintaining and sustaining competency within the marine safety program begins with recruitment and accession of additional maritime professionals and active partnerships with maritime educational institutions.
We will strengthen marine safety career paths. We will demonstrate the value the organization places on the marine safety profession by revising personnel management policies. These policies must continue to ensure a viable career path to the most senior ranks in the Coast Guard and the value, the competencies of marine safety specialists.

These policies would include, but are not limited to, direct commission programs, direction and guidance to officer selection panels relating to the need for specific marine safety specialties, increased tour lengths, incentives to retain qualified inspectors and investigators, institutional recognition of the marine safety leadership positions held in the field and continuation contracts for officers possessing critical skills. We need to recognize those who advanced from apprentice to journeyman to expert marine safety professional status. We will have a tiered professional ladder.

We will expand professional marine safety training and education. We recently completed an extensive review, update and field testing of marine
safety courses and qualifications material. The Coast Guard will expand formal and informal training and education opportunities to improve marine safety competencies, skills and qualifications. These programs will include additional resident educational opportunities for the military and civilian marine safety workforce and enhanced pipeline training for field personnel to ensure better continuity and consistency in service.

Through continuous evaluation we will ensure training, education and qualification standards are responsive to the dynamics of the marine transportation system. A robust marine inspector and investigator workforce also requires additional expert field personnel to conduct unit training in order to build and sustain critical competencies.

We will also expand opportunities for maritime industry training. The Merchant Marine industry training program is a model of industry partnership and professional development. Therefore the MMIT program will be expanded to include both formal and informal assignments to maximize
interaction and experience.

We will adjust the MMIT to industries, technological innovations, complexity and growth as a means for the Coast Guard to better understand and address emerging safety, security, stewardship and economic issues.

The Coast Guard will engage industry, the applicable legal and ethical guidelines to maximize training opportunities and fully immerse participants in industry operations. The Ship Rider and other industry familiarization programs will be offered to a larger group of marine safety professionals.

Finally we will enhance engineering capacity for plan review, policy and standards development. We will seek additional capacity and expertise for plan review of vessels and facilities.

Increased technical capacity is needed to address plan review of commercial, non-tank vessels, marine firefighting and salvage, standards development and vessel construction specialties at Coast Guard headquarters and the marine safety center.

Increased growth and complexity in ship
design and construction, including high capacity fast ferries, LNG ships, mega-container and cruise ships and novel structural designs call for an innovative and knowledgeable technical staff to develop guidance, standards and policy.

As industry evolves so too does the demand for our technical expertise. I'd like to move to the second area, enhanced service delivery to mariners and industry customers I mentioned earlier. We will establish centers of excellence. We will pursue resources to establish these centers to provide venues for professional development and exchange between industry and Coast Guard personnel.

The centers of excellence will focus on specialized areas of industry to improve inspector competencies and promote consistency across ports. For example, a Coast Guard cruise ship center of excellence in Miami exists today. It was created to recognize and address the special cruise ship complexity, industry growth and attendant risk.

Specialized vessel inspection approaches were developed to improve inspector competency,
effectiveness and efficiency in nationwide cruise ship
ingress. Centers of excellence are appropriate
for existing industry sectors and projected growth
areas, including investigations, LNG ships, towing
vessels, fishing industry vessels and outer
continental shelf activity.

The centers of excellence will also provide
deployable casualty response and surge capacity. We
have been criticized in the past for either inspecting
the work we've already inspected or investigating what
our inspectors have already done. You will create the
capability to bring outside expertise in to do that
when this occurs.

We will improve information technology
systems. The Coast Guard will incorporate web-based
tools to improve access and the exchange of
information between industry and government, using
existing marine exchanges as a model. Such systems
provide real-time technology-based information to
capture and manage the maritime transportation system.

The Coast Guard will enhance web-based
portals for information sharing and lessons learned
between Coast Guard and field personnel and industry
and include Coast Guard office directorates and
contact methods. The Coast Guard will also provide
help desks and frequently asked questions to
facilitate transparency and to create standardization
among our OCMI/Captain of port zones.

We will increase rule-making capacity to
expedite regulatory implementation. The Coast Guard
will increase capacity to address current and
anticipated rule-making projects. Increased
rulemaking capacity requires additional support for
project management, rule-making development, economic
analysis, environmental analysis, technical writing
and administrative law capacity to ensure legal
sufficiency and the efficacy of implementing
regulations.

We will publish timely guidance to assist
regulated industry with implementation. To the extent
practicable the Coast Guard will prepare legislative
change proposals that minimize required rule-making
process time.
We need to improve mariner credentialing through greater efficiency, transparency and capacity. The National Maritime Center consolidation began in 2005, located in West Virginia. Recent accomplishments include implementation of the mission management system and reduction in cycle time by 25 percent since September 2006.

The following milestones will further improve service delivery to the mariner; credentialing help desk fully staffed by February 2008; online self-help application tracking and payment options via pay.gov; bulk application processing for academies, schools and industry groups; issue of merchant mariner licensing documents in less than one week and a rebuild of our primary computer system to implement a web-based processing procedure.

We anticipate the need for increased resourcing of the National Maritime Center and Regional Exam Centers to improve service delivery to the mariner. We have to have a face in the ports. Finally we'll expand outreach and advisory mechanisms for industry and communities. We have
established an Assistant Commandant for Marine Safety, Security and Stewardship that will be the single flag officer to ensure vertical and horizontal alignment throughout the Coast Guard and with federal and international partners, while overseeing four directorates.

A flag officer serving as a Director of Prevention policy, a flag officer serving as the Director of Response policy and SES serving as Director of Assessment, Integration and Risk Management and an SES serving as the Director of Commercial Regulations and Standards.

Beyond policy development and program management these senior officials will lead and oversee the important work of numerous federal advisory committees and industry partnerships. We will establish an integrated counsel of maritime advisors to the Commandant.

A Council of Maritime Advisors will inform the Commandant of national maritime trends and issues of concern. This council may be comprised of industry leaders, governors, academics, former military and
government officials and media. We will exercise leadership at international, national, regional, state and local safety, security and environmental forums and committees. We will commit the resources necessary to lead, support and engage these committees to collectively advance the shared goals of safety, security and environmental stewardship.

These four also offer important opportunities to shape regulatory initiatives and develop non-regulatory solutions where appropriate. We will incorporate customer engagement using quality processes to elicit maritime input, as previously done through the Prevention Through People program.

To conclude, the Coast Guard has established a clear way ahead to enhance our Marine Safety program. The proposed courses of action are responsive to external stakeholders and overseers. They're supportive of work in progress and other ongoing initiatives.

I was getting ready to leave to come here today and I got an email from a very senior Captain in the Coast Guard. I thought I would read that because
I found out that once you make Admiral you have less credibility.

(Laughter.)

ADM ALLEN: And when you become Commandant it's a precipitous drop off the table. Plus, you become intimidating.

And here is the quote. You would know this guy if I mentioned his name, but I won't. He entitled this paragraph, "A Fabric of Protection," and he said on the side, "I don't think the phrase that safety and security are two sides of the same coin is really resonating with our stakeholders."

Here's what he told me. "The Coast Guard's collection of safety, security and stewardship missions are like a tightly knitted textile, valued for its protective durability and light weight. The Coast Guard fabric draws its strength from the interlocking fibers of safety, security and stewardship, all fastened closely and firmly together. When the fabric is woven tight it provides strength and support beyond the collective weight and durability of the independent threads. Separate the
fibers and the fabric unravels, weakens and fails to protect."

I'd be glad to take your questions.

(Applause.)

QUESTION: Admiral, can you speak about the challenge of the Coast Guard supporting your client expeditionary activities literally around the globe today, from the Russian far east to the Persian Gulf?

ADM ALLEN: I can do that. I'd like to do that in the context of what I call our force structure, which I have referred to as a strategic trident.

If you take a look at our collective capacity in the Coast Guard we manage operations through three forces, shore-based operations that are geographically linked to areas of responsibility, and those are done through sectors and how we've unified all the different functions in the port under a single command.

We have offshore patrol interdiction long-leg forces that do missions out, high seas drift net, Bering Sea patrols, and I would include
icebreakers in that. That's our long reach force that we have in being.

The third that has just come into being this year is our Deployable Operations Group. We have taken everything that is deployable in the Coast Guard, our environmental strike teams, our law enforcement detachments, our tactical law enforcement teams and our port security units, and have unified them in the Deployable Operations Group, the DOG.

So that allows us to focus operations on home to extend offshore and then to do expeditionary or deployable operations when we need to do that.

Right now we currently have six patrol boats deployed in the northern Arabian Gulf that are providing protection to the oil platforms and entrances into the port of Umm Qasr.

Some of you may not know this but about 95 percent of the GDP for Iraq is related to the safe and effective operation of those oil platforms and the port of Umm Qasr.

Most recently the new Deployable Operations Group has showed its worth. We did the surge
operations for security purposes over the Washington state ferry system in August and we actually force packaged our Deployable Operations Group with TSA's federal air marshals, behavioral detection officers and some of their screening people and were able to go onto individual ferries in a random fashion, provide a Coast Guard escort with our marine safety and security teams on board, non-uniform federal air marshals circulating through the ferry system and behavioral detection officers watching people walk on the ferries. A very, very good operation.

Stood it up and did it in about a week, executable with our new Deployable Operations Group as a command element team with TSA. That is the way of the future for the department.


Given some of the -- a lot of the press on the national security cutter and the new border program I wanted to know if you would just share with us what your impression is. I know you visited and been on the national security cutter, one. And two,
what your take is on that ship.

ADM ALLEN: Well, my take on the ship was
the same when we basically christened it last fall.
This will be the most capable cutter we have ever
produced and this will be the best first article we've
ever produced.

Notwithstanding what's been said in the
press we recently concluded consolidated contracting
action that puts the third national security cutter
under contract, institutionalizes any change we need
to meet the fatigue issues raised in oversight and
then our ability to migrate those changes back into
the first and second NSC hulls that are in various
stages of production.

And some of this work will have to be done
post delivery. Right now we are working through the
light offs of the plants and the censors leading up to
builder's trials and hopefully acceptance trials in
the January, February time frame.

To ensure complete independence and that we
are getting what we asked for the Coast Guard will not
conduct the acceptance trials on this ship. So it
will be the first time we've ever done that. We will ask the Navy to provide us an INSERVE team, which is a team they use to do ship acceptance, as a third party to see if the requirements are met.

We think we have the baseline for the ships down. Despite what you may have read in the papers while we will have to spend some money to go back and retrofit NSC hulls one and two, starting with NSC four, with the structural changes already made, the incremental costs per hull to achieve the fatigue life we want for those ships is about $5 million a hull. That is not billions of dollars of cost overruns.

I am guardedly optimistic but we need to really stay on top of this. The next real hurdle for us is going to be the information assurance which includes Tempest inspections and the certification and accreditation associated with the sensor and IT systems. You may remember there were a number of issues raised on our 123-foot patrol boat conversion in this area.

We got to make sure we get that right. That is my number one risk item that I'm putting up there
to watch as we go through trials. Is that responsive?

QUESTION: Yes, very.

QUESTION: Admiral?

ADM ALLEN: Here and then there.

QUESTION: Admiral, when you turn your report in to Congress that you spoke of, will it include time lines and will it also include any budgetary requirements that you see that you may need?

ADM ALLEN: I will include as much detail as the system will allow.

ADM ALLEN: There are numbers associated with it. You can't escape it. And we're going to talk about it now. We're going to talk about it later. You know, we've got x amount of Coast Guard and do y amount of things. You want z amount? Give me x plus x, all right.

QUESTION: Well, that's what I was getting ready to ask you about. Any rough idea in terms of rough idea, numbers -- in numbers?

I would expect that when you look at the Coast Guard's entire budget, probably around $7 billion or $8 billion a year now the number, whatever
it is, the numbers are going to be incredibly small compared to the whole budget.

ADM ALLEN: Well, if you look at the Marine Safety Program, the fact that we're accomplishing what I just described with 1,000 people; 1,500 or 2,000 is a lot. It doesn't take much to have a significant impact right away, and some of this we can accomplish with reprogramming of base resources, but there's a limit to what you can do. Because you're going to take those resources from another program and I'll be up here three years later talking about what we didn't do in that program.

Again, we're not alchemists, and it's time to have the discussion about how big the Coast Guard should be. In my view, I'm ready to have the discussion.

QUESTION: Admiral, after 9/11 your homeland security mission was enhanced dramatically. How has that affected a lot of your other issues, particularly drug interdiction and the like? Are you concerned the security mission has eclipsed some of your other key missions?
ADM ALLEN: Well, I think that's a general notion, and I would say there may have been some changes at the margin but the base amount of resources we've thrown at this has been about the same, been about the same. The best example I can give you is probably drug interdiction.

In 2005 we set a record. We seized 150 tons of cocaine. That dropped to about 138 tons last year. As of two weeks ago we broke the 2005 record this year. We are approaching 160 tons of cocaine seized this year, including a 20-ton seizure off of one vessel.

Better intelligence, airborne use of force, warning shots and disabling fire from helicopters and effective maritime patrol aircraft, all of which are going to be really dependent on recapitalizing through the Deepwater program.

So we can do the mission. We can use technology. But again, there's a limit to what we can do. The problem is you can't transfer a tactical law enforcement team on the deck of a Navy vessel off the Galapagos seizing a boat as we did yesterday off the
coast of Ecuador, and you can't make them marine inspectors.

There is a certain base amount of subject matter expertise and capacity you have to have to have a critical mass to operate a program. So while we are multi-mission, not everything can flow back and forth that easily.

And in certain cases, especially the marine safety mission, continuity, competency, time in service, time in grade and qualification have to be respected going forward, as we do with duty standing pilots.

We have a lot of officers that fly airplanes clear to the Lieutenant Commander, Commander level and are very competent to do that. That's all they want to do. They don't aspire to be Admirals or run the Coast Guard and they could have a really good 20-year career. We need to take a look at the marine safety community and figure out ways to keep these folks that are effectively employed with the right subject matter expertise in the Coast Guard.
Thank you very much.

(Applause.)