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| **Purpose:** Provide remarks to the Shipbuilders Council of America during their 2017 Spring Membership Meeting.  **Audience:** 70-80 representatives from the shipbuilding and repair industry.  **Themes:** Weave strategic messaging throughout a recapitalization discussion in hopes these stakeholders will amplify the CG value proposition.   * Update on current recapitalization (effectiveness in WHEM) * Future Plans – Polar Icebreaker Acquisition (Arctic) * Future Plans – Heartland Fleet Recapitalization (MTS) * A robust domestic shipbuilding industry is vital to National Security   **Format / Duration:** Slides. ~15 minutes of remarks followed by ~10 minutes of Q&A. |

**SLIDE 1: TITLE SLIDE**

* [Extemporaneous Greetings]

**SLIDE 2: CURRENT RECAPITALIZATION UPDATE (WHEM)**

* The Coast Guard is currently recapitalizing our aging fleets like never before, at least not since Alexander Hamilton urged the construction of 10 revenue cutters back in 1790.
* The National Security Cutter (9) and Fast Response Cutter (58) are true game-changers for the Coast Guard. Over the next few years we will round out our surface capabilities with the start of construction on our Offshore Patrol Cutter (25) which will eventually comprise 75% of our offshore presence. This new “great white fleet” that we are building is critical to the security of our Nation!
* As I said, these capable platforms have been real game changers for us, especially in our campaign against transnational criminal networks in our region. This is about our Nation’s Security. The illicit activities these criminals engage in span from drug trafficking to human smuggling, human trafficking to cyber crime – whatever they can exploit for profit. And they do it on the back of innocent civilians, and regional stability and prosperity.
* Mexico has surpassed Iraq and Afghanistan as the world’s second-most deadly conflict zone after Syria. The number of fatalities from the expanding war among Mexico’s criminal cartels grew to 23,000 in 2016, compared with 17,000 in Afghanistan and 16,000 in Iraq.[[1]](#footnote-1) This is the nation directly south of us! When is the last time you heard of criminal violence reaching a level akin to armed conflict? This is what we are dealing with in the Northern Triangle of Central America (Honduras, Guatemala and El Salvador) and, especially, Mexico.
* So, while my sister service’s in DoD are pulled far from our shores to secure our Nation – they are the away game, the Coast Guard is securing our Nation from threats right in our own backyard.
* And these interoperable platforms are critical in this campaign!
* Just last year, the Coast Guard, in concert with our international and interagency partners, achieved a record removal of cocaine – 201 metric tons. And, we brought 585 smugglers to justice here in the United States where we have a nearly 100 percent prosecution rate. Not many people know this, but the Coast Guard is responsible for two thirds of all interdicted cocaine destined for the U.S. In fact, we stop more cocaine destined for our shores than all other federal agencies combined.
* But there were 580 events last year that we were aware of but could not target. And the flow of cocaine continues to increase and we are the number one consumer.
* It’s an issue of capacity. And I cannot get our new Off Shore Patrol Cutters delivered fast enough. On May 3, the Coast Guard Project Resident Office (PRO) officially opened its on-site facility – we are moving out!

**SLIDE 3: POLAR ICEBREAKER (ARCTIC)**

* We are also accelerating toward a fleet of new icebreakers!
* The Arctic proves to be one of the world’s most challenging operating environments – and it’s becoming only more challenging as the sea ice continues to retreat. That image on your top right is the Crystal Serenity – the cruise ship with 1700 people on board that transited the NW Passage last year and will do so again this year. And she will be joined by two others this summer (Bremen and LeBoreal)
* Just like all U.S. waterways, the Coast Guard is focused on the safety and security of maritime operations and the safe facilitation of commerce. While we have seen low exploration activity in the Alaskan Arctic over the past few years, there are still prospects for significant development of Arctic resources over the next 10 years. This is a strategic reserve for our Nation. And should companies seek to explore in the Arctic, like Shell did previously, the Coast Guard needs to be ready.
* Part of being *Semper Paratus*  in the Arctic is being present. Russia is certainly present with their 46 icebreakers. We operate our Nation’s only icebreaking fleet. And today we have only two operational icebreakers – one heavy and one medium. The heavy is over 40 years old.
* So, first and foremost, acquiring new heavy polar icebreaking capability is one of our most critical investment priorities.
* And we have $150M in Defense funding to get started on our first new heavy icebreaker.
* The Coast Guard and Navy have established an Integrated Program Office to leverage the experience of both services to oversee the accelerated construction of heavy polar icebreakers and rebuild this organic capability.
  + The IPO will leverage existing designs and mature technologies to mitigate schedule and cost risks using a strategy based on robust industry collaboration and competition leading to award of a contract for Detail Design and Construction.
  + The program is on track to complete all essential activities needed to award a contract for detail design in 2019.
  + The Coast Guard plans to take delivery of the first heavy icebreaker no later than 2023!
* Robust industry and external partner engagement, like that conducted in other acquisition programs, is a key feature of the heavy polar icebreaker acquisition program.
  + In February, we awarded five firm fixed-price contracts for heavy polar icebreaker design studies and analysis to identify design and systems approaches that will reduce acquisition cost and production timelines. The five shipyards are:
    - Bollinger Shipyards LLC of Lockport, Louisiana;
    - Fincantieri Marine Group LLC of Washington, D.C.;
    - General Dynamics/National Steel and Shipbuilding Company of San Diego;
    - Huntington Ingalls Inc. of Pascagoula, Mississippi; and
    - VT Halter Marine Inc. of Pascagoula.
  + We released our draft heavy polar icebreaker system specification in a request for information (RFI) April 4, 2017.
  + And we’re partnering with Canada for form an Integrated Program Office to test and validate potential heavy polar icebreaker design models at Canada’s National Research Council (NRC) in St John’s, Newfoundland.
* When all is said and done, I have no doubt our strong domestic shipbuilding base is more capable of delivering this critical National asset - by 2023 or sooner! With more to follow.

**SLIDE 4: HEARTLAND FLEET (MTS)**

* Keeping our Maritime Transportation System safe, secure, and resilient is another national security imperative that the Coast Guard is at the heart of. As you well know, the United States has one of the largest systems of ports and waterways in the world - a system that contributes over $4.5 trillion to our Nation’s economic activity on an annual basis and it supports millions American jobs. These waterways are a critical part of our infrastructure. They provide resiliency while they relieve other modes of transportation.
* Our fleet of 35 vessels (Inland River Tenders, Construction Tenders and Inland Buoy Tenders) work to keep this economic engine running. They establish, maintain, and repair beacons and buoys in waters inaccessible to larger ATON units. The average age of this fleet is 52! We have some cutters exceeding 70 years!
* It’ll take a modest investment of about 25 million per vessel to recapitalize.
* So I’m thrilled to see the FY17 Appropriations Act provide the first increment of funding to initiate pre-acquisition activities.
* Concept of Operations, Capability Development Plan, and Operational Requirements documents are in process; our Mission Need Statement is complete.
  + About the mission… let me just tell you, I was on one of the aging vessels. There was this SN just barely out of boot camp, pulling weeds, using a chainsaw, fighting off all manner of rodent and insect. I asked this SN if this is what she thought she’d be doing in the Coast Guard. She said, “Are you kidding, if I don’t do my job, millions worth of commerce does not get up and down this river every day…”

* Truly, the United States cannot afford to see a main artery of our economic highway shutdown because we failed to make a smart investment in this fleet. I anticipate we will be seeking a standard configuration design with improved operational flexibility and availability… and we, once again, are moving out!

**SLIDE 5: ENSURING NATIONAL SECURITY**

* Throughout history – our ability to build ships as a nation - shipyards and U.S. merchant vessels - have underpinned American success. Starting all the way back with our Revenue Cutters (Bottom Left - Revenue Cutter Matthew).
* American shipyards were critical to victory in World War II. Then - as now - the US Military could not fight a war without merchant marine and commercial ships to carry the tanks, troops, food, and armament to the fight. (Upper Left- Ready Reserve Force ship SS Cape Intrepid transporting tanks in Desert Shield)
* The average rate of delivery from our merchant mariners and Navy Armed Guard in 1945 was 17-million pounds of cargo every hour! Merchant ships were the first to experience WWII - they were captured or sank before the US even entered the war. And they were the last to return, carrying our soldiers home (Upper right – merchant ship carrying troops home from WWII).
* More recently, the ready reserve force delivered 3.4 million square feet of cargo for Operation Iraqi Freedom.
* A robust merchant fleet, and the shipyards that sustain that fleet, are just as critical to our national security today.
* And our world is not exactly breaking out in tranquility. But, our domestic oceangoing merchant marine fleet has declined 82 percent from 1951 to 2011. At its peak, the ocean fleet comprised nearly 1,300 vessels. Today, it has shrunk to about 166 ships and accounts for about 1 percent of the global fleet.
* We have reached a tipping point where it is time to invest in the recapitalization of the US commercial fleet that begins with our shipbuilders here at home. (the center picture is of our current “moth ball” fleet)
* For the Coast Guard and our fleet recapitalization project that I talked to you about, we need robust shipbuilding capacity in the US to drive innovation, maintain proficiency, and keep costs competitive.
* From a safety perspective, a robust merchant fleet is also in the interest of the Coast Guard. The average age of our Jones Act fleet is 17.5 years – if you are gauging against CG platforms, that’s not so bad… but really, it’s ancient. The average age of commercial ships around the world is 11 years old. The safest option to enhance the competitiveness of the US Flag in international trade is to build new ships, compliant with the latest safety regulations.
* A robust shipbuilding base is a safety need and it’s a national security imperative.

**SLIDE 6: CLOSING / QUESTIONS**

* Our ability to acquire all of these high-value assets requires a strong domestic shipbuilding base capable of delivering high quality products within cost and schedule. It requires the men and women in this room! Thank you for being such excellent partners.
* Our early and continued engagement with our industry partners is exceptional and, in the heavy polar icebreaker and OPC acquisitions, industry engagement has played an critical role in maintaining a stable trajectory for both programs.
* Together, we are equipping Coast Guard men and women with the tools and capabilities they need to carry out the service’s important missions… all at affordable prices.
* So I’ll address one more topic, before I hear from you, I’ll go ahead and answer the question I know many of you want to ask. What about our nation’s fiscal realities? How comfortable am I that our current Administration / Representatives will continue to invest in the recapitalization of the United States Coast Guard?
* I am extremely confident!
* First and foremost, we are an Armed Service. If you haven’t heard, there is an EO on rebuilding our armed forces. That includes us. Does the administration know this? Absolutely.
  + VPOTUS - "We are going to start off by rebuilding the American military. We'll restore the arsenal of democracy. We'll provide our Soldiers, Sailors, Airman, Marines, and Coast Guard with the resources and training they need to accomplish their mission and come home safe." VPOTUS remarks at CPAC 2017 (Conservative Political Action Conference) on Thursday, February 23,2017
  + POTUS - "We're also putting in a massive budget request for our beloved military. And we will be substantially upgrading all of our military, all of our military, offensive, defensive, everything. Bigger and better and stronger than ever before and hopefully we'll never have to use it but nobody's going to mess with us, folks. Nobody. It will be one of the greatest military buildup in American history. No one will dare question, as they have been, because we're very depleted, very, very depleted sequester. Nobody will question our military might again." POTUS remarks at CPAC 2017 (Conservative Political Action Conference) on Friday, February 24,2017
  + S1 - And nobody knows this more than my friend and Service Secretary, John Kelly. I could not have hand selected a better S1 than him.
* What about Congress?
  + When we had budget concerns with OMB – you couldn’t help but have read about it… it was leaked and it shouldn’t have been leaked… but when it was over 70 representatives sent letters to S1, POTUS. Both.
  + Any idea about cutting our budget was coined, simply, “ludicrous.”
* We may be a small armed service, but we pack a mighty punch. Our value to the nation is too important to deny. So, yes, even in the bleak fiscal landscape we find ourselves in… I’m feeling very confident.
* So, now, what questions do you have for me?

1. https://www.bloomberg.com/politics/articles/2017-05-09/mexico-now-world-s-deadliest-conflict-zone-after-syria-survey [↑](#footnote-ref-1)