



American Society of Naval Engineers

Presidents Club

Admiral James M. Loy

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Introduction:

Good morning. I am delighted to address the ASNE President's Club and to have the opportunity to thank you for extending an honorary membership in ASNE to me. You have no idea how much this membership means to me.

For 34 years now I've been labeled a turncoat by my engineering brethren. I'm glad most of you will never know what it's like to hold of multiple degrees in the Humanities while mingling in an organization whose dominant population group is Engineers and Snipes! The sidelong pitying glances from colleagues in engineering assignments . . . The conversations that stop when I enter a room unexpectedly . . . The nagging fear that someone will slip and mention your little secret . . . The abject embarrassment I innocently cause when I catch the least little math error in a presentation. But that is all behind me now. Armed with the impeccable ASNE "Seal of Approval," I can now hold my head up again when I walk down the passageway!

Seriously, I am honored by your kind gesture, and I also thank you for your interest in the Coast Guard. My plan is to indulge that interest by presenting an overview of my priorities for the Coast Guard and then to entertain your questions.

Budget:

I'll begin with an overview of our budget situation, which largely determines the level and quality of service we provide to the American public.

I am very concerned about the Coast Guard budget for fiscal year 1999 as the House-Senate conference meets this week. As matters now stand, the Senate version is slightly under the President's budget, and the House version is substantially lower. We have given Congress all the information they need to make sound decisions about finding resources to pay for the Coast Guard that America needs. A lot of people have expressed support, but we must await the action of the conference committee to see how that support translates into action. As you can imagine, we are watching the matter closely.

I do not know what the outcome will be, but I do know this: if we do not get a budget at or close to the President's request, we will have to curtail some operational activities. We do not have the option of going back to the "do more with less" well again; that well has been bone dry since our last major streamlining slashed 4,000 billets and left us with the smallest Coast Guard in more than thirty years. If we get less funding, we will have to provide less service. As Commandant, I cannot in good conscience sustain an operational tempo and a personnel tempo beyond the level that is funded. Doing so would defer maintenance to unsafe levels and would overwork crews to inhumane levels. We may have to make some very hard choices.

What will be cut? Obviously, no decisions have been made because we don't know where the budget will come in and, as I noted earlier, we still harbor hopes that we will get a budget close to the President's request. Any decisions to curtail any operations will be extremely difficult because any reduction in Coast Guard service eventually translates into deaths or environmental damage someplace where the Coast Guard is no longer on watch or needs more time to get on scene.

There are no easy choices. Prudence will require us to consider both incremental cuts across broad missions and elimination of some small programs altogether. I hope that these decisions will not become necessary.

Commandant's Imperatives:

Regardless of the outcome of the budget bill, we have a Coast Guard to run and a future to prepare for. Here's what we're up to.

When I became Commandant this spring, I published a document called *Commandant's Direction*. It describes a lot of work for the Coast Guard to accomplish over the next four years. Among that list of tasks and priorities, there are four that I would like to discuss with you briefly this morning. I call these four items my Commandant's Imperatives.

Most of the items in the *Commandant's Direction* have been delegated into the capable hands of my Vice Commandant, Chief of Staff, Area Commanders and Assistant Commandants. But these four items aren't delegated. I have reserved them for my own sustained personal focus because of their importance to the present and future effectiveness of the Coast Guard.

(1) Raising the Visibility of Coast Guard Missions:

First, I will concentrate on raising the visibility of the Coast Guard's many services to America. Some of these missions already get front page coverage. But many others are accomplished with constant, quiet excellence. I want them all known widely and understood for their enduring value to America.

I mentioned earlier that we are struggling to convince Congress to appropriate enough money to permit the Coast Guard to maintain its current level of service to the American public. One of the reasons we face an uphill struggle every year in obtaining enough

resources to accomplish the missions we've been assigned is that very few people—even inside the Coast Guard—know the full extent of our value to the taxpayer.

Most Americans readily associate the Coast Guard with Search and Rescue. Many are aware of our law enforcement efforts in the war against drugs.

But few understand the scope of our efforts to make merchant ships safe, to position and maintain aids to navigation, to improve the safety of recreational boating, to protect the environment, to recover from natural disasters, or to accomplish the many other missions that have been entrusted to us.

[*Ambassador Linda Watt's message.*]

Even the people whose lives we directly touch are often aware only of the particular operations that are conducted on their behalf. However, the sum of those individual actions is absolutely staggering. Consider for a moment what the Coast Guard accomplished just last year. In 1997 *your* Coast Guard:

- Responded to over 65,000 Search and Rescue cases and saved over 5,000 lives and 2.5 *Billion* dollars in property.
- Prevented over 100,000 pounds of cocaine and over 100,000 pounds of marijuana from reaching America's streets. That's over 500 million hits and joints that never reached the streets and playgrounds of America.
- Conducted over 12,000 fisheries law enforcement boardings. The purpose was to safeguard those vessels and fishermen and enforce fisheries management plans to guarantee the future of this important renewable resource.
- Responded to almost 14,000 reports of water pollution or hazardous material releases.
- Maintained 50,000 buoys and other aids to navigation over 47,000 miles of coastlines and waterways.
- Educated the public on personal flotation devices and enforced Boating While Intoxicated laws to protect the safety of recreational boating.
- Set and enforced fire safety and training standards for cruise ships to prevent fires like the one off Miami this summer from becoming major catastrophes.

The Coast Guard's direct return to the American public for each tax dollar entrusted to it is unmatched in the federal or any other government.

However, if we are to continue to serve effectively, the American people need to know what we're doing and what we need in order to keep doing it. I need your help in telling our story.

(2) Deepwater:

My second personal priority is providing for the Coast Guard's long-term law enforcement and national security capability in the deepwater environment. We call this acquisition project the Integrated Deepwater System or IDS.

We want to make certain that the Coast Guard has the integrated system of assets necessary to accomplish its missions in the Exclusive Economic Zone, on the high seas, and wherever they're needed to support American interests around the world. IDS is not a traditional Coast Guard purchase.

- Instead of a piece-meal, one-for-one replacement of antiquated ships and aircraft, IDS begins with a solid analysis of the maritime environment of 2020 and the mission requirements that will define the Coast Guard of that day. Then we carefully articulated the capabilities we will need to perform the missions we will face.
- Instead of making penny-wise and pound-foolish design decisions based only on initial purchase price, IDS decisions will be based on the total ownership costs: acquisition, maintenance, operating, crewing, training, and eventual disposal.
- Instead of making our decisions without regard to maritime capabilities that the government already has, IDS will reflect an agreement we're working on between the Navy and the Coast Guard as to the composition of a National Fleet. Under the National Fleet concept, we will ensure inter-operability and we will avoid redundancy. We will demonstrate good stewardship of the taxpayer's investment.

One might think that the need for new assets would be self-evident when the Coast Guard's only class of high endurance cutters has been in service almost as long as the Commandant has been in the service. One might think that the need for the systematic analysis I described would be self-evident at a time when every pressure in and out of government calls for better management of the taxpayers' resources. Neither is automatically true.

It's a fact that many people whose opinions matter simply are not aware how many Coast Guard operations occur far from the coast.

Many people do not understand the diminishing returns and higher long-term maintenance and personnel costs of keeping old ships operating well beyond their expected service lives. We must make these realities well known to all those who matter.

We must also make it clear that we have no viable options other than IDS. You may have heard of the possibility that the Navy could transfer some of their assets to us and that we could perform Coast Guard missions with cast off FFG-7's and Cyclone class 170-foot patrol boats.

We've done this before with other cast off naval vessels, so we know all too well the shortcomings of the "paint it white, add a stripe, and call it a Medium Endurance Cutter" acquisition process. Manpower intensive and maintenance intensive, the FFG-7's have no

role in the Coast Guard fleet and the PC-170's represent only a single-mission stop-gap solution. They don't bring us closer to an integrated system of capabilities. They are not the answer to our Deepwater missions of tomorrow.

Where does the project stand today?

In 1995 we completed a Mission Analysis Report and a Mission Needs Statement that identified a gap between current mission capabilities and mission requirements: Cutter speed . . . Surveillance Limitations . . . Inadequate communications and information connectivity . . . Aging fleets of surface and air platforms.

With current assets falling short, the requirements-capabilities gap will widen as all existing Deepwater assets—our high and medium endurance cutters, patrol boats, C-130's, HU-25's, HH-60J's, and HH-65's—reach the end of their useful service lives early in the twenty-first century.

In 1996, the Secretary of Transportation approved the Deepwater Mission Need Statement, established the project as a Level 1 Major Acquisition, and gave us permission to proceed with Concept Exploration.

In 1997, the Deputy Secretary approved our Acquisition Strategy. We released a draft Request for Proposals and hosted more than 200 industry representatives at a Deepwater Industry Day.

In August of this year, we awarded contracts to three industry teams—led by Avondale Industries, Lockheed Martin Government Electronic Systems, and Science Applications International Corporation.

These teams, as well as an independent analysis government contractor, now have until November of 1999 to recommend a system of components, provide both total system and individual platform costs, estimate improved mission effectiveness, and submit a tiMETable for platforms acquisition.

This project is the largest acquisition project—indeed the largest management project—undertaken in Coast Guard history. It is a priority of my tenure as Commandant to make sure that we do it right.

The project will be aligned with the Coast Guard's goals under the Government Performance and Results Act. It will be designed to meet those goals as efficiently as possible. I expect that this procurement will become a model for other federal agencies.

(3) Marine Transportation System:

My third Commandant's imperative is addressing the vast array of frequently overlooked marine transportation challenges facing America. The stock market activity over the past few weeks has taught us some painful lessons about the interconnectedness of our global economy.

However, if we don't get busy soon, we're going to learn an even more painful lesson about how important a strong port infrastructure is to our status as an economic leader in that global economy.

Ninety percent of the goods that enter and leave our country come and go by ships. All of the projections for increased international trade in the next century cry out for us to prepare our ports and waterways to handle that trade.

Our pressing challenge is to forge a plan to deal with our eroding ports and waterways infrastructure and to assure both our global economic efficiency and competitiveness, as well as the maritime safety and security of our water highways.

The Coast Guard is conducting a national conference on the Marine Transportation System next month, which will be hosted by the Secretary of Transportation. At this conference, we hope to develop and reach consensus on the Marine Transportation System for the year 2020. We want to move closer to establishing a management framework for the MTS that includes a mechanism for improved federal coordination and improved cooperation among federal agencies, state and local governments, and other system stakeholders.

The Coast Guard, with its expertise in all manner of waterways issues—vessel traffic management, ship and facility safety, pollution prevention and response, aids to navigation, port security—has to assert a leadership position in developing the Marine Transportation System that our country will need in the next century.

We know we won't fix this problem by ourselves. Because of the fragmented organization and control of our Marine Transportation System, the solutions to many of our challenges are going to require a lot of organizations to step up to take responsibility for parts of issues they can help address.

(4) Unique Instrument of National Security:

My fourth and final personal priority is to articulate the Coast Guard's capability to serve—and to serve more widely—as a unique instrument of national security.

I should warn you that it is very dangerous for engineers to invite an historian to speak. So I ask you please to bear with an old history teacher as he backs up a few years to get a running start at explaining the present.

The Soviet Union collapsed under its own weight and dissolved less than ten years ago. Try to recall for a moment our euphoria and optimism that attended that victory in the Cold War. As we ushered in a era in which only one superpower was left standing, there was a prevailing sense of national invulnerability.

You may remember that academicians seriously bandied about the notion that the course of nation states' waging war against each other was finished. On the political front, we declared the "Peace Dividend" and dismantled much of our Cold War military capability.

History teaches us that democracies always will dismantle their armies when peace-loving populaces of free men do not perceive an imminent foreign threat. This we did. And in the midst of the downsizing, we won the liberation of Kuwait, which only confirmed our general sense of invincibility.

Looking back, we can see that just as our worst fears about the Soviet threat did not materialize, neither did our highest hopes for tranquility in the post-Cold War era. A whole new set of threats has arisen to take the place of the Soviet Union and to remind us again that the world is a dangerous place.

In fact, because the threats we now face are not concentrated, we actually face a more unstable world than we did ten years ago. This broader instability is amply evidenced by the recently proven nuclear capabilities of India and Pakistan, the medium range missile capability now possessed by Iran and North Korea, and the still-potent arsenals of China and Russia. The National Security issues we face are more fragmented, more complicated, tougher to analyze, and infinitely less predictable.

What does all of this have to do with the Coast Guard? The world's instability features a number of security threats that manifest themselves in the maritime environment where the Coast Guard operates. The definition of national security now encompasses a vastly wider spectrum of issues.

Consider this list of maritime challenges facing America: the smuggling of drugs, aliens, technologies, and untaxed cargoes; destabilizing arms trafficking; violations and circumvention of environmental protection laws; attempts to violate economic sanctions; piracy, terrorism, and other crimes at sea; uncontrolled mass migration; and depletion of fish and other resources in our Exclusive Economic Zone. These are all Coast Guard missions.

Effective protection against these threats demands the maritime, military, multi-mission expertise that only the Coast Guard can provide. Almost all of these threats are conveyed towards our shores in ways that are not effectively countered by traditional naval forces. These threats approach in vessels that look like and mingle with legitimate commercial and recreational traffic. They must be engaged as far from our shores as possible, and each case must be disposed of individually based on the complex humanitarian, diplomatic, environmental, and legal issues at stake.

Since 1790, the Coast Guard has been the nation's expert in identifying suspicious vessels, intercepting them, boarding them, and sorting out the legitimate from the illegal and the safe from the hazardous according to the rule of law. We expect dramatically increased demand for this expertise to support national security in the coming years.

I need to communicate our value in responding to these threats, and I need to make sure we remain capable of protecting our maritime interests.

Conclusion:

These then are my four imperatives: Raising the visibility of Coast Guard missions, prosecuting the Deepwater acquisition with all due care and urgency, preparing our Marine Transportation infrastructure to serve our national needs, and defining the Coast Guard's proper role in national security.

We do have a lot of work before us, but I am confident that we will prepare ourselves well and continue to deliver the extraordinary breadth of superior public service that America has come to expect from her Coast Guard.

Again, I thank you for your interest and will happily take your questions.

Semper Paratus.

