

As delivered

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Quantico
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I. Amenities:

Thank you for that very kind introduction.

II. One-Year Anniversary/214th birthday/halfway through tour as Commandant:

I join you today at a time of incredible change for our Nation's fifth military service. This month the Coast Guard is celebrating our one-year anniversary under the Department of Homeland Security. With the mandate to deliver effective, integrated security operations to the homeland, the Department is organized around the motto, "One Team, One Fight." From my viewpoint, the 22 agencies that combined to form DHS have taken that motto to heart, and because of it, DHS has quickly and effectively implemented the President's National Strategy for Homeland Security. Together, we are making substantial improvements for the security of our nation.

In addition to this being the anniversary of our first year in DHS, this is also an incredibly important inflection point in the evolution of the Coast Guard: we are in the midst of decisions and actions that will lay the groundwork in determining tomorrow's Coast Guard. Our two major recapitalization projects, Deepwater and Rescue 21, are the largest, most extensive, and most important in our history. We, like all the military services, including the Marine Corps, are also defining and developing the competencies our people must have to continue operational excellence in tomorrow's missions, using tomorrow's equipment. Both of these are long-term, transformational issues.

This Spring also marks a milestone for me, personally and professionally – I'm almost halfway through my tour as Commandant.

So, for all these reasons, I'd like to take the opportunity this morning to review the current state of play for the Coast Guard ... to discuss my strategic focus for our Nation's smallest armed service and the only one with

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a dual character as a federal law enforcement agency. Using a nautical metaphor, I'll take a fix of where we are today, assess where we are in achieving our goals; and lastly, project ahead, to share my view of where our service needs to adjust our track line for the future.

III. Scorecard – Commandant's Direction of Readiness, People, Stewardship

The day I assumed the duties as Coast Guard Commandant, I listed my priorities for our Service in a document known as the Commandant's Direction. Simply put, its major themes are Readiness, People, and Stewardship. These themes have served us well as three lines of position, ways to assess our performance. I use these to fix our position in time, make adjustments as necessary, and like any good sailor, project ahead on our track line. Today, I'll give you my situation report – or SITREP -- at year 2 and, like any SITREP, I'll describe future plans under each theme.

A. Readiness

The first line of position is Readiness – Have we delivered on our motto ... Semper Paratus – Always Ready ... have we delivered operational excellence?

1. Semper Paratus/Operational Excellence – past accomplishments:

After 9-11, our maritime security mission rightly took on greater importance ... our clear priority was, and is, to build out our readiness to mitigate security risks to the homeland. This task has put substantial pressure on our optempo and perstempo. But these higher demands on our people and resources did not affect our resolve to perform all our missions and to sustain our operational excellence across all our missions ... military operations ... maritime safety ... maritime environmental protection ... maritime security. Our record of operational performance over the past year is reflective of that:

- We have reduced security risk in our ports and waterways by:
 - Conducting more than 36,000 port security patrols, 3,600 air patrols, 8,000 security boarding, and 7,000 vessels escorts;
 - Maintaining more than 115 security zones;

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- Instituting new capabilities such as Sea Marshals and deployable Maritime Safety and Security Teams, and airborne AUF in domestic air space; and by
- Instituting new security performance standards and plans in effect, a new security regime for ships and ports.
- We deployed the largest contingent of Coast Guard personnel (1,250) and assets (11 cutters and 13 units) overseas since Vietnam to meet the Combatant Commander's requirements for unique Coast Guard capabilities during Operation Iraqi Freedom.
- We have saved the lives of nearly 5,100 mariners in distress, in responding to more than 31,000 calls for help.
- We seized or disrupted the delivery of nearly 137,000 pounds of cocaine ... a near record ... all with fewer resources dedicated to the mission. This increase in productivity is directly related to our ever-improving intelligence capability.
- We interdicted over 6,000 undocumented migrants attempting to illegally enter this country by sea.
- We boarded more than 3,400 fishing vessels to enforce safety, environmental, and economic laws.

A few operational highlights from just the past month clearly reflect that the pace and diversity of mission tasking is here to stay:

- We have four 110-foot cutters, two Port Security Units, and 477 people currently providing critical support to CENTCOM. We are proud to participate in the multi-front Global War on Terrorism.
- The Coast Guard, FBI, other DHS agencies, the Departments of Justice and Defense, and other members of the U.S. Intelligence Community completed a 14-month investigation into national security threats and document fraud associated with U.S. merchant mariner credentials. The investigation, involved examining the records of over 200,000 U.S.-documented merchant mariners and revealed 9 individuals who have suspected associations with terrorist groups, as well as mariners who fraudulently obtained their credentials. Appropriate prosecutions are underway.
- The BOW MARINER, a 570-foot, Singapore-flagged tanker, laden with 3.5 million gallons of highly volatile ethanol, exploded, burned, and sank 50 miles offshore. Nine Atlantic Area units leapt into action, launching 2 cutters, a motor lifeboat, 2 helicopters, and a C-130, in

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this Herculean search-and-rescue effort. Our rescue swimmer deployed in the 44-degree, oil-covered water to save six crewmen, the only survivors. He was later hospitalized overnight because of his exposure to the ethanol fumes and oil.

- Coast Guard Cutter MIDGETT returns home to Puget Sound this week after a very successful patrol in the eastern Pacific off Columbia and Central America. The crew seized over 27,000 pounds of cocaine – with a street value of over 183 million dollars -- in three boardings, setting a record for the most cocaine seized by a cutter on a single patrol. MIDGETT also discovered 129 Ecuadorian migrants on board one vessel and they are now being repatriated. It's important to note this case was intel-driven, a more common occurrence, reflecting our significant organizational investment in intelligence capability over the past few years.
- 18 cutters, 8 aircraft, and almost 1400 personnel deployed between the coast of Haiti and South Florida, to execute Operation Able Sentry as part of Homeland Security Task Force-Southeast. As conditions deteriorated in Haiti, Coast Guard cutters intercepted over a thousand Haitians and safely repatriated them, thus fulfilling our President's mandate to prevent a mass migration.
- We are now the Maritime Component Commander to Joint Task Force-Haiti under General Hill, the Combatant Commander at SOUTHCOM, and we are proudly working along side the Marine Corps ... I can think of no better partner.

That's an outstanding month by anyone's standards ... the beat goes on!

I should note however, that despite these positive outcomes, there are storm warnings along our projected track line. There are a number of clear warning signals that our ability to sustain our readiness into the future is increasingly at risk. Our greatest threat to mission performance continues to be that our aircraft, boats and cutters are aging, technologically obsolete, and require replacement and modernization. And at the current pace of operations, we are experiencing dramatically increasing system failures. For example:

- Our HH65 helicopters have experienced 70 in-flight power losses so far this fiscal year, over double that of the entire previous year.

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- Last year, we had 676 unscheduled maintenance days for our cutters – a 41% increase over the year before. Our cutters are breaking down at an alarming rate – faster than we anticipated when we first shaped our modernization strategy several years ago. This is especially true for our older platforms ... some of them are literally old enough to be eligible for social security!
- Our 110-foot cutters are well beyond their planned service lives and have experienced 20 hull breaches, resulting in emergency dry docks.

Where we are going

These indicators of eroding readiness dictate that we adjust our Deepwater modernization track line. This will require re-baselining of our modernization mix and timing.

Obviously, our FY04, 05, and future budgets are a critical part of the plan for us to move ahead smartly with modernization and readiness. The President's \$7.46B budget for the Coast Guard in FY05 is a 9% increase over FY04. With Congress' support of that budget, we will meet my four readiness priorities for 2005:

- First, to recapitalize our operational assets through an aggressive approach to deepwater and other modernization projects;
- Second, to enhance performance across all missions by building additional capabilities and capacity. For example, the FY05 budget includes operational funding for eleven 87-foot cutters built in 2004 and for five 179-foot patrol boats transferring from the Navy that will enhance our readiness in our homeland-security, counter-drug, alien-migrant-interdiction, living-marine-resources, and search-and-rescue mission areas.
- Third, to aggressively implement the comprehensive requirements of the Maritime Transportation Security Act of 2002 which ensures the safety of our ports, facilities, and vessels through a new set of security standards and performance requirements for both domestic and foreign ports and vessels.

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- And, finally, to expand what both the CNO and I are labeling Maritime Domain Awareness. A little background: on an average day, over 1,040 vessels larger than 300 GT approach the U.S. from foreign ports carrying goods and passengers while another 350 merchant ships are present in our ports. An additional untold number of vessels approach the U.S. and penetrate our EEZ bound for non-U.S. ports and are therefore not required to report to us, nor are they tracked. Expanding awareness of these vessels and all activities occurring in the maritime domain is critical to enhancing our performance across all mission areas. We must identify and understand threats, and disseminate timely information to our operational commanders and our homeland security partners in order to respond to terrorist attacks, drug smuggling, illegal migration, distressed boaters, or illegal fishing.

These four readiness priorities will help ensure operational excellence now and well into the future.

B. Stewardship - What have we done/where we are going

Over the past 3 years, our budget has grown 51%. In that same period, our workforce has grown by 10%. But our mission growth is even greater. We certainly have come a long way from where we were – but we are still struggling with a capacity/force structure gap. So our ability to sustain operational readiness is also dependent upon our ability to use our existing resource base wisely ... both effectively and efficiently ... with return-on-investment considerations in mind ... this is about sound stewardship ... the second strategic theme of my Commandant's Direction. It is also supports a key element of DHS efforts to integrate key enterprise-wide processes ... HR ... procurement ... accounting and so forth ... across the department.

- Our 'stewardship' approach over the past year and into the future involves effective use of our reserve and Auxiliary workforces to augment active-duty forces and provide a temporary force-structure "bridge" until we achieve appropriate active duty levels. For example, we successfully mobilized 64% of our reserve force to participate in expeditionary operations and to enhance protection of U.S. ports, waterways, and key assets during heightened states of

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alert. In addition, we received over two-and-a-quarter million hours from our all-volunteer Coast Guard Auxiliary in support of operations.

- We have been working with DHS to integrate our logistics and to develop DHS-wide processes, earning economies-of-scale for the Department in acquisitions and information technology.
- We have also laid the groundwork for judicious use of technology to leverage our assets and achieve better performance outcomes and increased productivity. Our better use of intel and C4ISR systems for example, has brought near-record counter-drug seizures with fewer operational platforms. We are aggressively pursuing chemical/biological/radiological/nuclear capability. We are upgrading and developing surveillance and tracking systems and standards. We are looking at the use of composite hull technologies for our new Fast Response Cutter to extend service life and reduce LSCs. Enhancing the network-centric capabilities of existing legacy platforms and pursuing MDA technologies embedded in Deepwater ... VUAVs, WAUAVs ... will measurably enhance mission outcomes across the board. Overall, innovation and the application of the right technology to the right mission at the right time will be our focus going forward.
- Building partnerships to enhance mission outcomes is also a stewardship imperative ... we have aggressively partnered within DHS to help with the evolution of the new department and to help build integrated support processes including HR and accounting system integration. It has everything to do with jointness and interoperability. There are numerous other examples, including: merging our MLE training at FLETC in Charleston, SC and the very collaborative and productive partnership between the CG, ONI and Customs in screening people, cargo, and vessels entering our maritime borders to reduce security risks. Our close partnership with the Navy and the Marine Corps, and investment throughout the year in joint training opportunities such as our small boat training with Marines at Camp Lejeune ... and in CD and national security joint operations, continue to pay off. Because of our training with the Marines, we now have added capability in the war on drugs – armed helicopters, which have proven extremely effective. Our collaborative relationships with other agencies within our new department and across the federal, state, and local agency spectrum ... have markedly improved outcomes whether in CD operations, migrant operations, or overall security risk mitigation efforts at our nation's borders and beyond. The development and maintenance of strategic partnerships

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will be a persistent feature of our MHLS going forward. This development, maintenance, and enhancement of security partnerships -- intergovernmental, public-private, regional, and international -- are absolutely essential if we are to enhance the security and safety of our respective nations and the world. Dealing with international global systems requires an international approach: not only partnerships of nations but partnerships of navies, coast guards, and commercial shipping interests between and among all of us.

- Good stewardship also means having the right match between organizational structure and missions. One of the organizational course adjustments we are making is to combine our unit-level MSO, Group, and Air Station field commands into new integrated commands called Sectors. This organizational restructuring ... the most comprehensive field reorganization in modern CG history, will help us meet our changing mission demands and sustain our operational excellence by providing unity of command in our ports, better alignment of field commands, and improvements to operational effectiveness. It will also position us effectively for operations with our fellow DHS agencies as well as state and local and private sector entities.

C. People

Ultimately, progress in readiness and stewardship depend on people ...our third and most important strategic theme.

We, like the Marine Corps, pride ourselves on the individuals who make up our organization – and rightly so. Our people are the reason for every one of our successes. You need look no further than those involved in the Bow Mariner case.

1. What we have done

We are a people organization – our people routinely put service above self and they are my highest priority and most valuable resource. We've been moving forward in a number of ways to take care of them. First and foremost, we are growing the workforce and doing that carefully. We've ensure pay parity with DOD including aggressive application of sea pay compensation. We have made appropriate investments in our recruit and training systems. We have invested over \$16 million in personal protection

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equipment in the past 3 years; we've brought on board a more professional, more comfortable uniform in our ODUs – they're blue BDUs; and we've increased the educational opportunities our people have, tripling the annual tuition assistance cap since 2000, which spurred more than twice as many people to enroll in Tuition Assistance. Coast Guard men and women are also eligible to participate in the U.S. Military Apprenticeship Program as well as the Service member's Opportunity College network.

And I'm happy to report that our people recognize the investments we're making in them and they appreciate our efforts – so much so, that last year we enjoyed our second-highest retention rate since 1958 -- 87.6 percent!

2. Where we are going

For the future of our people, we remain committed to providing them with professional development opportunities to better prepare them for service in positions of increased responsibility and authority. We are developing more professional training for our men and women, including a leadership and management course for our E-5s, a Command Master Chief course for our E-9's, the equivalent of the Capstone course for new Admirals, and the introduction of a professional military education program this summer. We're also developing a physical fitness program, to have in place this time next year, and we're working to eliminate housing out-of-pocket expenses in 2005. And, in the continuing effort to recognize our top performers, we will be using in-zone promotions in our upcoming officer promotion boards meaning that promotion boards can adjust seniority within the promotion zone ... Taking someone who would be #100 on the promotion list for Lieutenant Commander, for example, and placing that person in the #2 slot.

IV. Conclusion:

So, now that we've taken a fix of our position, what is the State of today's Coast Guard? From the Readiness-Stewardship-People perspective, it's very, very good today and it's getting better. As I noted, our biggest challenge is the condition of our Deepwater legacy systems and the need to move ahead sharply with modernization ... my expectation is that Congress will join with the Administration in strong support of our recapitalization efforts.

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I'm frequently asked at Hearings and other venues whether we will be able to sustain our pace of operations and whether we will be able to support our full range of missions .. all while making homeland security a priority. In retrospect, we have been able to sustain this level of operational excellence over the past year because of several factors ...

- because we flexibly allocate our limited assets to the greatest risk, both within mission and across missions.
- because of the support we receive from the Department, the Administration, and the American public. Thanks to this Administration, our budget is growing to meet our mushrooming mission demand.
- because increasingly, we use technology and strategic partnerships -- - with the Navy and marine Corps and our fellow DHS agencies, with other federal state and local agencies and with industry --- to leverage our resource base.
- because of the oversight we receive from Congress and the General Accounting Office. We – believe it or not – welcome GAO audits. They help us better manage our Coast Guard. I find great value in this partnership.
- And most importantly, because of the dedication, patriotism, hard work and professionalism of our people – active, reserve, civilian, and Auxiliary. We will continue to invest aggressively in the hard work, integrity, smarts, professionalism, and adaptability of our people

As we go through these periods of change – and this past year is certainly one of the most dynamic the Coast Guard has been through – I sleep well at night, confident in the Coast Guard's operational excellence and the Coast Guard men and women standing their watches around the world. No matter what the mission our country has asked us to perform, our basic, fundamental characteristics and values don't change. These remain our North Star:

- We are a military, multi-mission, and maritime Service.
- We live our core values of Honor, Respect, and Devotion to Duty – similar to the Marine values of Honor, Courage, and Commitment.
- And we are Semper Paratus – always ready to answer our Nation's call.

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I've been with this service for 40 years and I could not be more proud of the work we do today and our people who make the Coast Guard, "America's Lifesavers and Guardians of the Sea."

Semper Paratus.