



Admiral James M. Loy
State of the Coast Guard Address
“Transformation”
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Introduction.

Joseph Conrad wrote a story in which a young sea captain with a brand new command faced the necessity of piloting his ship much closer to some rocks than prudence would normally dictate.

The captain’s situation was rendered more difficult by the circumstance that he could not tell his pilot and mate why he was standing the ship into such apparently unnecessary danger: namely, to let a secret passenger slip over the side and swim ashore.

He faced both a seamanship crisis and a leadership crisis.

The seamanship crisis centered on the fact that he had never seen how his ship handled, and he had to judge very precisely how a crew he hadn’t tested could handle the ship in an uncertain wind. If he turned away from the shore too soon, the swimmer might not make it ashore. But if he waited too long, his ship would be broken on the rocks.

The leadership crisis centered on the fact that his officers and crew had never seen him handle the ship. They had no basis for confidence in his skill or judgment. And when they saw him court disaster the very first time he had the conn, they were understandably alarmed—some to the point of anger, others even to panic.

The crew’s concerns were plainly registered on their faces, but the captain doggedly withstood their silent pressure and held off from ordering the ship to come about until he judged them to be at the very brink of destruction.

When he finally gave the order, the desperately anxious crew sprang into action and worked furiously to complete the tack . . . but it looked like they were too late. The bow came through the wind, but in doing so the ship lost forward momentum and seemed to hang still, dead in the water. If they didn’t pick up headway soon and gain steerage, they would be stranded on the lee shore.

Finally, after a few seconds that seemed like an eternity, the young captain spotted an object floating just alongside—the hat that had been worn by the secret passenger, who had swum safely away during the commotion. From the relative motion between the ship and the hat, the captain was able to gauge that the ship was making perceptible headway . . . too slight to be noticed by those using reference points ashore, but enough to give hope to the captain.

He held back from ordering the anchor to be dropped and waited it out. Ever so slowly, the ship regained headway. It soon built enough momentum to finish coming about. They set sails on the new tack and headed safely into good water.

As I come before you to deliver my third State of the Coast Guard address, our situation is a bit like that of Conrad's young captain and his ship.

Our position is certainly not as dire as theirs. We do have some short-term financial constraints, and we may have to accept momentarily painful remedies to live within those constraints. But our vitality is as strong as ever, and America has never needed us more.

My purpose this afternoon is to place the present prospect of our well discussed short-term budgetary shortfalls in their proper context. That context is our ongoing challenge to transform our Coast Guard from today's effective service into tomorrow's even more effective service: to transform our old offshore capability into the Integrated Deepwater System . . . to transform our old workforce paradigms into Future Force 21 . . . to transform our old support system into modern ones focused on the best technology and integrated information exchange . . . to transform our old mission inventory and priorities into the growing demand for our maritime expertise described by the Interagency Task Force's Report on the Roles and Missions of the Coast Guard of the 21st century.

This transformation has been under way for some time. We are in the midst of a two-decade course change that has long been needed in order for us to break the cycle of spending ever increasing amounts of money to maintain ever older assets, always either entering or emerging from one round of short-term measures that solve one liquidity crunch but bear the seeds of the next one.

This course change is not a surprise or an emergency order. We have known for years that change was underway and that the final leg would be the heavy lift of modernizing our offshore capability. But the time had not yet come because we first had to make progress on restoring readiness. And we had to ready ourselves and convince others to make the right capital investment in our deepwater assets.

But now the time is at hand.

Although we have done much to prepare for the course change, the maneuver will necessarily entail some discomfort. And it will almost surely require us to take measures that may even seem for the moment to set us back. These things will likely occur, but they should not discourage us.

Among the advantages I enjoy over Conrad's fictional captain is the freedom to confide in my crew the exact nature of our situation. This speech is an exercise of that

freedom because I want the Coast Guard to know what we are doing, why it is necessary, and why it will work.

Knowing these things will be useful when you hear about decisions we have to make in the coming months. Informed of the big picture, you will know to look over the side for signs—like the barely perceptible drifting aft of that hat floating in the water—that we do have headway, that we will come about, and that the new course will lead us to even more effective service to America’s growing maritime needs in the next generation.

I want you to know where we’re going, so you can keep our larger goals in sight, even as we plow through today’s anxiety.

Continuity with Previous Emphasis on Restoring Readiness and Shaping the Future.

All this talk about changing direction does not imply that the direction we have been pursuing the past few years is wrong. Quite the contrary. We have chosen our priorities well and advanced smartly along our track line. But we are nearing the end of this reach, and it is time to get ourselves lined up on the next leg of our journey.

For nearly three years now, we have focused special attention on readiness, particularly the urgent need to bring enough people into the Coast Guard to perform our missions.

That necessity was a central issue in my first State of the Coast Guard address two years ago when I distinguished between minimal staffing and optimal staffing. And it remained at the core of my message last year when I distilled my priorities down to two essential tasks: Restoring our readiness and shaping our future.

We have made noteworthy progress toward this goal.

A lot of people have worked very hard to make good on the pledge to rebuild the work force. Our exceptional recruiting efforts—and resources directed to underwrite those efforts—for officer and enlisted accessions are paying off. Last year I was able to announce that the Reserve force was up to complement. This year, I am pleased to report that the active duty enlisted work force is back to its authorized strength for the first time since 1994.

We still have skill and seniority gaps, but the petty officer shortage has been cut in half. And the boatswain’s mate rating is at strength. In addition, the civilian workforce is benefiting from its most successful year of recruiting ever.

We have also made significant progress on many aspects of our modernization. We are nearing the end of a decade-long series of projects to replace our coastal assets:

the new forty-seven foot motor life boats, a new class of BUSL's, the two new classes of buoy tenders, and the eighty-seven foot patrol boats.

These acquisitions have renewed our coastal capabilities and, together with a finished National Distress and Response System Modernization Project, will give us a solid foundation for coastal operations for the next generation.

Why Incremental Change is Not Enough.

I am proud of the good work that has been done on both the readiness and modernization fronts, and they remain at the heart of our transformation effort. However, I am obliged to acknowledge that improvements in these two strategic areas, important though they are—represent only incremental progress. And incremental progress will not be sufficient to bring about the transformation we need.

(a) Maintenance Bow Wake:

For one thing, incremental progress will not address the overall condition of our capital assets.

The Systems Directorate has a very detailed grasp of exactly how far behind the curve we have fallen.

For example, the number of outstanding electronics CASREPs and the size of our unfunded electronics modernization needs have grown hand in hand, both continuing to etch trend lines in the wrong direction quarter after quarter. A combination of factors continues to push this backlog up—more extensive C4ISR suites on vessels, inability to complete planned maintenance, not enough funds to replace old equipment, and workforce shortages. A survey of federal agency communications systems in Southeast Louisiana showed the Coast Guard's system to be more than twice as old as the oldest system used by any other federal agency.

These problems with electronics maintenance are a microcosm of the struggle our support professionals are gallantly fighting across our entire infrastructure. It applies to shore facilities, aircraft, and especially to cutters. The percent of time that our high and medium endurance cutters are free from equipment problems that degrade or eliminate the ability to perform one or more missions decreased from nearly 55% to less than 40% between 1995 and 1999. That decline runs almost perfectly parallel to a decline in the amount of maintenance money available each year.

The operational consequences of these problems are inescapable. In the Atlantic Area, it is becoming fairly common even for comparatively young ships like our 270-foot medium endurance cutters to feel the pain. Last October, *Northland* sailed for a patrol 12 days late because of delays in overhauling a main diesel engine. The next month, *Seneca* was held up for 11 days because of delays with a boat davit installation. *Harriet Lane* delayed sailing for a week and a half because of a generator casualty. Other ships have had to return early, and still others had casualties during patrols and were patched

together only by exceptional efforts by their crews and the Integrated Support Commands near their patrol areas. And the First District just submitted a readiness report this week calling attention to an uncomfortably high incidence of equipment casualties throughout the district's small boat and cutter fleet.

Incremental progress and hard work have sustained us through today. But they will not suffice to solve our overall long-term readiness dilemma. Incremental progress and hard work will not relieve us of the burden of pushing an ever-growing bow wake of overdue maintenance and repair work.

(b) Safety:

Neither will incremental progress adequately address crew safety. The safety implications of degraded readiness remain every bit as serious as when I voiced them in my first State of the Coast Guard address—and they are sufficient in themselves to underscore the requirement for a service-wide transformation.

We were recently reminded of the dangers of performing Coast Guard work even in normal operating conditions when the Coast Guard HH-65 rolled over on the deck of the Cutter *Campbell* and when a plane crash claimed the lives of two of auxiliary members during a training evolution with a Coast Guard Falcon.

And we saw how quickly those dangers multiply when we add in the factors of harsh operating environments and old equipment.

Last fall, the 58-year-old Cutter *Storis* was on patrol in the Bering Sea when it spotted an illegal incursion over the Maritime Boundary Line and loaded a boarding team and boat crew into its Motor Surf Boat. The weather was typical for the Bering Sea: lousy and rough.

They got the boat lowered, but before they could unhook, a passing swell first lifted, then violently dropped the boat—shock-loading the system and breaking off the aft davit, which was original-issue equipment on the old ship. Metallic debris rained down on the boat crew. Meanwhile, the boat, still attached to the forward fall, was buffeted by other waves and capsized, dumping nine Coasties into the Bering Sea, most of them wearing only Mustang suits, which are not designed to provide extensive protection from immersion in such cold water.

Had the commanding officer not sped the recovery by deviating from normal man overboard procedures, it is possible that we would have lost several members of the boarding team. As it was, many of them were incapacitated by the cold, unable to help themselves out of the water, and in imminent danger of succumbing to hypothermia.

The fishing boat that was poaching in our waters? It got clean away without being boarded.

The *Storis* provides stark illustrations of the consequences of sending sailors into harsh environments like the Bering Sea without the best equipment: Coast Guard lives placed at risk . . . boardings not conducted and laws not enforced . . . missed patrol days for repairs . . . reduced capability for the *Acushnet*, which is equipped with the same sort of ancient davit and is now required to limit its boat operations . . . unexpected repair bills. All the ingredients of a cycle of degraded readiness.

A few weeks later, Coast Guard Cutter *Sedge*, launched 57 years ago, was transiting the Gulf of Alaska in heavy seas—wave heights greater than 20 feet—when some of its deck cargo worked loose. The ship altered course in an attempt to find a heading that would permit work on deck. While doing so, however, a particularly large wave slammed into the beam and dumped enough water through a vent above the O-1 level to short out the main electrical panel and start a fire.

Because *Sedge* has a diesel-electric plant, the loss of electrical power also caused them to lose propulsion: fifty Coast Guard sailors sitting dead ship, on fire, in the trough of a storm in the Gulf of Alaska at night. That's not where we want our people to be.

It was nearly two hours before they were able to bring the main engines back on line.

In both of these cases, Coast Guard sailors were put at risk by casualties that are directly attributable to the age of the ships. A newer ship than *Storis* would have employed sturdier davits, and those davits would have been equipped with self-tensioning devices that would have prevented this accident. A newer ship than the *Sedge* would have had deflecting shields to prevent water from damaging the electrical circuitry.

Limits to Progress on Current Tack:

These incidents capture the frustration experienced by many of us in the Coast Guard. Our people joined the Coast Guard to save lives, protect the environment, enforce maritime laws, and secure our borders. They want to get out there and do these things for our country. But we continuously run up against the reality that we aren't hitting on all cylinders—sometimes quite literally.

More importantly, these incidents remind us that there is a limit to how much improvement we can bring about on our present course.

No amount of extra effort or attention will make older ships like *Sedge* and *Storis* efficient and reliable assets that can safely deliver productive mission results commensurate to the costs of operating and maintaining them.

The State of the Coast Guard address is an occasion to step back and take the long view, looking at decades instead of the anxieties of each year. That is why I am speaking to you today about transformation. And not just the transformation of our equipment. We face the same need to transform our personnel system—and my recent approval of

the Joint Ratings Review is an early indication of the sort of transformation we will be pursuing as part of Future Force 21.

Workforce and demographic changes ensure that incremental approaches that rely on our old assumptions about personnel management will not serve our recruiting, retention, quality of life, and training needs in the coming years. Our human resources system needs the same level of transformation as our equipment.

Guiding Principles.

There is a significant leadership risk in speaking about transformation. It is the danger of over-anticipating a bright future, of looking too far ahead and oversimplifying the urgent practicalities of the present. It is the danger of succumbing to the illusion that we can say “Poof” or “Abracadabra” and change the realities of the world we live in.

I want to assure you that I am not falling into those traps. Our transformation will proceed with a serious understanding of all the practical realities of our situation, including those induced by budgetary shortfalls.

We will proceed with a clear-eyed awareness that our forty-year-old inventory of offshore assets will demand more and more attention . . . parts, maintenance, and leadership . . . while they continue to degrade and produce less and less for us. The new assets we will bring on line will multiply our productivity—partly through their technical capability and partly by inspiring the enthusiastic performance among Coasties who know they’ve been given the tools they need. But the new assets may not be here before we have to cut our losses on some of the old ones. Our great challenge is to maintain our balance through the course of these two fundamental dynamics—phasing out the old platforms, systems, and processes while developing and phasing in the new—so that we continue to deliver results for America as we live through this transformation.

To maintain our balance during this transformation, I have established five guiding principles that have directed our work towards next year’s budget and that will govern any decisions I have to make regarding the execution of this year’s budget.

The first principle is that we will protect our core mission of search and rescue and we will protect the safety of our people. As I work to explain our resource needs to the administration and the congress, you may hear me warn of cutbacks and lower productivity, but we will guard with religious zeal our ability to respond when lives are endangered—military or civilian. We may have to curtail some activities or even retire some assets, but we will refuse to expose our people to any greater safety risk because of these actions.

Second, we will operate our assets at a level that can be sustained by our support infrastructure. In last year’s State of the Coast Guard address, I defined readiness as an equilibrium at which we can sustain normal operations and perform appropriate training, maintenance, and administrative work without imposing unreasonable workloads on our

people or sacrificing our capacity to mount surge efforts for emergency operations. We may have to recognize a gap between the amount of Coast Guard we think America needs and the amount of Coast Guard that the taxpayers have actually paid for. If such a gap becomes apparent, I will stand firm in refusing to bridge it by overworking either Coast Guard people or their equipment.

Third, we will maximize and balance productivity within the constraints we face. What I mean by this principle is that no single mission area will be jettisoned to free up resources for other jobs. We have no superfluous missions. That fact was just re-validated by our roles and missions review. Each mission in our portfolio will be sustained—albeit not necessarily at present levels.

Fourth, we will exercise good stewardship of the taxpayers' dollars. The primary application of this principle is facing up to the necessity of trimming assets. We will resist spending money on artificial life support for assets that have clearly exceeded their reasonable service lives. We will pull the plug as needed and invest our scarce maintenance money on assets that offer better returns. A second application of the stewardship principle is integrity: we will not make any decisions for political or public relations effect. Transformation involves hard choices, and we will not shrink from making them.

And the fifth guiding principle is to prepare to execute the Integrated Deepwater System project. Captain Craig Schnappinger has done a magnificent job of leading the team for nearly four years and bringing us to the point at which we will be ready to award a contract in the second quarter of fiscal year 2002.

We appear to have consensus in both the executive and legislative branches on the requirement for our Integrated Deepwater System. We are working hard to ensure that all the stakeholders in the project clearly understand our acquisition approach: that they understand our strategy to procure the ships and other components in this system at the lowest life cycle cost, that enormous flexibility exists in the post-award environment, and that we fully answer questions about either the affordability of the project or our ability to execute our acquisition strategy. The accolades this project has received for creativity and innovation are both well deserved and a great strength of the project. Let no one misunderstand. IDS is the right project for the right reasons at the right time.

This project is the cornerstone of our transformation, and this cornerstone cannot be moved. The novelist Thomas Hardy once described the practice of eating one's seed potatoes—the ones kept uneaten through the winter to plant the next year's crop—as the "last recourse of the improvident." Permitting any short-term consideration to encroach on the necessity of moving forward with Deepwater would be similarly improvident. Deepwater is the key to our future capability to meet our mission requirements offshore. The time to execute is now.

Conclusion:

These principles also serve as the basis of the transformation that will set us on a new course for the coming decades.

This transformation is a difficult and complicated management challenge, but we will manage it successfully. We are going to meet our present obligations, and we are going to prepare the service for future effectiveness. We will meet this challenge as we have met and mastered so many others together in past years.

Why am I so confident?

First, there is my faith in America. I see many indications that the democratic processes are working within the legislative and executive branches of government to equip a Coast Guard that will continue to meet America's maritime challenges and continue to make us proud. I'm not here to talk about our political context; but if I were, I would suggest an attitude of quiet confidence in our civilian leadership.

I draw encouragement from President Bush's order to conduct a series of national security reviews before changing his predecessor's defense budgets; from Secretary Rumsfeld's comments on transforming the Department of Defense; and especially from Secretary Mineta's experience with oceans issues and the serious attention he has already focused on the Coast Guard, both on field visits and executive oversight. These signs point to serious and thoughtful consideration of the long-term issues that affect our ability to serve America—the very sort of mature analysis that will ensure an adequate provision for our requirements and lead us through this coming transformation.

Greater even than this confidence, however, is my confidence in good Coast Guard people. In an era of transformation, I know I can always count on certain things to be constant: namely, the heart and dedication of Coast Guard men and women.

You see, unlike the captain of Conrad's story, I know my crew. I have been blessed to observe my crew perform wondrous deeds for over forty years. And because I have so often seen the depth and the breadth of the skill and daring that live within the heart of every Coastie, I can confidently ask you to join me in meeting this challenge of transformation. And I know you will respond with the same soundness of heart and boldness of spirit that you demonstrate in countless acts of service every day. While we flail away inside the Beltway about budget problems, your record of real service continues to astonish all who are privileged to see it.

This past year, your dedication resulted in yet another record year for cocaine seizures. And last month, Coast Guard teams working on both fronts of the two-ocean drug war seized more cocaine in one six-day period than we used to find in an entire year.

In December, Americans marveled to see the dramatic footage of our helicopter crews plucking thirty-four desperate crew members from the pitching decks of the cruise ship *Sea Breeze I* just before it sank in the North Atlantic. As amazing as it was to see that helicopter lift more survivors than anybody had ever before carried in an HH-60

helicopter, it was more thrilling to realize that this rescue barely amounted to one percent of the 3,365 lives that Coasties saved last year. Such drama plays out almost daily somewhere in America or around the world.

Other service was less dramatic, but also vitally important. Up in the First District, the resourceful planning of the Coast Guard and the grueling work of our icebreaking crews were instrumental in alleviating the home heating oil crisis in the Northeast.

Farther from home, in a remarkable event that demonstrates the power of C4ISR in action, we detected, tracked, identified, interdicted and seized the foreign fishing vessel *Arctic Wind* more than 2900 miles offshore as she was violating international law by using High Seas Drift Nets.

And the National Strike Force responded to a potentially disastrous oil spill in the Galapagos Islands, supporting the Government of Ecuador in the clean up after the grounding of the tanker *Jessica*. Lots of nations made telephone calls; we went to Ecuador and did the job.

These are not routine events. Each one involves Coasties doing things that haven't been done before, doing them better than they have been done before, or doing them further from home than they've ever been done before. These examples of our people finding ways to expand the value of our services even in the midst of a difficult budget cycle illustrate the inherent strength of our service. Even with our problems, the State of the Coast Guard is still characterized by a remarkable spirit of vitality, innovation, and productivity.

And this spirit excites my eagerness to see the good we will do when we turn our people loose with proper equipment and training. If our people can do so much now with cutters and boats and aircraft we can barely keep running, imagine with me how much greater service we will accomplish when we bring the first Deepwater national security cutter on line, manned with a Future Force 21 crew.

Do not underestimate the motivational value of new platforms and how that factor can increase productivity. Have you ever talked to the coxswain of one of our new MLB's? Have you ever seen the pride in the eyes of the commander of one of our new patrol boats? I have the great joy of meeting these people everywhere I go. Their enthusiasm is inspirational. They believe in and are moved by Honor, Respect, and Devotion to Duty.

I challenge you to attend any of the Coast Guard Foundation's regional award dinners, listen to the exploits of the heroes they recognize, and NOT be moved. That's where the statistics of the Coast Guard are truly measured . . . in the performance of Coast Guard people.

One of my former OCS students and shipmates, now approaching the end of a productive career, recently reflected on what a great time this would be to begin a Coast Guard career. He talked about the few classes of ships he had served on. And he wistfully marveled at the array of new ships, new aircraft, and new initiatives that Coasties now beginning their careers will have at their disposal. He's got it exactly right!

You all know me to be a student of our glorious past. I hope you have had a chance to read my recent thoughts on Coast Guard pride. That past and that pride are the foundations for future excellence. All we need to do is set our new course. Coasties will then read their orders and go excel. They always have and they always will . . . ALWAYS!

President Bush has made it quite clear. The Cold War is over. New ideas and new force structure to meet our challenges are imperative. In her writings and in her counsel to the president, Dr. Condoleezza Rice, the National Security Advisor, wisely exhorts all of us to do the hard work necessary to ensure we end up "on the right side of history."

Because I know the work ethic of my crew, I know you will help us get through this transformation period that I've described. I hope you have come to know and trust me as well. An inspirational writer of the last century wrote, "When a train goes through a tunnel and it gets dark, you don't throw away your ticket and get off. You sit still and trust the engineer." I am not expecting you to sit still—there's far too much work to be done for that—but I am asking you to hang on to your tickets and trust me . . . or to return to my opening METAphor, to trust your captain to keep us off the rocks as we work to transform the Coast Guard into exactly what America needs to meet its military, multi-mission, maritime requirements of the 21st century. We're well down the transformation track line. Stand by to come about and steady up on our most important final leg.

Semper Paratus.

