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THE PRESIDENT'S FISCAL YEAR 2017 BUDGET REQUEST FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS

(114–37)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

MARCH 15, 2016

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March 11, 2016

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Coast Guard and Maritime Transportation
FROM:	Staff, Subcommittee on Coast Guard and Maritime Transportation
RE:	Hearing on "President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs"

PURPOSE

On Tuesday, March 15, 2016, at 10:00 a.m., in 2167 Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will hold a hearing to examine the fiscal year 2017 budget requests for the United States Coast Guard, the Federal Maritime Commission (FMC), and the Maritime Administration (MARAD). The Subcommittee will hear from the Commandant and Master Chief Petty Officer of the Coast Guard, the Administrator of MARAD, and the Chairman of the FMC.

BACKGROUND

Coast Guard

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service (established in 1790) and the Lifesaving Service (established in 1848). The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service (established in 1789), the Steamboat Inspection Service (established in 1838), and the Bureau of Navigation (established in 1884).

Under section 2 of title 14, United States Code, the Coast Guard has primary responsibility to enforce or assist in the enforcement of all applicable federal laws on, under, and over the high seas and waters subject to the jurisdiction of the United States; to ensure safety of life and property at sea; to carry out domestic and international icebreaking activities; and, as one of the five armed forces of the United States, to maintain defense readiness to operate as a specialized service in the Navy upon the declaration of war or when the President directs.

The Coast Guard is directed by a Commandant, who is appointed by the President with the advice and consent of the Senate to a four-year term. On May 30, 2014, President Obama appointed Admiral Paul F. Zukunft as Commandant of the Coast Guard.

Fiscal year 2017 Coast Guard Budget Request

The President requests $10.3 billion in fiscal year 2017 for the activities of the Coast Guard, $791 million (or 7.12 percent) less than the current enacted level. The Coast Guard is currently operating under the Consolidated Appropriations Act, 2016 (P.L. 114-113), that provides $30.8 million (or 0.3 percent) more than the fiscal year 2015 enacted level.

Of the $10.3 billion requested in fiscal year 2017, $8.43 billion is for Coast Guard discretionary accounts, $729 million (or 7.96 percent) less than the current enacted level. This amount does not include a transfer of $160 million in funding to the Coast Guard from the Department of Defense (DoD) Overseas Contingency Operations account. The transfer of these funds would support the ongoing deployment of six 110-foot Coast Guard Patrol Boats conducting port and waterways security operations in the Persian Gulf. Below is a comparison of the President's fiscal year 2017 budget request to the fiscal year 2016 appropriated funding.

Program	**FY 2016 Enacted**	**FY 2017 President's Budget Request**	***Diff. Bet. FY 2017 Budget Request & FY 2016 Enacted***	***% Diff. Bet. FY 2017 Budget Request & FY 2016 Enacted***
Operating Expenses	$6,901,488,000	$6,986,815,000	*$85,327,000*	*1.24%*
Environmental Compliance & Restoration	$13,221,000	$13,315,000	*$94,000*	*0.71%*
Reserve Training	$110,614,000	$112,302,000	*$1,688,000*	*1.53%*
Acquisition, Construction & Improvements	$1,945,169,000	$1,136,788,000	*($808,381,000)*	*-41.56%*
Alteration of Bridges	$0	$0	*$0*	
Research, Development, Test & Evaluation	$18,019,000	$18,319,000	*$300,000*	*1.66%*
Medicare-Eligible Retiree Health Care Fund Contribution	$168,847,000	$160,899,000	*($7,948,000)*	*-4.71%*
Subtotal, Discretionary	**$9,157,358,000**	**$8,428,438,000**	*($728,920,000)*	***-7.96%***
Retired Pay	$1,604,000,000	$1,666,940,000	*$62,940,000*	*3.92%*
State Boating Safety Grants	$114,326,000	$116,088,000	*$1,762,000*	*1.54%*
Oil Spill Liability Trust Fund Claims	$107,329,000	$107,868,000	*$539,000*	*0.50%*
Subtotal, Mandatory[1]	**$1,827,276,000**	**$1,893,110,000**	***$65,834,000***	***3.60%***
Total[2]	**$11,112,251,000**	**$10,321,548,000**	*($790,703,000)*	***-7.12%***

[1] Subtotal includes General Gift Funds not listed in table
[2] Fiscal year 2016 total includes Overseas Contingency Operations funding minus rescissions

Operating Expenses: The President requests $6.99 billion for Coast Guard Operating Expenses (OE) in fiscal year 2017, $85.3 million (or 1.24 percent) more than the current enacted level. The OE account supports the day-to-day activities of the Coast Guard including administrative expenses, support costs, travel, lease payments, and the operation and maintenance of infrastructure and assets. The OE account also funds personnel compensation and benefits for the Service's approximately 41,000 active duty military members, 7,500 reservists, and 8,500 civilian employees.

The budget for OE includes increases in funding to cover follow-on costs for the operation and maintenance of new assets and technology acquired in fiscal year 2016 and increases in other administrative expenses. The request includes a $291.3 million increase to cover the cost of the 1.6 percent pay raise for military and civilian personnel, as well as expanded military benefits enabling Coast Guard servicemembers to maintain parity with benefits received by DoD servicemembers, operational adjustments, and operating and maintenance funds for new assets.

These increases are offset by $201.6 million in cuts derived through decommissioning certain assets, reducing the number of military and civilian positions, as well as reductions in personnel, support, and other administrative costs. The proposed reductions in the OE account include:

- *Personnel:* The fiscal year 2017 request proposes to cut High Value Unit Escorts conducted by the Coast Guard that includes a reduction of 28 positions. In addition, the Service reduces roughly 400 positions due to decommissioning certain assets and reducing healthcare, logistics, and other support service personnel. The Service shows an overall increase of 325 positions mainly due to increases in Follow-On personnel for the NSCs, FRCs and some of its aircraft.

- *Asset Decommissionings:* The fiscal year 2017 budget proposes to decommission four 110-foot Patrol Boats, one High Endurance Cutter (HEC), Manned Covert Surveillance Aircraft, and one Seagoing Buoy Tender crew. The 110-foot Patrol Boats are being replaced by new 154-foot Fast Response Cutters (FRC). The HECs are being replaced by new 418-foot National Security Cutters (NSC). The Coast Guard estimates these decommissionings will save $18.4 million in fiscal year 2017.

- *Contractor Reductions:* The fiscal year 2017 request proposes to terminate $35 million worth of professional services contracts, including any due to expire in 2016. The Coast Guard is conducting an internal analysis of all professional service contracts and contracts will be compared to determine prioritization and areas of highest need; any low priority contracts will be terminated.

Environmental Compliance and Restoration: The President requests $13.3 million for the Environmental Compliance and Restoration (EC&R) account in fiscal year 2017, $94,000 (or 0.71 percent) more than the current enacted level. The EC&R account provides for the clean-up and restoration of contaminated Coast Guard facilities, as well as for the remediation of Coast

Guard assets to ensure they are safe to operate or can be decommissioned in compliance with environmental laws.

The Coast Guard plans to use the $13.3 million requested for EC&R to pay for the environmental remediation, restoration, and long term monitoring of Coast Guard property in several states. The Service currently has a prioritized backlog of 186 EC&R projects with an estimated combined cost of over $140 million.

Reserve Training: The President requests $112.3 million for the Reserve Training account in fiscal year 2017, $1.7 million (or 1.53 percent) more than the current enacted level. The Reserve Training account funds the costs of training members of the Coast Guard Reserve and the administration of the Reserve Program.

The fiscal year 2017 request retains the fiscal year 2016 level of 416 positions and 416 FTEs, which was a reduction from fiscal year 2105 levels of 445 positions and 456 FTEs to support the readiness of the 7,000 member Coast Guard Reserve workforce.

Reservists maintain readiness through regular training and exercises. Reservists can be mobilized by the Secretary of Homeland Security to support the response to a national emergency or disaster, and by the Secretary of Defense to support national security operations worldwide. In recent years, Coast Guard Reservists were mobilized to support Haiti earthquake relief operations, the response to the BP DEEPWATER HORIZON oil spill, and to conduct port security activities in Iraq in support of Operation Enduring Freedom.

Acquisitions, Construction, and Improvements: The President requests $1.1 billion for the Acquisitions, Construction, and Improvements (AC&I) account in fiscal year 2017, $808.4 million (or 41.6 percent) less than the current enacted level. The AC&I account funds the acquisition, construction, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids-to-navigation, communications and information technology systems, and related equipment.

The budget request includes $964.8 million for the acquisition of aircraft, vessels, and command, control, communications, computer, intelligence, surveillance, and reconnaissance (C4ISR) systems. This represents a reduction of $659.7 million (or 41percent) from the current enacted level. The budget request includes:

- $127 million to conduct Post Delivery Activities on National Security Cutters (NSC) 4 through 8 and testing and evaluation of one Small Unmanned Aircraft Systems (sUAS) to establish sUAS capability on one NSC;
- $240 million to acquire four FRCs;
- $100 million to facilitate evaluation of required deliverables from the Detail Design and award of the Long Lead Time Materials for the OPC, which is on schedule to occur in late fiscal year 2016. The OPC is supposed to replace the Service's aging 210-foot and 270-foot MECs;
- $130 million to fund the requirement to induct, deploy, and establish logistics for newly acquired C-27J aircraft, including C-27J Asset Project Office activities and support,

training, equipment and spares, and aircraft re-generation at Davis Monthan AFB. The request also includes funding for the missionization for two HC-27Js;

- $20.8 million to fund procurement of critical spares and equipment to complete activation of the second operational HC-130J. It begins the retrofit of the legacy Mission System Suite HC-130J with the Service's variant of the U.S. Navy Minotaur mission system. The HC-130J is replacing the Service's fleet of older model HC-130H aircraft;
- $25 million for the continued modernization and sustainment of the HH-65 Dolphin helicopter fleet;
- $24.3 million for C4ISR acquisition, program management, and systems engineering and integration; and
- $147.6 million to fund completion of programmatic planning documents and award of contract for Detail Design and all other design activities leading to commencement of production activities for a heavy polar-class icebreaker by 2020.

The budget requests $172 million in other capital costs, $148.7 million (or 46 percent) less than the current enacted level. This includes $120.9 million in personnel costs to execute AC&I programs and $51 million to construct or renovate shore facilities and aids-to-navigation. The Coast Guard currently has a backlog of 20 shore facility improvement projects with an estimated combined cost of over $317 million.

Finally, no funding is included in the budget request to rehabilitate housing for Coast Guard servicemembers and their dependents. The account received $21 million in the current fiscal year. The 2014 Howard Coble Coast Guard and Maritime Transportation Act required the Service to establish an inventory of its real property and submit a report on its findings by March 30, 2016.

Alteration of Bridges: The President does not request funding for the Alteration of Bridges program in fiscal year 2017. The program did not receive funding in fiscal year 2016 or fiscal year 2015. Established by the Truman-Hobbs Act of 1940 (33 U.S.C. 511 et. seq.), the Alteration of Bridges program authorizes the Coast Guard to share with a bridge's owner the cost of altering or removing privately or publicly owned railroad and highway bridges that are determined by the Service to obstruct marine navigation.

Research, Development, Test, and Evaluation: The President requests $18.3 million for the Coast Guard's Research, Development, Test, and Evaluation (RDT&E) account, $300,000 (or 1.66 percent) more than the current enacted level. The RDT&E account supports improved mission performance for the Service's 11 statutory missions through applied research and development of new technology and methods.

The Coast Guard intends to use the $18.3 million requested for RDT&E in fiscal year 2017 to improve its modeling and simulation capabilities and develop new technologies for the detection and recovery of oil and hazardous substances both on the surface and in the water column, and in the Arctic environment; develop solutions to Arctic maritime communication challenges; to test new unmanned systems; and to develop new systems to improve intelligence collection and dissemination.

Coast Guard Fiscal Year 2017 Authorized Funding

On February 8, 2016, the President signed into law H.R. 4188, the Coast Guard Authorization Act of 2015 (P.L. 114-120). P.L. 114-120 authorized funding for the discretionary accounts of the Coast Guard for fiscal year 2017. Below is a comparison of the President's fiscal year 2017 budget request to the FY 2017 enacted authorization.

Program	FY 2017 President's Budget Request	FY 2017 Enacted Authorization (PL 114-120)
Operating Expenses	$6,986,815,000	$6,981,036,000
Environmental Compliance & Restoration	$13,315,000	$16,701,000
Reserve Training	$112,302,000	$140,016,000
Acquisition, Construction, & Improvements	$1,136,788,000	$1,945,000,000
Research, Development, Test, & Evaluation	$18,319,000	$19,890,000
Total	**$8,267,539,000**	**$9,102,643,000**

Federal Maritime Commission

The FMC was established in 1961 as an independent agency which regulates oceanborne transportation in the foreign commerce of the United States. The FMC protects shippers and carriers from restrictive or unfair practices of foreign governments and foreign flagged carriers. The FMC also enforces laws related to cruise vessel financial responsibility, to ensure cruise vessel operators have sufficient resources to pay judgments to passengers for personal injury or death or for nonperformance of a voyage.

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The Commission is led by a Chairman designated by the President. On April 1, 2013, the President designated Commissioner Mario Cordero as Chairman.

Fiscal Year 2017 FMC Budget Request

The President requests $27.49 million in fiscal year 2017 for the activities of the FMC, $1.8 million (or 7 percent) more than the fiscal year 2016 enacted level. Below is a comparison of the President's fiscal year 2017 budget request to the fiscal year 2016 appropriated funding.

Account	FY 2016 Enacted	FY 2017 President's Budget Request	*Diff. Bet. FY 2017 Request & FY 2016 Enacted*	*% Diff. Bet. FY 2017 Request & FY 2016 Enacted*
Formal Proceedings	$8,368,000	$8,784,000	*$416,000*	*4.97%*
Equal Employment Opportunity	$176,000	$192,000	*$16,000*	*9.09%*
Inspector General	$502,000	$552,000	*$50,000*	*9.96%*
Operational and Administrative	$16,614,000	$17,962,000	*$1,348,000*	*8.11%*
Total	**$25,660,000**	**$27,490,000**	***$1,830,000***	***7.13%***

P.L. 114-120 authorized the activities of the FMC at $24.7 million for fiscal year 2017.

Maritime Administration

MARAD was established in 1950. It administers financial programs to build, promote, and operate the U.S. flag fleet; manages the disposal of federal government-owned vessels; regulates the transfer of U.S. documented vessels to foreign registries; maintains a reserve fleet of federal government-owned vessels essential for national defense; operates the U.S. Merchant Marine Academy; and administers a grant-in-aid program for state operated maritime academies.

MARAD is led by an Administrator appointed by the President with the advice and consent of the Senate. On July 25, 2014, President Obama appointed Paul "Chip" Jaenichen, Sr. to serve as Administrator.

Fiscal Year 2017 MARAD Budget Request

The President requests $403.1 million in fiscal year 2017 for the activities of MARAD, $3.8 million (or 0.95 percent) more than the fiscal year 2016 enacted level. Below is a comparison of the President's fiscal year 2017 budget request to the fiscal year 2016 appropriated funding.

Account	FY 2016 Enacted	FY 2017 President's Budget Request	*Diff. Bet. FY 2017 Request & FY 2016 Enacted*	*% Diff. Bet. FY 2017 Request & FY 2016 Enacted*
Operations and Training	$171,155,000	$194,100,000	*$22,945,000*	*13.41%*
Assistance to Small Shipyards	$5,000,000	$0	*-$5,000,000*	*0.00%*
Ship Disposal Program	$5,000,000	$20,000,000	*$15,000,000*	*300.00%*
Maritime Security Program	$210,000,000	$186,000,000	*-$24,000,000*	*-11.43%*
Title XI - Administrative Expenses	$3,135,000	$3,000,000	*($135,000)*	*-4.31%*
Title XI - Loan Guarantees	$5,000,000	$0	*($5,000,000)*	*0%*
Total	**$399,290,000**	**$403,100,000**	***$3,810,000***	***0.95%***

Operations and Training: The President requests $194 million for the Operations and Training (O&T) account, $22.9 million (or 13.4 percent) more than the fiscal year 2016 enacted level. O&T funds the salaries and expenses for each of MARAD's programs, the operation, maintenance, and capital improvements to the U.S. Merchant Marine Academy, and financial assistance to the six state maritime academies.

The budget request for O&T includes $99.9 million for the U.S. Merchant Marine Academy, including $74.9 million for Academy Operations, and $25.1 million for capital improvements, repairs, and maintenance; $29.6 million for the six state maritime academies, including $6 million to begin design work on a new training vessel; and $58.7 million for MARAD Operations and Programs. The budget does not request funding for the Marine Highways Grant Program.

Assistance to Small Shipyards: The budget does not request funds for the Assistance to Small Shipyards Grant Program. The program provides capital grants to small privately owned shipyards to expand and modernize shipbuilding capacity, efficiency, and competitiveness. The program received $5 million in fiscal year 2016. P.L. 113-281 reauthorized the program through fiscal year 2017 at $10 million per year.

Ship Disposal: The budget requests $20 million for the Ship Disposal Program, $15 million (or 300 percent) more than the fiscal year 2016 enacted level. The program provides for the proper disposal of obsolete government-owned merchant ships maintained by MARAD in the National Defense Reserve Fleet. The requested funding will cover expenses related to the disposal of the remaining three vessels in the Suisan Bay Reserve Fleet in fiscal year 2016 to meet a California Court Consent Decree. The request also includes $8 million to maintain in protective storage and begin the decommissioning of the NS SAVANNAH.

Maritime Security Program: The budget requests $186 million for the Maritime Security Program (MSP) in fiscal year 2017, $24 million (or 11.4 percent) less than the fiscal year 2016 enacted level. Under this program, $186 million in direct payments are divided among up to 60 U.S. flagged vessel operators engaged in foreign trade. MSP vessel operators are required to keep their vessels in active commercial service and provide intermodal sealift support to the DoD in times of war or national emergency.

MARAD proposes to use an additional $25 million in the request for MSP to reimburse U.S. flagged vessel operators for the cost of employing additional U.S. mariners displaced by a restructuring of the Food for Peace Program (P.L. 83-480) proposed by the President in the fiscal year 2017 budget.

Title XI Loan Guarantees: The budget does not request funds for new loan guarantees for the construction or reconstruction of U.S. flagged vessels in U.S. shipyards under the Title XI program. The program received $5 million in fiscal year 2016. There is currently $42 million in Title XI loan subsidies available, which equates to approximately $518 million in available loan guarantees. MARAD expects to obligate most of the remaining $42 million in fiscal year 2016.

WITNESS LIST

Admiral Paul F. Zukunft
Commandant
United States Coast Guard
accompanied by
Master Chief Steven W. Cantrell
Master Chief Petty Officer of the Coast Guard
United States Coast Guard

The Honorable Paul "Chip" N. Jaenichen, Sr.
Administrator
Maritime Administration

The Honorable Mario Cordero
Chairman
Federal Maritime Commission

THE PRESIDENT'S FISCAL YEAR 2017 BUDGET REQUEST FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS

TUESDAY, MARCH 15, 2016

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:03 a.m. in room 2167, Rayburn House Office Building, Hon. Duncan Hunter (Chairman of the subcommittee) presiding.

Mr. HUNTER. The subcommittee will come to order. The subcommittee is meeting today to hear testimony on the President's fiscal year 2017 budget request from the leaders of the Coast Guard, Maritime Administration, and the Federal Maritime Commission.

For the fifth year in a row the Coast Guard is seeing funding cuts in the President's budget request sent to Congress. The request would slash the Coast Guard's acquisition budget by 42 percent from fiscal year 2016 enacted level. The proposed fiscal year 2017 request is roughly $1 billion short of what is required to sustain the acquisition program of record. The underfunding of Coast Guard programs will continue to severely undermine efforts to recapitalize the Service's aging and failing legacy assets, increase acquisition costs for taxpayers, and seriously degrade mission effectiveness.

The administration is playing a reckless game. Annual budget requests cut funding for the Coast Guard to pay for increases at other agencies, betting that Congress will not ignore the needs of the Coast Guard and restore the hundreds of millions of dollars needed to sustain its acquisitions and frontline operations.

This yearly game of chicken is not conducive to recapitalizing the Coast Guard's fleet or in sustaining its missions. What is perceived as the administration's lack of support for Coast Guard programs makes it difficult to continually fight for funding increases during the appropriations process. If the President is going to continue to propose these cuts year after year, he needs to tell us how he intends to rescope the missions of the Coast Guard to reflect his reduced budgets.

Admiral Zukunft and Master Chief Cantrell are here before us today. I want to commend you both for your leadership and tremendous service to our Nation. Admiral, I fully understand the sit-

uation you have been put in with this budget and previous year budget requests, and I appreciate your candor in describing what these cuts will mean for the ability of the Service to successfully conduct its missions.

The budget request for the Maritime Administration is a slight increase of 1 percent over the current level. Operations and training and the ship disposal program receive increases in fiscal year 2017. The administration is again requesting a one-time payoff to the maritime industry in exchange for a permanent reduction in the number of U.S. mariner jobs carrying cargo under the hugely successful Food for Peace program.

Since 1954, the Food for Peace program has provided agricultural commodities grown by U.S. farmers and transported by U.S. mariners on U.S.-flagged vessels to those threatened by starvation throughout the world. Unfortunately, since fiscal year 2014 the administration has proposed restructuring the Food for Peace program. This misguided proposal will eliminate a vital program for our farmers, put mariners out of work, and undermine our national security by reducing the domestic sealift capacity on which our Nation's military depends.

Members of Congress have repeatedly, in a bipartisan manner, come together to vote down this flawed proposal. I hope my colleagues will join me once again in rejecting the President's proposal and work with me on efforts to strengthen our merchant marine. I look forward to hearing from the Administrator on how he intends to move forward with his efforts to revitalize the U.S.-flag fleet.

Finally, for a second year in a row the budget request for the Federal Maritime Commission proposes a 7-percent increase in funding over current levels. While this budget increase amounts to less than $2 million, it is hard to reconcile with a 42-percent cut in Coast Guard acquisition. Nonetheless, I look forward to receiving from the Commission the explanation that I have requested from the Chairman of the uncontrollable cost increases imposed on the FMC [Federal Maritime Commission] over the last several years.

Our Nation is facing a very tough budget climate, and the President's unrealistic request only makes things harder.

I look forward to working with my colleagues to enact a responsible budget.

And with that I yield to Ranking Member Garamendi.

Mr. GARAMENDI. Good morning, Mr. Chairman, and Admiral, Chief, Mr. Jaenichen, Mr. Cordero. Thank you very much for being here.

Mr. Chairman, you pretty much laid it out. We got a problem here. Our national economic strength and vitality remains closely tethered to the global supply chain, a supply chain that is dependent on safe, efficient, and reliable marine transportation. Consequently, few things could be any more important than to ensure that we invest wisely and sufficient funding in agencies that serve to protect, secure, and facilitate the maritime commerce of the United States.

Yet, after reviewing the fiscal year 2017 budget request for the United States Coast Guard, the Maritime Administration, and the

Federal Maritime Commission, there is only one conclusion that I can make, and that is these are not going to be the best of times. We are headed for a problem here.

Certainly it is the best of times when you have a Coast Guard and a budget that requests substantial funding to maintain progress on the vital recapitalization of the offshore cutter fleets, especially new funding to procure long lead-time materials for the Offshore Patrol Cutter, and to begin the recapitalization of the polar icebreakers.

But the Coast Guard budget that cuts over $800 million from its acquisitions and construction account, which also neglects the requested adequate funding to address the significant backlogs in both unmet shoreside infrastructure and Coast Guard housing needs is shortsighted and disappointing.

Similarly, the great success that we all shared last year when we pushed through the increased authorization funding levels for the Maritime Security Program, it has been dampened by MarAd's [Maritime Administration's] request seeking to fund the MSP at the 2015 funding level, while also perpetrating the administration's ill-advised food aid reform policies. I must tell you it is disappointing to see this come back again and again and again.

The chairman spoke very clearly about the lack of wisdom of that program, and what it means to our mariners and, more important, what it means to starving people around the world. I note Ethiopia and the crisis that they are having there, and the need for food. Purchased locally? Are you kidding me? So, maybe we can put an end to the ill-advised reform that is inherent in this proposal.

Mr. Jaenichen, on top of all this disappointment we also find that the administration has not requested funding for Title XI, loan guarantees for the small shipyards. Everybody wants to talk about making it in America, about manufacturing, about jobs. And one of the most important programs we have available to us on the cheap, Title XI. So we are going to starve it.

In closing, we want to have a reliable marine supply chain and a vibrant maritime and shipbuilding industry and a safe and secure marine environment and to deter drugs and, and, and. Better fund the Coast Guard, folks, and the merchant marines. This budget doesn't do it.

So, let's get in a brawl with the administration, and let's make some choices. I just left a meeting this morning with the Air Force that wants to rebuild their entire nuclear arsenal at a cost of several billion dollars a year. So let's make some choices. The Coast Guard comes out on top, the merchant marine comes out on top of that equation.

All right. Enough said. Let's get on into it. Thank you, Mr. Chairman. I yield.

Mr. HUNTER. I thank the gentleman. Our panel of witnesses today is Admiral Paul Zukunft, Commandant of the U.S. Coast Guard; Master Chief Petty Officer of the Coast Guard, Steven Cantrell; the Honorable Paul Jaenichen, Administrator of the Maritime Administration; and the Honorable Mario Cordero, Chairman of the Federal Maritime Commission.

Admiral, you are recognized.

TESTIMONY OF ADMIRAL PAUL F. ZUKUNFT, COMMANDANT, U.S. COAST GUARD, ACCOMPANIED BY MASTER CHIEF STEVEN W. CANTRELL, MASTER CHIEF PETTY OFFICER OF THE COAST GUARD, U.S. COAST GUARD; HON. PAUL N. JAENICHEN, ADMINISTRATOR, MARITIME ADMINISTRATION; AND HON. MARIO CORDERO, CHAIRMAN, FEDERAL MARITIME COMMISSION

Admiral ZUKUNFT. Mr. Chairman and Ranking Member Garamendi, members of the subcommittee, let me first express my profound thanks to this subcommittee for the largest appropriation in Coast Guard history in fiscal year 2016. It literally got us out of debt.

But we are here to talk about the President's budget in fiscal year 2017. I first ask that my written statement be accepted as part of the official record.

Mr. HUNTER. Without objection.

Admiral ZUKUNFT. OK. The fiscal year 2016 appropriation significantly advances our long-term acquisition strategy, and it provides stable operating funds for new assets. You are helping us build a 21st-century Coast Guard postured for mission success around the globe.

Notably, our increased efforts and our approaches in transit zones netted 700 smugglers' arrests and seized over 190 metric tons of pure cocaine destined for the United States this past year. You can be assured that we are leveraging the full scope of the intelligence community to drive our operations and disrupt transnational criminal networks attempting to move illegal goods and people by sea. Last year two of our National Security Cutters returned to port and offloaded more than $1 billion worth of pure cocaine.

But it is not just about the drugs. These cartels also undermine rule of law, good governance—as we see in Central America, where 8 out of the 10 most violent countries in the world exist south of the border, which also gives rise to human trafficking and unaccompanied minors arriving on our southwest border. Our interdictions at sea are making a significant difference, but we are doing so with very finite resources.

The appropriation you provided in 2016 and the President's budget request in 2017 will allow us to move forward with the most important acquisition we have undertaken since 1790, and that is the recapitalization of our 50-year-old Medium Endurance Cutters with the Offshore Patrol Cutter. Now, I remain confident we will down-select to a single shipbuilder and award the Offshore Patrol Cutter detail design by the end of this fiscal year.

The budget also provides funding to continue our efforts to complete our program of record for the Fast Response Cutter. We are in negotiations to award phase 2 of the Fast Response Cutter contract, and I remain committed to attaining a fair and reasonable price for the American public.

The recapitalization of our cutter fleet is the Coast Guard's top priority, and I am open to all acquisition strategies, including multiyear and block-buy options. These new ships increase our operational capability, best leverage intelligence, and most impor-

tantly they keep our men and women safe on an often unforgiving sea.

Moving to the polar regions, the cutter *Healy* reached the North Pole this past summer in support of the United States Arctic interest and sovereignty. Today, cutter *Polar Star* is homeward bound after completing a successful breakout and resupply of McMurdo Sound in Antarctica. She is the only heavy icebreaker in the United States inventory capable of completing that mission, and she has less than 7 years of service remaining.

I am grateful for the President's request for $150 million that demonstrates our commitment to building heavy icebreakers, and takes this project through the critical design phase, and avoids the uncertainty that often plagues shipbuilding projects. I look forward to continuing to work with you to accelerate heavy icebreaker acquisition.

In closing, investing in a 21st-century Coast Guard is as much about people as it is about platforms. Our 2017 budget request allows us to continue to build the workforce of the future. Now, this is not without challenges, but we have the best workforce in Coast Guard history.

I am seeing the impact of decreased retention and slowed accessions. Our increasingly uncertain and complex world requires high-end skill sets from an in-demand talent pool such as cyber, intelligence, marine inspections, and technically trained professionals have many options today besides serving in the military service. To that end, we are crafting the Coast Guard manpower requirements plan to baseline our 21st-century workforce as this committee has mandated.

As I said in my State of the Coast Guard Address—and I am an optimist—these are the finest hours to serve in the United States Coast Guard. I thank you for your support in making that a reality. I look forward to working with the subcommittee as we make prudent investments in the 21st-century Coast Guard. Thank you, and I look forward to your questions.

Mr. HUNTER. Thank you, Commandant.

Master Chief, I understand you have comments for the record. Do you want to make a statement?

Mr. CANTRELL. No, sir, I will just forgo to limit the time, and then I will be ready to answer questions when you guys are.

Mr. HUNTER. Roger, OK.

The Honorable Chip Jaenichen is recognized.

Mr. JAENICHEN. Good morning, Chairman Hunter and Ranking Member Garamendi, and members of the subcommittee. I appreciate the opportunity to discuss the President's fiscal year 2017 budget priorities and initiatives for the Maritime Administration.

The fiscal year 2017 budget request is $428.1 million, which funds activities supporting national security, strategic mobility, ships and shipping, port operations, ship disposal, environmental sustainability, and mariner training and education. The President's budget request continues to support funding readiness for programs that support the Department of Defense sealift requirements.

For fiscal year 2017, $186 million is requested for the Maritime Security Program, or MSP, to fund $3.1 million for each of the 60

ships enrolled in the program. That funding amount was based on the program of record prior to the increased authorization amount that was included in the Consolidated Appropriations Act of 2016. The timing of that authorization did not allow sufficient time for us to analyze the new funding levels to support submission with the President's fiscal year 2017 request.

The MSP provides direct annual stipends for up to 60 active, commercially viable, militarily useful, privately owned U.S.-flag vessels and crews operating in international trade. The MSP fleet ensures access to U.S.-flag ships in oceanborne commerce with the necessary intermobile logistics capability to move military equipment and supplies during armed conflict or national emergency.

Funding provided from the U.S. Navy will allow the Maritime Administration to continue to provide surge sealift support in 2017 through our Ready Reserve Force program. This is a fleet of 46 vessels whose primary purpose is to provide for rapid surge movement of defense equipment and supplies and support of global projection of our armed forces, and to respond to national and humanitarian emergencies globally.

It takes many years of training to develop the necessary merchant mariner competencies to operate these ships. The U.S. Merchant Marine Academy and the six State maritime academies graduate the majority of the U.S. Coast Guard credential merchant marine officers needed to crew these vessels.

To support the necessary training, the President's fiscal year 2017 budget request includes $99.9 million for the U.S. Merchant Marine Academy. This request will enable the academy to achieve its core responsibility of providing the highest caliber of academic study with state-of-the-art learning facilities for the Nation's future merchant marine officers.

The budget request also includes $29.6 million for the State maritime academy program. This request includes $22 million to fund maintenance and repair costs for the federally owned training ships that are on loan from the Maritime Administration to the six State maritime academies. The training ship fleet is aging, with an average age of 37 years.

And the oldest, the *Empire State*, at the State University of New York Maritime College, is 55. Through the fiscal year 2017 budget request, the Maritime Administration is requesting priority maintenance for the six training vessels, to ensure they all meet safety and functional requirements to stay in service as long as possible.

Additionally, the Maritime Administration will be validating the next appropriate steps to ensure adequate shipboard training capacity remains available in order to produce sufficient quantity and quality of mariners to support our sealift needs into the future.

The fiscal year 2017 budget request also reflects a continuing commitment to reducing and mitigating maritime transportation-related impacts on the environment. This includes a request for the ship disposal program of $9 million to support disposal of nonretention National Defense Reserve Fleet vessels that are in the worst condition, with priority emphasis on the removal of the three remaining obsolete vessels in the Suisun Bay Reserve Fleet that were identified in the April 2010 California court consent decree.

The President's fiscal year 2017 budget request also includes $11 million for the inactive former nuclear ship *Savannah*. This includes $8 million to begin the Nuclear Regulatory Commission required decommissioning process, including the dismantlement and decontamination of the defueled nuclear propulsion plant on board the vessel.

In addition, the budget request includes $3 million for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability through our maritime environmental technical assistance program.

Finally, the fiscal year 2017 budget requests $3 million for a pilot program to support port infrastructure improvements through our StrongPorts program. This funding will provide port planning grants to enable ports to create investment-grade infrastructure development plans that comply with Federal planning requirements and satisfy private lending institutions, and also promote public and private partnerships.

Mr. Chairman, thank you for your opportunity to present and discuss the President's fiscal year 2017 budget request for the Maritime Administration. I will be happy to respond to any questions that you or members of the subcommittee may have.

Mr. HUNTER. Thank you, Administrator.

Chairman Cordero, you are recognized.

Mr. CORDERO. Chairman Hunter, Ranking Member Garamendi, members of the subcommittee, good morning and thank you for providing me the opportunity to testify in support of our fiscal year 2017 budget.

With your permission, I will summarize my prepared remarks, which I kindly request to be entered into the record.

Please allow me to begin by reporting our response to two congressional mandates we were given last year by way of the Howard Coble Coast Guard Act of 2014. The Commission issued a rule that became effective on March 1, 2016, that implements term limits on our Commissioners and changes how attorney fees are awarded in cases brought before FMC.

Mr. Chairman, in 2015 the United States saw a level of international container traffic that was a record-breaking 31.5 million TEUs [twenty-foot equivalent units]. The commodities inside these containers carried on ships, transiting marine terminals all move on top of a regulatory system that seeks to facilitate trade while protecting the American shipper from unlawful anticompetitive behavior. That regulatory system is the jurisdiction and responsibility of the Federal Maritime Commission. And through our work, we facilitate and safeguard fair, efficient, and reliable transportation for oceanborne international cargo.

International container trade is growing significantly. Based on conservative estimates of a 5-percent annual growth, box volumes will double by the end of the next decade. That is tens of millions of containers above and beyond the 30 million TEUs that arrived here last year and are already overwhelming our marine terminal infrastructure, leading to port congestion and inefficiencies in the supply chain. If left unaddressed, congestion at our maritime gateways will result in gridlock, and that is an outcome that none of us can afford to see come to pass.

We have directly tackled the issue of congestion. The latest development is the unanimous vote that was taken in February by the Commission to establish the Supply Chain Innovation Team project. That effort will be led by Commissioner Rebecca Dye, and will culminate in a report to be issued to the Commission.

At the same time, as container volumes are growing, the container shipping industry is going through a period of major change. As a result of merger and acquisition activity, we anticipate considerable consolidation among container carriers, the net effect of which will likely be game-changing impacts on the marketplace.

Additionally, we are noting a marked increase in the number of agreement filings made at the Commission by VOCCs [vessel-operating common carriers] and MTOs [marine terminal operators]. These agreements reflect a trend in which carriers and terminal operators have increased working in cooperation with each other, sharing resources and assets.

In short, we are projecting the future where millions and millions more containers are going to be entering the United States. The ships calling to the United States are ever going to be larger. The increased influence of foreign-controlled vessels via vessel-sharing alliances. There is a substantial consolidation in the industry among those overseas-based entities. Those very same companies are increasingly working cooperatively to share resources and assets.

Chairman Hunter, the future has arrived. It is happening now. And it is fraught with challenges. Indeed, the Journal of Commerce noted in a recent issue—and I will quote—"Global changes in container shipping are confronting the U.S. Maritime Commission with some of the most difficult decisions in its 55-year history."

As trade grows and the shipping industry consolidates, the Commission will need to increase its monitoring and analysis of the industry in order to ensure that the American shipping public and, ultimately the American consumer, does not become a victim of decreased ocean transportation options or unlawful anticompetitive behavior. This will be accomplished through ongoing, thorough, and careful review of service contracts and the VOCCs and MTO agreements filed with the FMC.

Just as container volumes are hitting record levels, so are the number of filings received by the agency. It is significant, resource-intensive, and time-consuming work to assess what these documents reflect in terms of business trends. There is a significant strain to our agency's resources as our employees endeavor to stay on top of this amount of work. Simply put, we need additional specialized personnel in order to help meet the FMC mandate.

In previous years this subcommittee has encouraged us to be efficient in how we spend our appropriated funds, and I assure each and every one of you, even without this directive, the FMC is diligent in maximizing its dollars. Recent steps have been taken to save money: one, looking for opportunities to share services with other agencies; two, reducing the amount of space we have in our headquarter building to save on our lease cost; three, delaying hiring of new personnel so as to create funds that we can use to address pressing requirements, such as conducting our information technology refresh; four, bringing whatever human resource serv-

ices we can in-house in order to save money and payments that we must make to OPM [Office of Personnel Management].

That said, only 2 percent of our budget may be characterized as discretionary spending. Furthermore, even though we are a small agency, we must comply with each and every obligation that other Federal agencies are required to meet.

For example, the Commission responded to at least 75 different annually mandated reporting requirements. When we are unexpectedly tasked to do something, the cost associated with satisfying that directive must come out of a budget that is already spoken for in its entirety.

The Federal Maritime Commission budget request will alleviate some of the stressors that are challenging our ability to continue to operate effectively and responsibly. We hope our request will be supported by the subcommittee at the full amount.

Thank you for your time, attention, and consideration. I am pleased to answer any questions you have regarding our budget request or any issues over which the Federal Maritime Commission has jurisdiction and can share our valuable insight.

Mr. HUNTER. Thank you, Chairman. Before we get into the question portion of the hearing, I would like to submit for the record the statement of Dr. Kathryn Sullivan, Under Secretary of Commerce for Oceans and Atmosphere, and Administrator for the National Oceanic and Atmospheric Administration, NOAA.

[No response.]

Mr. HUNTER. Without objection, so ordered.

[The information can be found on page 69.]

Mr. HUNTER. The NOAA Office of Response and Restoration has oil and chemical spills and marine debris programs which fall under this subcommittee. Some of us also take a parochial interest in other NOAA programs within the Office of Coast Survey, since all nautical charts and surveys are critical for safe navigation.

So we are now going to move on to questions. But before I do that, Chairman Cordero, you have three Federal Maritime Commissioners here with you today: Rebecca Dye, right behind you; Michael Khouri; and Bill Doyle. Just want to say welcome, and thanks for being here.

And with that, I am going to yield to Mr. Garamendi to start with the questions so I can call my kids before they go to school really quickly.

Mr. GARAMENDI. They must start very late, or else they are in San Diego.

Mr. HUNTER. They are in San Diego.

Mr. GARAMENDI. They are in San Diego, OK.

Admiral Zukunft, a series of questions about the Fast Response Cutter, the contract. Where are we with it? Phase 2. Brief us.

Admiral ZUKUNFT. Congressman, right now we are continuing negotiations for a fair and reasonable price, and we are making great progress. I know there may be consternation among some of what is in the next block buy, the final 26 of these ships. The one change is we are modernizing the command and control systems, because the ones on the first 32 will have reached obsolescence by

the time these next 26 are delivered. But basically, it is the same hull form, and so we are in negotiations right now.

We will need to reach closure on these negotiations by mid-May so we do not have a disruption in the build-out of this very critical asset.

Mr. GARAMENDI. So we can look forward to fiscal year 2017 moving these contracts underway and expenditures being made?

Admiral ZUKUNFT. Absolutely. We have got to come with a fair and reasonable agreed-upon price with the vendor——

Mr. GARAMENDI. And you say the control systems on the previous set are going to be obsolete?

Admiral ZUKUNFT. These are command and control systems. It is computers, it is surveillance systems. And as we find, these normally have a shelf life of 10 years, maybe, at most. By the time these are built out, those will be obsolete. So that is the one modification that will be made.

Mr. GARAMENDI. OK. The Offshore Patrol Cutter, can you assure us that you will be awarding the contract by the end of this year?

Admiral ZUKUNFT. Congressman, we have three very incentivized vendors, and those requirements are coming forward, as I speak. And by the fourth quarter of this fiscal year we absolutely will down-select to one vendor to move this forward.

And again, I am very thankful for this subcommittee for putting in our appropriation the final design work, which is going to be a huge lift for us and the Department, but that was put into our appropriation, so we can move this major acquisition forward.

Mr. GARAMENDI. So you were able to get one icebreaker to the North Pole. Let's talk about the *Polar Sea*. Where are you with that? And then also the $140 million for some sort of new icebreaker.

Admiral ZUKUNFT. Thank you for that question, Congressman.

So we have pulled the *Polar Sea* out of the water to do a materiel assessment on the ship. A third party will validate and provide us that assessment by this summer. And within that should be a threshold of what it would take to reactivate the *Polar Sea*. Recognizing that would be a reactivation, probably measured in less than 10 years.

And so it really becomes a business decision. Is it a prudent investment to put that much money in a ship that has been laid up for 6 years? And some of those parts were cannibalized in order to bring the *Polar Star* into service, as well. What this $147 million set-aside does, it has already incentivized industry. We can build a polar icebreaker here, in the United States. Maybe we look at parent craft designs. It provides us certainty that we will need to go forward as we have seen through funding lapses and continuing resolutions that have disrupted some of our major acquisitions. But this is not one that time can wait upon; we need to move this project forward.

Mr. GARAMENDI. So we are really looking at two ships here, maybe, the *Polar Sea* being recommissioned—rebuilt, recommissioned, and then this new heavy polar icebreaker?

Admiral ZUKUNFT. So we are really looking at a variety of options. One, we have *Polar Star*, and we project she has roughly 7

years of service life remaining. A catastrophic casualty could change that. We have the potential reactivation of the *Polar Sea*.

We have looked at leasing options, but, quite honestly, we have looked across the inventory here in the United States, and there are no ships that meet the requirements of either a medium or a heavy icebreaker for leasing. You may know we have looked—I have a 13-page matrix—side-by-side—and that vessel will not meet Coast Guard requirements.

We put an operation requirement document together, crosswalked that with the Arctic Research Council, National Science Foundation, Defense, Interior, Commerce, Coast Guard, and all came to agreement that this is what we need an icebreaker to do for the United States of America. So that requirement is out there. And so that leaves us with the final alternative of reacquiring—buying new—a heavy icebreaker.

Mr. GARAMENDI. If the *Polar Sea* is to be rebuilt, repurposed, you will need money in the 2017 budget to carry that forward.

Admiral ZUKUNFT. We will, and we have this $147 million that is currently in the President's budget. So that is an option.

And, fortunately, we will have this summer to make that final decision and fully brief members of this subcommittee of what it would take to reactivate a nearly 40-year-old ship and be honest of how many more years do you get out of a 40-year-old ship, and how much money do you put into it.

Mr. GARAMENDI. It sounds like you may have made a decision already.

Admiral ZUKUNFT. We have not. So we will see what it will cost. But that would provide us a floor, and maybe not a ceiling, of what it would take to reactivate a ship of that age.

Mr. GARAMENDI. So if the *Polar Sea* is to be rebuilt, repurposed, there will only be money for the *Polar Sea*, and not for the second or third heavy icebreaker.

Admiral ZUKUNFT. Either way, Congressman, it would require further top-line relief in our budget. So this $147 million is a top-line relief. There was some back-and-forth whether it would come at the expense of some of our other, more mature acquisition programs, such as the Fast Response Cutter.

Mr. GARAMENDI. Well, you are aware of the interest of the chair and the ranking member in icebreakers. So when is the next time you are going to report back to us about the *Polar Sea*?

Admiral ZUKUNFT. Yes, the next report will be when we get the materiel assessment back on the *Polar Sea*, which will be——

Mr. GARAMENDI. Summer is a 3-month or 4-month period. Could you be more precise?

Admiral ZUKUNFT. I asked the same question of my staff yesterday, because I knew you were going to ask me that question.

Mr. GARAMENDI. And the answer was?

Admiral ZUKUNFT. I am going to say July 31st.

Mr. GARAMENDI. July 31st?

Admiral ZUKUNFT. Thirty-first.

Mr. GARAMENDI. I think we are leaving before that. So why don't you push that up a week, while we are still here?

Admiral ZUKUNFT. Will do.

Mr. GARAMENDI. Thank you. Yield back.

Mr. HUNTER. I thank the gentleman. I called my kids. Nobody answered. Now they are all calling me back right now. Right. That is just how it works.

My first question is—let's talk about nukes really quick. We had a hearing here, we talked about—if you can get coke on U.S. soil you can get nuclear weapons on U.S. soil. And with the Iranian deal, let's just say that 10 or 15 years from now, nuclear weapons are not ubiquitous, but they are more prevalent throughout the world. You will have North Korea, you will have Iran at that point. They will have maybe sold them off.

And what we are looking at, for the first time ever, is nonstate actors with nuclear weapons, where there is—where we can't attribute a strike to anybody, there is no way to retaliate, there is no deterrent in retaliation because you are not going to—because they are nonstate actors, right?

So my question is what is the Coast Guard doing 10 years out from now—I mean that would be numero uno priority, right? What are you doing to face the nuclear threat that we could be facing? Not getting shot at by an ICBM [intercontinental ballistic missile], but simply having something either come across the border, come into a port, come in with the same routes that they use coke, or they bring up coke.

Admiral ZUKUNFT. Chairman, we have a number of actions in place, as I speak right now. One is being a member of the national intelligence community. Intelligence drives operations. So when I look at counterdrug as an example, 2 years ago, right before I came into this job, we had awareness of about 80 percent of the maritime drug flow destined for Central America, but ultimately destined for the United States. But on any given day we had enough resources—and back then we had the Navy's *Perry*-class frigates in our inventory—to target maybe 15 percent of that 80 percent. So, we knowingly let 65 percent get through.

Since then, the Coast Guard has nearly doubled its presence at the expense of other missions. And so we have closed some of that gap. But now we no longer have the Navy *Perry*-class frigates in our inventory. So it is pretty much a Coast Guard mission.

But when you look at the nuclear threat, we use that same maritime domain awareness. We have a special force team. We have two in the United States Coast Guard, one in San Diego, one in Chesapeake, Virginia. We have over a dozen bilateral agreements with flags of convenience that authorize the Coast Guard to board those ships anywhere on the high seas if we expect that there is a weapon of mass destruction aboard that ship.

We don't ask permission. And we come in covertly. But we use it leveraging our Title XIV authorities. And so, it is a unique set of authorities, bilateral agreements, but it is the platforms that we have invested in, as well.

The National Security Cutter can operate in a marine environment. Our people that fast-rope hook and climb operate in marine environments. And if they have to compel compliance using Title X authorities, they squeeze off about 40,000 rounds a year. These are the——

Mr. HUNTER. What about nukes coming in just in cargo containers?

Admiral ZUKUNFT. With cargo containers we work closely with Customs and Border Protection at the National Targeting Center in Reston, Virginia, where every cargo manifest, every crewmember is screened, from consignee to the packer, to discriminate if there is a new shipper, you know, in—you know, that has put something in a container that may profile that particular container as a potential threat. So we have increased our domain awareness just through the National Targeting Center, as well.

Mr. HUNTER. Does it make sense, in your point of view, to test every cargo box on a ship prior to it being loaded, or when it is offloaded?

Admiral ZUKUNFT. If we were to do that we would literally gridlock our——

Mr. HUNTER. Not necessarily. I mean based on the technology that exists today you can drive stuff through those quick-scanners at certain ports. They have those now, right?

In fact, didn't—it is not Kuwait. Is it Dubai that has—that scans every single cargo container that comes into their country?

Admiral ZUKUNFT. I am not certain about Dubai. The technology may get there. But if you have to open and inspect, you know, each container before it is destined for the global market, the time that it would take would literally disrupt our——

Mr. HUNTER. We had a hearing here. There is technology right now where you can see through it. You don't have to open it and inspect it. Right?

Admiral ZUKUNFT. At a much higher level, if I were to try to conceal, you know, a weapon of mass destruction with the appropriate shielding, that may not be detectable. So the intelligence——

Mr. HUNTER. But the shielding is now detectable, too, because you can see a shield. You can see the lack of the——

Admiral ZUKUNFT. Right.

Mr. HUNTER [continuing]. Moving around if it is shielded, right?

Admiral ZUKUNFT. Right. So—but that would cause you to open and inspect a given container. Maybe you don't open each and every one of those. But right now we have that technology today to make those informed decisions. And we do actually carry out that work, working hand in hand with the Customs and Border Protection.

Mr. HUNTER. So that is more CBP?

Admiral ZUKUNFT. CBP and Coast Guard. I would say it is probably 70 percent CBP, 30 percent Coast Guard.

Mr. HUNTER. OK. All right, thank you. So let's get into, really quick, to acquisitions. You talked about block-buy options, you talked about multiyear procurement. So we have been talking about this. Tell me why it hasn't been done yet if you are amenable to doing it.

Admiral ZUKUNFT. Yes——

Mr. HUNTER. I mean because you are going to be building cutters for the next decade.

Admiral ZUKUNFT. So let me turn the hands of time back to when we first acquired the National Security Cutter. We did it under—through a third party known as Deepwater. We finally moved that acquisition program in-house under the United States

Coast Guard. So, we were not able to do that with the National Security Cutter.

We have also gone through variations as much as 35, 40 percent in over a 3- to 4-year period in our AC&I [acquisition, construction, and improvements] budget. When we do a block buy we almost put that block buy into a nondiscretionary element of our budget. And so we have to make difficult trade-off decisions. But if we are making this block buy, we will incur a penalty if we can't deliver on that block-buy purchase. And maybe it comes at the expense of other operations. And that is where having a stable——

Mr. HUNTER. Wait, explain that. Explain that. Why would you incur a penalty if you do a block buy?

Admiral ZUKUNFT. So if I—say I want to do a block buy of two Offshore Patrol Cutters in 2021. But then my appropriation for that year is something less than what I needed to build out those two OPCs [Offshore Patrol Cutters]. Well, I have got to commit to that block buy, or I will pay a penalty to that vendor. So I lose the flexibility, if you will, to make other appropriations under a block buy. And that is why——

Mr. HUNTER. But you wouldn't do a block buy unless you had the money appropriated to do it.

Admiral ZUKUNFT. Right. And so it is the certainty of that appropriation, going forward. But certainly it makes all the good business sense, going forward. It is an area that we will look at with the Offshore Patrol Cutter.

Mr. HUNTER. So—OK. How about multiyear procurement, then? Because you know you are going to be buying years and years out. Why not do multiyear procurement?

If you can save—I think it was 5 percent on the FRCs [Fast Response Cutters], right, 5 percent, $500 million, on the OPC program, you can save $1 billion—or 10 percent. And on an icebreaker you could save $1 billion. So the $1 billion you could save on the OPC is, according to CRS [Congressional Research Service]—that is a lot of money. Why not do that? And why hasn't it been done yet?

Admiral ZUKUNFT. Yes. So let me use the OPC, as I——

Mr. HUNTER. Because the Navy has been doing this. I mean the Navy buys ships, the Coast Guard buys ships. Much less complex systems, too, than the U.S. Navy buys. You don't build complex Navy ships, right? So you would—theoretically be easier for the Coast Guard to do this than it is for the Navy, who does this all the time, right?

Admiral ZUKUNFT. So, with the Offshore Patrol Cutter, it will take the first three. One is we hold our requirements steady. When you change requirements, that is where you see growth in any acquisition program, where you are building large ships or airplanes or the like.

So you hold the requirements steady, but the underlying criteria for the Offshore Patrol Cutter, besides meeting our requirements, is affordability. And by the time you get to the first three, by that time we should be able to lock in what an affordable price is for the Offshore Patrol Cutter, which will be the time to negotiate for the remaining 23—22, forgive me—to do a multiyear buy, a block

buy, for those remaining 22. What the underlying criteria is, we have locked in an affordable price for the remainder of those ships.

But right out of the starting block, taking a new ship off an assembly line, and as we run it through its paces, we don't know what we don't know yet with that first ship coming off the line——

Mr. HUNTER. So you are saying you can't do a block buy until you get through the first three OPCs.

Admiral ZUKUNFT. I feel like I owe it to the taxpayer to make an informed decision, rather than one that hopes for the best. So by the time we get through the first three, and as the contractor goes through those learning curves to build those first three ships——

Mr. HUNTER. That is what happened with the NSC.

Admiral ZUKUNFT. Right.

Mr. HUNTER. Right? It didn't—no one knew what they wanted until ship 3 came out.

Admiral ZUKUNFT. Number three met all of our requirements.

Mr. HUNTER. Sean Stackley, who—do you know who Sean Stackley is? U.S. Navy. So when Secretary Stackley talks about acquisition, buying ships up, it is like Moses coming down from on high with the word of God. And Stackley said that there is no reason whatsoever why the Coast Guard should not be doing multiyear procurement of block buys. I mean it should almost be mandatory.

So, I guess my question is you said you like it. It sounds good. The Coast Guard wants to save money. So what would stop you from doing that, going forward? If anything.

Admiral ZUKUNFT. Yes. For us it is always the uncertainty of what is in our acquisition budget. I would love to have Sean Stackley's acquisition budget——

Mr. HUNTER. But if we give you the money and the authority, what would stop you from doing a multiyear——

Admiral ZUKUNFT. Absolutely nothing, Chairman. As I have said before, a floor of a recurring $1.5 billion AC&I budget—put that next to the Navy budget. You know, if we had that reliability, repeatability, then we could certainly move forward with a block buy.

If you look across our 5-year capital investment plan, as we mature that out we get to that threshold level that will allow us to make block-buy decisions.

Mr. HUNTER. Thank you very much. And we will keep going later, but I would like to yield to Mr. Gibbs.

Mr. GIBBS. Thank you, Mr. Chairman. Thank you, Admiral, for your service and all your work on the drug interdiction, protecting our shores.

I do just want to emphasize what the chairman was talking about with Iran and North Korea and their State-sponsored terrorism, and the tremendous growth of the terrorist organizations out there. And we know what they are, you know, hell bent to do. And that should be a top priority, and a growing priority. So I just want to emphasize that.

But I do want to talk a little bit about—since I am from Ohio—concern about the Great Lakes. My first question, Admiral, is I see that the Coast Guard is conducting a mission analysis of the Great Lakes icebreaking needs. And, as you know, the Great Lakes, it

has lost—loses millions of dollars when we have severe winters like we did not this current winter, but the last two winters, especially.

I want to make sure that you ensure that the analysis that you are—the Coast Guard is doing will hit those domestic icebreaking targets, which I believe are 95 percent of keeping it open during icebreaking season. But hopefully, that is based on the worst winters, and not this past winter. And can—you want to address that?

Admiral ZUKUNFT. Thank you, Congressman. We are storing our 140-foot icebreaking fleet. And certainly this year has given us a bit of a reprieve. There is an authorization for us to look at another Great Lakes icebreaker.

We also have a series of memorandums of agreement with Canada. So if we require their assistance to do icebreaking to support our port infrastructure in the U.S., they will provide that to us, and we will do so, vice versa, as well.

The real challenge with moving forward with the Great Lakes icebreaker is what is in my AC&I budget. And it concerns me that, for the next 4 to 5 years, we will make no investment whatsoever in our military housing. We underfund some of our shore infrastructure that currently has over a $1 billion shortfall. So we are paying interest on an existing debt, but we are not making any principal payment into that shore infrastructure. So it really comes down to an appropriation.

But can I assume that the winter of 2016 will be repeated in years following? That would be a flawed decision for a Service that prides itself on being semper paratus to make.

Positive news, those 140's are being refurbished. And again, we rely heavily on our relationship with Canada, as well, to address these very concerns that you address with commerce on the Great Lakes.

Mr. GIBBS. Yes, I think the one that concerns us, the situation with the *Mackinaw*—that is the main icebreaker on the Great Lakes, right?

Admiral ZUKUNFT. It is.

Mr. GIBBS. Mr. Cordero, speaking of Canada, in 2014 the Canadian Government was proposing the implementation of a transit standard for ballast water regulation. And I guess that would mean Canada would apply most of the onerous ballast water requirements on vessels that are not actually discharging in Canadian waters, but merely transiting through.

My concerns with the proposal include the effect the standard would have on our U.S. carriers and shippers. Did the Commission hear from industry regarding the Canadian transit standard? And I got three here. Did the Commission investigate what Canada was proposing and comment on it and engage with the Canadian officials? And then, finally, what is the status of the proposal, the Canadian proposal?

Mr. CORDERO. Thank you for your question, Congressman. Number one, yes, the Commission did hear concerns of some stakeholders in the Great Lakes area. And with that, we have partnered with the State Department and gone to relevant meetings. In addition, Commissioner Doyle represented the FMC in meetings on this issue that he held in Canada with some of the officials to discuss this issue.

In terms of the status, my understanding is there has been no further movement by Canada with regard to the implementation of those standards. So at this point my understanding is there is no further movement on that application. But, of course, our office will follow up with you to absolutely confirm that, and give you more detail on that. But thank you for your question.

Mr. GIBBS. Well, that is good news, because we certainly don't want the Canadians making it tough on our side. We have got to work together.

Mr. CORDERO. Absolutely.

Mr. GIBBS. Thank you, and I yield back.

Mr. HUNTER. I thank the gentleman. Mr. Garamendi is recognized again. He likes this, because we go back to him every time.

Mr. GARAMENDI. We are a little short on our side over here.

Admiral Zukunft, if you were told to do a block buy, the onus is really on us, that year after year we would have to meet that commitment, whatever it was. Could you do a little mathematical calculation for us, the amount that could be saved by a block buy versus the penalty of us failing to adequately fund at some future year the requirements? I suspect that that equation would work out that it is still cheaper to do a block buy, even though there may be a penalty because of our failure to fund the program.

Admiral ZUKUNFT. Yes, Congressman. I will be happy to provide that information to you. I will get my stubby pencil to work, but probably not an answer I could give you, you know, here, at this committee hearing.

But I know you look out for the best interests of the Coast Guard, and we owe that so we can both go in and make informed decisions on block buys, going forward——

Mr. GARAMENDI. I think——

Admiral ZUKUNFT [continuing]. The OPC.

Mr. GARAMENDI. I know I, and I believe the chairman, would like to see a block-buy requirement in this year's appropriation. And we need to have some sense of the savings that would be achieved by a block buy, let's say, over the next 5 years. If you would do that, it would be helpful to us, as we move that forward.

Coast Guard housing, you are short $1.1 billion. Is there some way we can find at least $100 to buy a couple of gallons of paint? It would seem to us in this budget that, as we move this appropriation forward, that we find at least some money for the repair of the housing to go—just to zero it out is just, frankly, not acceptable.

I will move to some other questions. Mind if I go to Jaenichen? You want—OK.

Mr. Jaenichen, how long are we going to have to fight this food aid program before—I guess until we get a new administration. Is that a fair——

Mr. JAENICHEN. What is in the 2017 budget request, Congressman, is the administration proposal.

Mr. GARAMENDI. Well, we will eventually have a new administration, which I hope has more sense about how to do this.

If we move—if the administration's proposal were to move forward, what would be the effect on the American maritime industry?

Mr. JAENICHEN. Well, I can tell you, Congressman—thank you for the question—we have seen a—since 2011—a 40-percent drop in the total amount of food aid cargo and agricultural cargo that has been carried on ocean shipping. And, as a result of that, we have seen a decrease since 2012, in combination with the DOD [Department of Defense] cargoes, which have also dropped to about 75 percent in the same period.

We have seen a reduction from 106 ships at the end of 2011, the first of January of 2012, to the current number of 77 today. That is a 26-percent drop in the fleet, so we know that there has been an effect. But it is a combination of not just the amount of food aid cargo, it is a combination of all the cargoes that are being carried. Predominantly, that used to be DOD cargo, roughly 80 percent.

But now, with the smaller footprint that we have overseas in basing, but also the number of troops that are stationed overseas, we are seeing much less DOD cargo movement. And, as a result, the agriculture——

Mr. GARAMENDI. I want to focus——

Mr. JAENICHEN [continuing]. Larger contribution to the total carriage——

Mr. GARAMENDI. I appreciate the DOD. Focus specifically on the food aid. How many ships have been lost as a result of the change in the food aid. And, more importantly, how many ships would be lost if we were to accept the administration's proposal on the food aid?

Mr. JAENICHEN. We estimate 6 to 12 have been lost as a result of some of the changes that have occurred since 2012. I can't give you an exact number, but we do know that the fleet that has had the most challenge is our bulkier fleet, especially dry bulk. And many of those ships are being laid up right now. So I think those ships would be at risk, though it is at least four to six.

Mr. GARAMENDI. Four to six more ships?

Mr. JAENICHEN. Yes, sir.

Mr. GARAMENDI. And the number of mariners that would be losing their jobs as a result of that?

Mr. JAENICHEN. Each ship carries a combination—it is about 20 to 25 billets, so you are looking at 40 to 50 per vessel, total.

Mr. GARAMENDI. And the risk to the United States national security of not having another six ships available?

Mr. JAENICHEN. If we lose additional ships—I am putting it—from a mariner availability standpoint today, I put us in the amber range, and I have probably a delta of about four ships before I go to the red. So I am concerned about the number of mariners that are available to fully man the Government reserve sealift fleet in a time of either conflict or in humanitarian crisis if we fully had to active that.

Mr. GARAMENDI. So if the food aid program were to go forward, we would lose four to six more ships. And that puts the Nation's security with regard to the availability of ships into the red zone, as into very dangerous——

Mr. JAENICHEN. As part of the administration's proposal, there is $25 million that is intended to compensate for that loss. And so the $24 million would be used for non-MSP ships, specifically, and then

$1 million for the mariners themselves. So that should offset the loss. That is the administration's proposal.

Mr. GARAMENDI. So—but the mariners are not working. And therefore, they may not be licensed.

Mr. JAENICHEN. That is part of the challenge, yes, Congressman.

Mr. GARAMENDI. So, instead of spending $25 million in basically what is a subsidy, a welfare check, we could just maintain the food program as it is today and ship food, keeping the ships busy, keeping the mariners busy, and actually doing something, rather than a welfare check.

Mr. JAENICHEN. The idea of the subsidy, or the $24 million, it would actually keep those ships in operation. So we do not see that the mariners would be lost. But your analysis is not flawed.

Mr. GARAMENDI. My analysis is not what?

Mr. JAENICHEN. Flawed.

Mr. GARAMENDI. In other words, correct?

Mr. JAENICHEN. Correct.

Mr. GARAMENDI. Thank you. I yield back.

Mr. HUNTER. Mr. Graves is recognized.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman. Admiral, welcome. I appreciate you being back again today.

In the budget proposal you include an increase of 325 personnel. You also have a decrease of 400 personnel, including the elimination of high-value escorts and other support services. Can you talk about how this sort of adapting—or how this change of the Coast Guard is occurring, and sort of the motivation behind the increase and the decrease?

Admiral ZUKUNFT. Congressman, we have—actually, it is a net gain at the end of the day of 325 personnel. But when you ask, "Well, how did we arrive where we are today?" and it goes back into some of these other questions about acquisition, repeatability, you know, what that floor needs to be.

And in order to keep the National Security Cutter program alive without the support of this administration, we had to make force structure reductions in order to keep that program viable.

And so, now that we have the best acquisition in Coast Guard history, we need to make sure that we are investing in the talent that is going to operate and maintain these platforms into the future, as well.

So, when we talk about—and as mandated in the authorization bill, we owe you a force planning construct of what does the Coast Guard need to meet mission in the 21st century when it comes to people? We have made that argument when it comes to platforms. But without people, you know, those platforms really will not get the job done.

Mr. GRAVES OF LOUISIANA. Sure, OK. So, I mean, in summary, adapting to the evolving mission of the Coast Guard, evolving threat and new equipment?

Admiral ZUKUNFT. Yes, sir.

Mr. GRAVES OF LOUISIANA. All right, thanks. Another question for you. Two years ago you said—I think at the end of the day, changing the Jones Act would put our entire fleet in jeopardy. Can you talk briefly about the current status of the defense industrial

base and—as we are working on this recapitalization effort for the Coast Guard?

Admiral ZUKUNFT. I can provide you a couple of data points.

One, when I look at our acquisition program itself, holding steady requirements, on-time delivery, and platforms that will be serving our Nation 40 years from now. When I meet my counterparts from other coast guards, including the commandant of Japan Coast Guard, he is under scrutiny because at the end of 20 years many of their ships reached the end of their service life. And they say, "Well, why can't you be like the United States Coast Guard?" And I think that is a testimony to the quality of product that we are building here.

Another data point, when I was at NASSCO [National Steel and Shipbuilding Company] shipyard, where they are building one of two ships for—this is an LNG [liquefied natural gas] and conventionally fueled U.S.-flag container carrier that will run between Jacksonville and Puerto Rico. State of the art. Absolutely state of the art. You take Jones Act away, the first thing that goes away are these shipyards. And what goes behind that is the mariners.

And as we talk about what is the world going to look like 10 years from now, and if we have a peer competitor, if we don't have a U.S. fleet, and if we don't have a U.S. shipyard to constitute that fleet, as we look at how did the United States prevail in wars past, it really began with our industrial base. And the Jones Act, I am concerned, you know, any repeal of that would cut at the heart of that industrial base.

Mr. GRAVES OF LOUISIANA. And how would the repeal or changes to it affect from a security, from a safety, from a pollution perspective, having foreign vessels running inland waterways of the United States?

Admiral ZUKUNFT. We do what is called port state control boardings. These are foreign-flag ships that do trade with the United States, and we inspect them for their port security code compliance under IMO, and for their Safety of Life at Sea compliance, also under the International Maritime Organization.

On any given day we detain two or three ships that arrive in the United States because they are not in compliance, even though that flag state upholds that they are. We are dealing with an oil spill in Long Beach today. A foreign-flag carrier. We don't know why, but it had an oil spill.

So, yes, the United States does hold a higher standard when it comes to safety and security. No one does it better than the United States.

Mr. GRAVES OF LOUISIANA. Thank you. Chief, thanks for being here, and good to see you again, as well. At the State of the Coast Guard Address that the Commandant gave, he really focused on the people of the Coast Guard. That was a big part of his—theme of his message. If you deviate, or you have different thoughts than the Commandant, then I assure you your secret is safe with me. But I wanted to ask you. What are your greatest concerns for the Coast Guard workforce?

Mr. CANTRELL. Well, thanks, Congressman. I will tell you, our folks are the very best at what they do, despite budget or resource

deficits. They will find a way to get the job done. And it is often at a cost of a work-life balance.

So what concerns me is when we steer away from programs that make them more resilient: family, child-care programs, housing, tuition assistance, all those tangible programs that keep them focused on getting the job done.

It also is a retention tool for us, because they need to know that we got them covered. But again, I think we have got the very finest workforce we have ever had in my 33 years of service. And I would just like to protect those programs that support them so that, one, we have got a new retirement system that comes online in 2018 that we don't know yet how that is going to affect our workforce.

But we need to focus on those things, because there could be opportunity for people to leave service before they serve a 20-year career after that plan goes into effect. And I believe that these programs that directly support them and their families are things that our budget process has to pay attention to.

Mr. GRAVES OF LOUISIANA. Thank you. Yield back.

Mr. HUNTER. I thank the gentleman. We are now honored to have the ranking member of the full committee here, who understands that it is not all about just trains and trucks and planes, but the importance of the maritime industry and the Coast Guard. Mr. DeFazio is recognized.

Mr. DEFAZIO. Thank you, Mr. Chairman. I am honored to be here before the subcommittee today. Admiral, good to see you. Master Chief, good to see you.

You might remember last year I made a bit of a point regarding the unfunded projects and/or backlog. And I see we have a somewhat more comprehensive list that—although it is—and it is focused on very important things, so I will go over that first, and then I will talk a little bit about the total deficiencies.

I am concerned that we are looking at less—you know, fewer dollars this year to deal with the, you know, shoreside infrastructure backlog than last year. And it seems to me that—and I am not an expert on housing, although I have my own home repair projects all the time. But it seems to me that some of these things you are dealing with, whether it is docks, hangars, housing, stations, you know, that there is probably a point at which they are deteriorating more quickly, they are impeding, to some extent, the mission because the facilities aren't adequate. And you know, this causes me concern.

Now, I know that you are in a chain of command, you know, under the President, and you submit some requests to them and the trolls at OMB [Office of Management and Budget], you know, cut a lot of things out, and then we end up with whatever your proposal is, which is less than you originally proposed, which is what we see. And then we get this.

But at least this is more comprehensive. I mean can you just address this a little bit? I mean it seems to me that this—you know, even if we move ahead with all due dispatch with a new class of cutters and do all the other things we are doing, this is going to impede the mission to some extent. Is it not, sir?

Admiral ZUKUNFT. It will. And I—first, Ranking Member, I will reflect on this year's omnibus appropriation in 2016. As I said at

the very beginning, it did get us out of debtor's prison, somewhat. It bought down some of the principal of our shore AC&I debt that we carry, going forward. But you can see, you know, right now we will find on that unfunded priority list to be able to address some of our military housing, but not all of it.

Some of those costs are actually hidden in our major acquisition shore infrastructure, which is as we move new ships into new home ports and piers and the like, there is infrastructure that comes in with that for people, as well.

But, at the end of the day, what missions matter the most across our 11 statutory missions? First of all, mariners in distress on the high seas. And you and I have talked about this at length, and we have had several heroic rescues in your district here of late. I am very mindful of that. And as the chairman and others have brought up, the security of the homeland, which begins at sea. And so those will continue to be our areas of focus. And we cannot dismiss what is happening in the high latitudes in the Arctic and Antarctica, as well.

So, as we look at building heavy icebreakers, we look at some top-line relief to bring that program of record. As we are building National Security Cutters, Fast Response Cutters, and offshore patrol craft, we are modernizing the C–27J, and now we are bringing in an icebreaker. So we have a lot going on right now in our acquisition budget.

But we can't take our eye off this other ball. And it talks to some of these quality of life investments that Master Chief mentions, as well. The health of the workforce for the 21st century across all the armed services is a concern for me, as it is for all of the Service Chiefs in uniform today.

Mr. DEFAZIO. Well, thank you. Master Chief, since you are the representative of the troops, you want to give us a little more perspective on that? Just fill out a little bit what it means, in terms of problems with housing and/or facilities.

Mr. CANTRELL. Well, thanks to this year's budget, we were able to make some pretty modest investments in some our housing, new housing in Astoria, Oregon; Kodiak, Alaska. We have been able to bump up some of the renovations that are done on some of the older housing.

But most of our units, as you well know, are outside of a base-centered DOD or Coast Guard base area. They are in very rural, very coastal communities. Sometimes very high cost. And it is not just the Coast Guard-owned housing that concerns me. When we talk about basic allowance for housing, that is proposed to be reduced over the next 5 years. That can really hit home for some of our folks that are in those high-cost areas that don't really have a choice when, you know, they are competing with tourists and other high-cost competitors there to find adequate housing, and often have to drive an awful long way to get to work.

And with medical care, as well, and in some of these very remote areas that don't have access to a military treatment facility, and they could be 2 hours away from the nearest doctor that accepts Tricare. And that burden is on the member, to get them and their families there. So those things concern me, and we need to continue to stay focused on that, because I don't want people making

career decisions based on those types of services that are either hard to get or they are just too expensive and then they decide that they don't want to be in the Coast Guard any more.

But the folks are not complaining, they are out there doing the very best that they can. And, you know, they are not shy about it. As you know, visiting some of our units, they are not shy about showing off their talent and what they are really, really good at.

Mr. DEFAZIO. Yes. We had a good example of that on the bar. That was great. The Astoria Bar, not the bar-bar.

Mr. CANTRELL. Yes, sir. That was fun.

Mr. DEFAZIO. Admiral, I was pleased that you mentioned the icebreakers. I assume we are now in the evaluation phase on the mothball—I always mix them up, the *Polar Star* and the *Polar Sea*. Which one? The *Polar Sea*. In terms of the feasibility of the, you know, rehabilitation versus new. Are we moving along with that analysis?

Admiral ZUKUNFT. Yes, we are, Ranking Member. And it was Ranking Member Garamendi who gave me the homework assignment that I will provide, you know, the materiel assessment, which is being done by a third party, by the way, of what would it take to reactivate the *Polar Sea*.

Mr. DEFAZIO. All right.

Admiral ZUKUNFT. And that will really be a business decision, going forward, recognizing how many years do we buy forward with that reactivation? But does it get us out of the proposition of at what point do we build new, as well?

But we will provide that by July 31st, and I believe Congressman Garamendi backed me up a week, so that would make it July 24th.

Mr. DEFAZIO. Oh, yes. Before we depart for the longest summer break ever, since—and I have been here a long time. Sorry, excuse me.

No, that is excellent, and I will look forward to that analysis.

One other thing, quickly. You mentioned the—having to, you know, sometimes build new port infrastructure to accommodate new cutters, you know, and I know you are evaluating where we are going to base cutters. But I would say you are ready-made to go in Coos Bay, North Bend, for those—two of those ships. So just to put in my plug, locally. Thank you.

Thank you, Mr. Chairman.

Mr. HUNTER. I thank the ranking member. Really quickly, before I go to Mr. Rouzer, we talked about the block buy and the multiyear procurement stuff. So you have CRS, you have Stackley. I would like you, if you could, to do your own study, and not take a long time. But see how much the Coast Guard thinks it will save if you wait until ship 3 for the phase 2 of the OPCs—excuse me, phase 2 of the FRC or the entire OPC program, if you wait until ship 3 and you do multiyear buys, how much money you think you will save. OK?

Admiral ZUKUNFT. Absolutely, Chairman. And it was my understanding as—you know, I wouldn't wait until year number three, because I will be long retired. No, we need to provide, you know, this Congress, you know, that diligence. And so we will work with your staff to run those numbers——

Mr. HUNTER. OK.

Admiral ZUKUNFT [continuing]. In terms of what are the savings, if there is a penalty involved as well, so we can look at this holistically.

Mr. HUNTER. OK, thank you. With that, the gentleman from North Carolina is recognized.

Mr. ROUZER. Thank you, Mr. Chairman. Admiral, first let me say how much I appreciate the work of the Coast Guard, everything that you do in such a professional manner, and what a great service and commitment you have to this country.

I have several questions here, and I am just trying to get some clarification. And this is an issue that has come to my attention over the past couple days, and it deals with implementation of the Safety of Life at Sea International Maritime Organization guidelines regarding the verified gross mass of a container carrying cargo, something that I understand you are more familiar with than I am.

Obviously, exports of cargo from the United States are crucial to economic prosperity in this country. Steel and agriculture, in particular. My district, in southeastern North Carolina, is predominantly agriculture. We have the port right there at Wilmington, so I have a vested interest in this matter for a variety of reasons. But that one, specifically.

Is it correct that the Coast Guard does not intend to enforce the SOLAS [Safety of Life at Sea] guidelines? Walk me through this, and what has transpired here.

Admiral ZUKUNFT. So the Coast Guard does enforce SOLAS guidelines. As I mentioned to Congressman Graves, we inspect ships for SOLAS compliance, and also for security compliance, and we will detain those ships if they are not in compliance.

Now, for an exporter—and let's use grain as an example—maybe that grain goes in a railcar. And so that exporter has no direct involvement with the container. But when that grain goes into a container, it then goes to the carrier, and it arrives in a manifest that will say what the contents of the container is, and what is the weight of the container. And if that carrier does not see a weight for that particular box, he won't take it on board the ship, because he would be in violation of these SOLAS guidelines.

But, more importantly, these guidelines are designed for stability purposes and for Safety of Life at Sea. So what happens is that box does not get loaded until the weight can be verified. And there are two methods of verifying that weight. You can add the container and the contents all at once, or you can take the weight, the tare weight that shows up on that box, and then add in whatever weight is added into it, add the two, and then that is the weight that would show up on the cargo manifest. But the carrier has to see a weight before they will take that container on board, effective 1 July of this summer.

Mr. ROUZER. I am sorry I wasn't here to hear the entire question and answer with my colleague, Mr. Graves. I was chairing a hearing of the Subcommittee on Livestock and Foreign Agriculture of the House Committee on Agriculture a few minutes ago, and just got here.

But my question and what I am most concerned about, apparently the shipping industry feels like this is a change in direction,

the rug has been pulled out from under them, so to speak, in terms of what they were anticipating, and the conflicting statements from the Coast Guard. Can you address that, specifically?

Admiral ZUKUNFT. I will. The IMO guidelines came out on the 9th of June of 2014, and we have been engaged with the World Shipping Council, a number of exporters, carriers here in the United States. So we have had a very aggressive outreach campaign as this date draws nearer. And perhaps it is our outreach campaign that has sensitized others, and maybe it wasn't the IMO guidelines that came out. And I can only conjecture in that regard. But the information has rolled out and has been rolling out for nearly 2 years now, as this implementation date draws near.

Foreign carriers are pretty much all in compliance today. When I was at the container terminal in Long Beach a month and a half ago, all of the containers that come on to that yard are already weighed before they go in. So I am not seeing a sky falling panacea playing out around us, but we need to make sure that there are not unintended consequences while we are continuing to reach out with the many exporters and how their commodity ultimately gets in the container, and that container shows up on a manifest before it is loaded on board a ship. What is needed is that final weight. But, by and large, most of these manifests already have that weight filled in in that column.

Mr. ROUZER. Thank you, Mr. Chairman. I appreciate it.

Mr. HUNTER. I thank the gentleman. I have got just a quick—bring up a subject, and it is unmanned aircraft systems [UAS]. And from what I understand, the CBP has kind of taken control for the Coast Guard. If the Coast Guard wants to use UAS, they have to use CBP UAS. Is that correct? It means you don't have organic assets.

Admiral ZUKUNFT. Correct.

Mr. HUNTER. So if you want to use them, you have to say, "Hey, Border Patrol," or hey, whoever, "We would like you to launch a UAS over this part of the Caribbean," right?

Admiral ZUKUNFT. Correct.

Mr. HUNTER. Has that ever happened?

Admiral ZUKUNFT. It has. We have done two proof of concepts, one in the Caribbean, and then we did another one in the Eastern Pacific. What this particular UAS lacks is a wide aerial surveillance sensor. It ostensibly looks through a straw. And so——

Mr. HUNTER. Let me stop you there, I mean, because we have wide area surveillance stuff, and you have the straw stuff, you have whatever you want. I mean you slap a sensor, any kind of a sensor, on any UAS, pretty much. So why haven't you, then?

Admiral ZUKUNFT. Well, I can't speak for another agency's acquisition project——

Mr. HUNTER. Which, to my point, why doesn't the Coast Guard have their own organic assets in which you could put on what you—whatever kind of sensor you wanted?

Admiral ZUKUNFT. So two-part answer to your very challenging question. The first is our immediate need is sea-based UAS, because we follow a very mobile threat. And so, within our—you know, this year we will down-select, and it is not a major acquisition, a small UAS that will go on board our National Security Cut-

ters that can look over the horizon, provide covert situational awareness.

We are first pulling in national-level intel, so we already know that something is out there. And then we use a small UAS to discern what it is. And we have had great success using this in the past. But this technology will emerge.

And do we need to be in the land-based UAS program? Absolutely. And as you look across our capital investment plan, as we get into years 20 and 21, we start making significant downpayments on UAS, which would be land-based, to keep step with technology as that emerges, as well. But this will be a key contributor for maritime——

Mr. HUNTER. Here is what I would ask. I mean if you are using a land-based UAS, you are not going to be armed, obviously. You are going to have over 40 hours of time up in the air, if you use a Predator, for instance. Up in the air for 40 hours, plus. You don't need to launch off a ship, because you have so much sustained time, where they can loiter for pretty much—you know, forever. You have two or three, you are up in the air 24/7.

I hope the money is not going into proof of concepts or saying, hey, let's try to figure out what we need, when they make what you need right now, especially for the land-based side. I mean that is out there, it exists. There doesn't need to be any tests on it or anything else. And I would say for your ship-based UAS, let the Navy lead the way, right? Why not use what the Navy is doing? If the Navy is spending tens of millions of dollars—hundreds of millions of dollars on R&D [research and development], on ship-based UAS, whether it is a Fire Scout, whether it is a, you know, rotary-type UAS or a fixed-wing, they are doing all of this for you, right? Why not piggyback?

Admiral ZUKUNFT. So we have done exactly that. So we took—the Navy, as they went ahead with a ship-based UAS, we put it on one of our ships, and it is the same size as one of our manned helicopters. It comes with a support team of 20 people. And so, in our case, that is a lot of people. It becomes the tail that wags the dog. So that is why we are looking at small UAS, going forward.

At the same time, though, we made an investment in the peopleware. We have Coast Guard members working with CBP so we operate these land-based UAS. And that is a downpayment, at least in the skills that it is going to take to bring this fully on board into the Coast Guard, as we take advantage of this technology.

Mr. HUNTER. Administrator Jaenichen, we have been working the National Maritime Strategy for a couple of years now. How is it going?

Mr. JAENICHEN. Thank you for the question. I am happy to report that the draft strategy is with OMB, it is going through the interdepartmental review. Prior to delivering it to OMB I did share it with the Committee on the Marine Transportation System, about 27 different Government agencies and commissions. I have incorporated all of their comments, as the comments from our national advisory committee, the Marine Transportation System National Advisory Council. Those have all been incorporated in the draft strategy that is currently undergoing interdepartmental review.

So I am hopeful I will be able to get something that I can publish in the Federal Register here soon. And prior to that publication, we will provide it to the committees both in the House and the Senate.

Mr. HUNTER. But why—when are we going to get recommendations from you? When are we going to get recommendations? Not necessarily—I mean we are not doing this as an exercise on how to do it, right? We are doing this so we can actually do something and have an effective maritime strategy that incorporates everybody here today, and everybody that operates on the ocean who is not here today, all the fishermen, all the shippers, the Jones Act, all of that combined into one thing, right?

Mr. JAENICHEN. Absolutely.

Mr. HUNTER. So, I mean, we want recommendations from you on what we should do. That is why we are doing this.

Mr. JAENICHEN. Absolutely, and that is going to be included in the National Maritime Strategy, Chairman.

Mr. HUNTER. So when is OMB going to release it? Blink once if it is this year, blink twice if it is next year.

[Laughter.]

Mr. JAENICHEN. We have met with OMB, and I can tell you it is going through the interdepartmental review, and I am hopeful we will have it out within a couple of months.

Mr. HUNTER. OK. Last thing, really quick. How do you choose who gets the small shipyard grants? Is it geographic location? Is it the type of project? Is it the yard itself that would be doing the shipbuilding? Or all of those things? What are your——

Mr. JAENICHEN. It is really all of the above, Chairman. And I will tell you, from a distribution standpoint—and we took a look at the actual numbers—we had 80 applications that were submitted with this particular round when it closed back on the 16th of February. Actually, I am sorry, we had 118 that were submitted, a total of $80 million in requests. Of those we had about 22 from the west coast, 6 were from California. So it is a pretty even distribution, about 28 or so from the gulf coast, 22 from the west coast, and the rest are from the east coast. So it is a fairly equal distribution, geographically.

We do take a look at the return on investment, we do take a look at the projects. In this particular case, thank the Congress for appropriating $5 million, but it is a much smaller amount in order to disperse, and we are probably going to be limited to about eight different projects. So we are—it is going to be a very small portion of that which was—the applications that were actually submitted.

But we do take a look at the whole project, in terms of what return on investment you get in terms of employment opportunity, you know, how it potentially impacts the local community. Have you received a previous grant? All those things are factored into the review.

Mr. HUNTER. Thank you all for being here. And I am going to pass it off to Mr. Graves. I am going to go—the Army Chief of Staff is in town here, and I am going to yield to Mr. Garamendi and then Mr. Graves is going to chair and finish up. So thank you all. We are going to keep on working and pushing forward, and we look forward to doing block-buy stuff, UAS, happy Coast Guard people,

maritime strategy, and great oversight from the FMC. So, thank you.

Mr. Garamendi is recognized.

Mr. GARAMENDI. Thank you, Mr. Chairman. Let's just take—you just mentioned the Small Shipyard Grant Program. It zeroed out this year. A little bit zeroes out in 2017, is that correct? And you discussed it.

Have you engaged—Mr. Jaenichen, have you engaged with the SBA [Small Business Administration] and other governmental—Federal governmental programs to assist the small shipyards, everything from educational programs, job training, SBA, and the like?

Mr. JAENICHEN. Thank you for the question, Congressman. I have not personally engaged. I would have to go back to my staff and check and see if we have done that.

We do know that, as we build the budget, you know, some of the—we are challenged with our top-line number. In the 2017 request we had to take a look at some other priorities that we had, and one of those included the—our ship disposal program, primarily because I am under a very tight timeline with the California consent decree to remove the last 3 remaining ships that were identified of the 57 back in April of 2010.

So, I had to put a priority. And in some cases those priorities beat out other priorities. Otherwise, I would like to be able to include this funding in every year, because we know that it has a great return on investment.

Mr. GARAMENDI. Well, here is my point. There are other Federal programs that could be coordinated with the Small Shipyard Grant Program, everything from job training to the SBA. SBA has actually had a significant increase in their budget year, year after year. So if you look at that—and maybe they are doing the same thing, maybe they are not—I am going to go at them and find out.

With regard to the scrap metal ship disposal, you mentioned California. I think you are talking Suisun Bay. You had three ships there. I think—yes, it is. Mare Island is about 5 miles away. So why are you taking all these ships to Texas?

Mr. JAENICHEN. Currently, Mare Island is not a qualified Maritime Administration disposal facility.

Mr. GARAMENDI. Is it not?

Mr. JAENICHEN. It has not——

Mr. GARAMENDI. Could we not request it?

Mr. JAENICHEN. It has not been requested under the new ownership.

Mr. GARAMENDI. Oh. You do not take into account the cost of moving the ship all the way to Texas from California, do you?

Mr. JAENICHEN. We actually do take into account in terms of the request for appropriations. We also have requirements from an invasive species standpoint to be able to drydock them before we actually remove them from the California waters——

Mr. GARAMENDI. In terms of bid competition. In terms of the bid competition, you do not. The cost of moving the ship is separate from the bid itself. So the bid might be 100 for Texas, and, I don't know, 105 for Mare Island or San Francisco. But the cost of moving the ship is not part of that bid, is it?

Mr. JAENICHEN. The bid for a—sales, it actually is included. And—but if we do a service contract, we have to include that as part of the contract, to be able to get it moved.

One of the challenges is currently today we are at a historic low for the number of ships that we actually have remaining to be recycled. That number is 16 today. I think it is a business decision on the part of the companies tho decide to do recycling. In this particular case, Mare Island does not have an application with us to certify them as a recycling facility.

Mr. GARAMENDI. OK. I want to move on. Mr. Cordero, you say you are overloaded with 75 requests for information.

Mr. CORDERO. That is correct.

Mr. GARAMENDI. Could you send us information as to what those 75 are? And are we the problem, we, the Congress, requesting multiple reviews and information? And, if so, could you please describe the 75? Not here, but in writing, so that we might assist you in reducing the onerous burden that has been placed upon you.

Mr. CORDERO. Thank you for the question, Congressman. We will do that.

[The information can be found on page 80.]

Mr. GARAMENDI. Good. Maybe we can help you. The supply chain. You spoke of the supply chain. I believe we moved a bill out of here called the FAST Act [Fixing America's Surface Transportation Act] that had a freight movement in it.

Mr. CORDERO. That is correct.

Mr. GARAMENDI. How are you coordinating your work with the freight movement?

Mr. CORDERO. Well, first of all, by way of the Department of Transportation, they have the Bureau of Transportation Statistics, which will form a working group to address some of these issues. One of the primary questions is in terms of the metrics, the work performance group. The FMC is identified as one of the parties to that group, and we will be more than happy to participate and offer our insight with regard to that.

Mr. GARAMENDI. So you are clearly integrated into and coordinating with the freight movement programs that the Department of Transportation is putting together?

Mr. CORDERO. Absolutely. We will partner with them. The Administrator has been very helpful in working with the FMC, as well as the Department of Commerce, and as well as the Surface Transportation Board. One of the good things that we have been doing the last couple years is partnering with our fellow agencies regarding issues of mutual interest.

Mr. GARAMENDI. Thank you. Chairman Hunter left to go talk to the Army about their needs, which is important. But also going on simultaneous with this hearing was General McDew, on the other side of this building. And I have been informed that General McDew said that he has a very serious concern about the ability of the merchant marine to meet the needs of his global movement of men, women, and materiel.

So, Mr. Jaenichen, can you explain to me why you and the administration are further weakening the ability of the merchant marine to have cargo, as in the food aid program, if we have a na-

tional security issue that—spoke about just a few moments ago? Is it that the administration is not coordinating on this critical issue of the ability to move materiel?

Mr. JAENICHEN. Thank you for the——

Mr. GARAMENDI. You seem to be going in different directions here. Can you explain why you are going in different directions, why we have Mr. McDew over there, saying he is terribly concerned about this, and then, on the other hand, your organization and the USAID [United States Agency for International Development] removing cargo?

Mr. JAENICHEN. Ranking Member, the—General McDew and I are very closely tied with regards—and the real issue he is talking about is the mariner numbers. And I talked a little bit earlier about the mariner pool, and where we are, and it is——

Mr. GARAMENDI. The real issue is cargo.

Mr. JAENICHEN. Well, without cargo, you don't have ships. Without ships, you don't have mariners. I agree, sir.

Mr. GARAMENDI. Cargo comes from Export-Import Bank loans, guarantees. It comes from military, as you said earlier. And it also comes from food aid and other things. You and the administration are rapidly reducing one of the three.

Why are you doing that, when we have—at least according to General McDew—a significant national security issue? Why are you doing it? Is it that you are not coordinated, the left hand doesn't know what the right hand is doing? Or maybe you just don't care about this. And by "you," I mean the imperial you.

Mr. JAENICHEN. The administration's proposal, Ranking Member, is to ensure that there is some funding in the program. That is what is in the $25 million to try to offset some of these——

Mr. GARAMENDI. The welfare program.

Mr. JAENICHEN. We certainly would tend to disagree with that, this would be a welfare program, but we recognize that a program that is modeled after the MSP program works. So that is the reason why we structured it as we did, as we attempted to support the administration's proposal, with regard to food aid reform. And that was a piece that was actually installed as part of that proposal. And that is the administration's request to achieve the 25-percent additional flexibility——

Mr. GARAMENDI. The administration's request was to reduce food and transfer the money to the military. That is for the MSP program, which was a very interesting program. So we got hungry people in Africa. We are going to reduce the money for them and give it to the military. Is that still part of the program that you are proposing that——

Mr. JAENICHEN. That is not the administration's position.

Mr. GARAMENDI. It was.

Mr. JAENICHEN. No, there was a discussion that was ongoing between the USAID and MarAd to support a proposal as a food aid reform. That is not on the table any longer, Ranking Member.

Mr. GARAMENDI. Any longer. Good. So where is the $25 million coming from?

Mr. JAENICHEN. The $25 million is included in the MarAd's 2017 budget request, as part of the MSP program, and it is an effort to ensure that any type of food aid reform—in this particular case for

the 25-percent additional flexibility for interventions that include local and regional purchase—to ensure that it does not affect the merchant marine fleet.

Mr. GARAMENDI. Wouldn't it be better all the way around to ship food than to just ship money?

Mr. JAENICHEN. USAID has indicated that the cost of that actually does have an impact on the number of folks that can be fed. And again, that is a calculation that they have provided and the administration supports.

Mr. GARAMENDI. Well, this fight is not over. And we are going to stay with it.

I am out of time, Mr. Chairman, I yield back.

Mr. GRAVES OF LOUISIANA [presiding]. Thank you. Administrator, thank you also for being here today. It is good to see you again.

Some folks in the office recently had a meeting in regard to the Maritime Security Program. It is my understanding that under that program you have a number of priorities. Number one is RoRo [roll-on, roll-off] vessels, number two is——

Mr. JAENICHEN. Tankers.

Mr. GRAVES OF LOUISIANA. Heavy lift. Yes, number two is heavy lift——

Mr. JAENICHEN. No, number two is tankers, number three is heavy lift. Those priorities that were established by the U.S.——

Mr. GRAVES OF LOUISIANA. Wait, so it is RoRo——

Mr. JAENICHEN. Tanker.

Mr. GRAVES OF LOUISIANA [continuing]. Tanker, geared——

Mr. JAENICHEN. Heavy——

Mr. GRAVES OF LOUISIANA. Oh, heavy lift——

Mr. JAENICHEN. Heavy lift, geared container ship, and then container ship.

Mr. GRAVES OF LOUISIANA. OK. And it is my understanding that you have a current section 2 participant that is proposing to replace vessels. And as I understand, they are allowed under the operating agreements to provide for a replacement vessel of equal or greater capacity, and it is my understanding that they have done just that, but that they are having some trouble getting approval from MarAd in regard to that.

I want to ask, before you make a final decision on that, I would like to schedule a briefing with you to get an update on what is going on there, to understand the prioritization process, to understand the compliance or lack there of, of the operating agreement, if you would agree to that before you make a final decision on this.

Mr. JAENICHEN. Congressman, I would be happy to meet with you, but I would emphasize that both of these operating agreements have been vacant since the 15th and the 22nd of September of last year. And so we have been working with the company in question to get substitution, and we have been working and imploring them to fill those vacancies, and we are reviewing what they have submitted thus far. And I will make a decision here shortly. I well get with you some time this week to have that discussion.

Mr. GRAVES OF LOUISIANA. Great. Great, thank you. Commandant, I would like to come back to you. There has been talk—and following up on a previous conversation, there has been talk about the Jones Act recently, and I have seen some folks that have

expressed concern about the Jones Act from a fiscal perspective. It certainly concerns me, as well, anything that would be perceived or in reality, of course, as being a waste of taxpayer funds.

If you—you know, going back to what we talked about earlier, if we repealed the Jones Act, if we made significant changes, the potential game changer from a security situation and many others—referring back to your previous comments—do you view—you know, if you were to monetize the Jones Act, the capability it provides to the defense industrial base, the security stability that it provides, do you view that as a money loser for taxpayers?

Admiral ZUKUNFT. I can only conjecture on that. You know, my biggest focus is what is due to our resiliency, as a maritime Nation. And, quite honestly, it will nearly bankrupt our maritime resiliency.

When we look at the challenges that the MarAd Administrator is facing, that the Commander of TRANSCOM [United States Transportation Command] is facing in the event of a contingency, and we don't have a lift within the U.S. fleet to respond to a contingency at a point in time we are seeing the reemergence of peer competitors, you know, it is in our Nation's best interest. And I think, from a sovereign interest, not necessarily from a taxpayer, that we protect our maritime resiliency. And the Jones Act does provide that wherewithal.

Mr. GRAVES OF LOUISIANA. Thank you. Another question——

Mr. JAENICHEN. Congressman, if I might interject——

Mr. GRAVES OF LOUISIANA. Please.

Mr. JAENICHEN [continuing]. On this particular topic, if the build requirement were changed, there's about 40 different yards across the country that are building both Federal programs and also commercial.

Today, under construction, there are 32 large vessels under construction. And, of those, 12 are what I would refer to as normal, self-propelled tankers. There's also 20 articulated tug and barges with large vessels, in terms of the capability to carry 150,000 to 200,000 barrels. We also have four of what I call special purpose ships, they are built to carry containers. And roll-on, roll-off, and also just regular LNG-ready type container ships. Without the Jones Act, those builds don't occur, which means that the Federal Government now has to assume all of the cost of the overhead for that industrial base, which means that your cost for those vessels is going to go up.

The industry itself—and that includes both the Federal shipbuilding and the commercial shipbuilding—we just released a study last fall that updated some numbers we did from 2013—that is 110,000 people around the country that are building ships; that is a $36 billion industry. Without that commercial shipbuilding and that industrial base, it will have an impact on the taxpayer, in terms of what we have to pay to acquire the ships, whether they are for the Navy, the Coast Guard, for NOAA, for the Army Corps.

Mr. GRAVES OF LOUISIANA. Administrator, could you provide a copy of that report for the record?

Mr. JAENICHEN. Yes, sir, I can.

[The Maritime Administration report from November 2015 entitled "The Economic Importance of the U.S. Shipbuilding and Repairing Industry" can be found on the Maritime Administration Web site at https://www.marad.dot.gov/wp-content/uploads/pdf/MARAD__Econ__Study__Final__Report__2015.pdf.]

Mr. GRAVES OF LOUISIANA. Thank you. So again, I want to make note, you know, any program that is going to waste taxpayer funds would obviously cause great concern. And I think if you look at only the surface, in some cases it may cause concern. But it sounds like, based on what you are saying and some of the admiral's comment, when you actually dig deeper, that this does provide value to taxpayers in regard to the resiliency of our defense industrial base and the security of the country.

One last question. Admiral, I want to come back. The fiscal year 2016 NDAA bill, the National Defense Authorization Act, transitioned the military retirement program for the Coast Guard for new military servicemembers, or Coasties, from a defined benefit plan over to the Thrift Savings Plan that many other agencies participate in, and it requires participation in that. It provides a match from the Coast Guard in that program.

Has the Coast Guard talked with OMB to determine how the Coast Guard's current mandatory funding for these benefits can be moved to a discretionary situation, as DOD currently is?

Admiral ZUKUNFT. Congressman, we haven't, but it is a conversation we must absolutely have. Right now we don't know how many people will opt in to up to 5 percent, with a matching 5 percent. But we do know, if we have a significant number, right now that comes out of our operating base. And that will directly impact frontline operations. It will challenge some of our many other operating expenses that we have right now.

And so, we need to build that wedge for those who will be required to opt in in 2018, whether they contribute the 5 percent or not. But how many other members with fewer than 12 years of service decided, hey, they want to opt in, as well? And so there are real costs involved with this. And right now our base does not provide us the wherewithal to sustain those type of matching payments to thrift savings.

Mr. GRAVES OF LOUISIANA. Thank you. Would you support using the $25 million for increased MSP payments, pursuant to the recently passed increase in the authorization? I am sorry, to the—Administrator Jaenichen?

Mr. JAENICHEN. Would that be assuming that food aid reform is actually implemented or not, Congressman?

Mr. GRAVES OF LOUISIANA. No.

Mr. JAENICHEN. What I can tell you with regard to the MSP program is that they are under severe pressure with regards—when the program, at its inception back in 1996, it was really based on three things. It was based on a stipend amount, it was based on access to Government-impelled cargo, both DOD and civilian cargo, and also the ability to carry civilian cargo.

Currently, civilian cargo today is—there is an over-capacity, with—the actual scrapping price is so low they are not—ships aren't being scrapped, so that capacity is continuing. We have seen the lowest shipping rates in a long time. Our Government-impelled rates, as I indicated earlier, DOD is down 75 percent, agriculture

and USAID cargoes are down 40 percent. The only place you can go now is to go to the stipend amount in order to ensure the fleet is viable.

DOD and the U.S. Transportation Secretary both support the viability of this program. We understand its significance in support of DOD requirements, specifically for sealift, to globally project and sustain our armed forces.

Mr. GRAVES OF LOUISIANA. Thank you.

Mr. Garamendi?

Mr. GARAMENDI. First of all, I would like to enter into the record of this hearing Mr. McDew's testimony today that he provided with regard to the MSP program and the necessity for that. I think it would be useful to have on our record.

Mr. GRAVES OF LOUISIANA. Without objection.

[The information can be found on page 90.]

Mr. GARAMENDI. Thank you. I think I will probably leave that go for a while.

Chairman Hunter had been talking about the UAV [unmanned aerial vehicle], or UAS, or RPAS [remotely piloted aircraft system], as the military now calls them. There is a program that the CBP is conducting. They have nine Predator B and Guardian—a maritime variety of the Predator B that they are using to patrol the border.

Recently, the analysis that has been done on their program by the Department of Homeland Security indicates that that program is just totally inefficient and ineffective. They are spending $600 million annually on that program, presumably to protect, like, one one-hundredth of the Mexican border. It seems to me that we need to make some choices about—here, where $600 million is being spent.

We know that the Coast Guard has a need for better surveillance, some of which will be provided by new ships, but others of which might be more effectively provided by UAS, UAV, or RPAS, whatever we want to call them. And so I think this committee ought to take this issue up with the homeland security committees about where $600 million could be most effectively spent in protecting our borders. Since there is a whole lot more sea border than there is land border, perhaps that $600 million could be better spent by the Coast Guard acquiring maybe those very same assets.

So, I put that out there. Mr. Zukunft—or Admiral, excuse me—you normally don't go mess with other people's budgets, but it seems to me you are part of the Homeland Security Department. Have you talked to the Secretary about transferring this $600 million and the nine Predators to you to be used more effectively?

Admiral ZUKUNFT. That would be the equivalent of internal warfare, Ranking Member.

But what we do have within the Department of Homeland Security, we have a Joint Requirements Council. These nine Predators predate the standup of this Joint Requirements Council. An example is, working with the Navy, we identified the right sensor package to go into our fixed-wing aircraft. It is called Minotaur. But it is a defense project. You know, the R&D, the work has been done. And through this Joint Requirements Council at the Department

of Homeland Security, it is not just Coast Guard, but CBP is now acquiring this Minotaur project, as well.

As we mentioned earlier, you know, the remotely piloted aircraft, whatever we want to call them, it is merely a platform. It is the sensor pod that you put in it, and the sensor pod that is in it right now does not afford for the wide-aerial surveillance that we would need. But you could argue you might need that same capability, whether you are flying over land or over the water, as well. But that would be a process to work through the Joint Requirements Council that has been stood up under this Secretary's leadership within the Department of Homeland Security.

Mr. GARAMENDI. You got a problem with internal warfare, when you have got $600 million that is inefficiently used by the CBP, and you are not willing to go grab it and be able to use it more effectively by putting in the new sensor system that the Navy and you are jointly commissioning?

Admiral ZUKUNFT. We are at an inflection point where, under this Secretary's leadership, it is all about unity of effort. And so we have created joint task forces, where we have combined the cultures of Coast Guard, CBP, and ICE [Immigration and Customs Enforcement]. And we are—you know, so we are operating at the front line.

But if you have one agency now second-guessing how another administration expands its——

Mr. GARAMENDI. It is our business to second-guess. And we have a report that there is $600 million that is being spent very inefficiently by CBP with their Predator B UAS. And I am curious as to whether they could be repurposed.

Let me ask you a specific question. Could they be repurposed with a different sensing device for the use by the Coast Guard?

Admiral ZUKUNFT. Absolutely.

Mr. GARAMENDI. Absolutely? Is that your answer?

Admiral ZUKUNFT. Yes. Identifying the right sensor pod that goes——

Mr. GARAMENDI. Is that this new Minotaur thing that you are——

Admiral ZUKUNFT. This would probably be yet a different sensor pod.

Mr. GARAMENDI. Does it exist today?

Admiral ZUKUNFT. That I can't answer. We will have to do a——

Mr. GARAMENDI. I think the chair answered the question as yes, it does.

Well, it is our business to conduct internal warfare within the Departments, and to decide where the money goes. We have evidence that the CBP is inefficiently using $600 million, and six or nine Predators that could be repurposed for the Coast Guard. If you had them, could you use them?

Admiral ZUKUNFT. Yes.

Mr. GARAMENDI. Thank you. No more questions.

Mr. GRAVES OF LOUISIANA. If there are no further questions——

Mr. GARAMENDI. Note that as a yes.

Mr. GRAVES OF LOUISIANA. If there are no further questions, I thank the witnesses for their testimony and the Members for their participation.

The subcommittee stands adjourned.
[Whereupon, at 11:50 a.m., the subcommittee was adjourned.]

U. S. Department of Homeland Security

United States Coast Guard

Commandant
United States Coast Guard

2703 Martin Luther King Jr Ave SE
Washington, DC 20593-7000
Staff Symbol: CCG
Phone: (202) 372-4411
FAX: (202) 372-8302

TESTIMONY OF
ADMIRAL PAUL F. ZUKUNFT
COMMANDANT, U.S. COAST GUARD

ON
COAST GUARD FISCAL YEAR 2017 BUDGET REQUEST

BEFORE THE
HOUSE COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE

MARCH 15, 2016

INTRODUCTION

Good morning Mr. Chairman and distinguished members of the Committee. Thank you for the tremendous support you have shown to the men and women of the United States Coast Guard, including the significant investments provided in the FY 2016 Consolidated Appropriations Act.

As the world's premier, multi-mission, maritime service responsible for the safety, security and stewardship of the Nation's waters, the Coast Guard offers a unique and enduring value within the Department of Homeland Security and to the American public. At all times a military service and branch of the U.S. Armed Forces, a federal law enforcement agency, a regulatory body, a first responder, and a member of the U.S. Intelligence Community, the Coast Guard serves on the front line for a Nation whose economic prosperity and national security are inextricably linked to vast maritime interests.

To preserve these interests at home and abroad, the Coast Guard employs its broad authorities; an expansive network of interagency, military, and industry relationships; and unique operational capabilities and international partnerships to maximum strategic effect.

We are a maritime law enforcement service without peer and a unique instrument of international diplomacy. Many nations model their maritime forces after the U.S. Coast Guard to address transnational crime, human smuggling, maritime safety, and foreign incursions into their respective waters.

We live in a complex, diverse and rapidly changing world. To ensure we meet the demands of today while preparing for tomorrow, the Coast Guard aligns its actions and investments with the Department of Homeland Security (DHS) and our national strategies.

Since my testimony last year, we have developed a five-year Strategic Intent and continued to focus on our Western Hemisphere, Arctic, and Cyber strategies. By using these strategies as guideposts, leveraging the intelligence community, and employing a risk-based approach to focus our limited resources where they are needed most, we are able to address maritime threats with greater precision and effect.

Fueled by the Service's unique authorities and capabilities, our Western Hemisphere Strategy is bearing fruit. Working with interagency partners, the Coast Guard helped seize 191.8 metric tons of cocaine and detain over 700 smugglers for prosecution in Fiscal Year 2015; of which, 144 metric tons and 500 smugglers were seized by Coast Guard assets alone. I was aboard Coast Guard Cutter (CGC) STRATTON this past August when they off-loaded 32 metric tons of cocaine in San Diego. Not to be outdone, her sister ship CGC BERTHOLF, interdicted 22 metric tons of cocaine in one patrol, including a record eight metric ton cocaine seizure from a semi-submersible in the Eastern Pacific. Without question, the National Security Cutters (NSCs) have been a game-changer for our operations.

But our strategy is about more than just interdicting bales of cocaine; it is about supporting a broader interagency effort to promote regional stability in Central America that is being eroded by Transnational Criminal Organizations. The Coast Guard's offshore presence and associated interdiction efforts in the region are a critical element of this effort.

Looking further abroad, the Coast Guard is engaged around the world. In the Middle East, our squadron of six patrol boats continues to police the waters of the Northern Arabian Gulf in close cooperation with the U. S. Navy, promoting regional peace and stability.

As we look further toward our high latitudes, CGC HEALY led a scientific mission to the North Pole this past summer – the first United States surface ship to independently accomplish this feat. In another example of NSC capability and versatility, CGC WAESCHE deployed to the Arctic during the ice-free season, monitoring offshore drilling activity in the Chukchi Sea, while providing critical maritime domain awareness of an Arctic exercise among the combined navies of Russia and China. The Coast Guard is committed to the safety, security and environmental stewardship of the Arctic, and we will remain closely engaged with the Arctic Coast Guard Forum which includes members from every Arctic Nation, including Russia. By focusing on collaboration over conflict, we are ensuring that shared responsibilities for mass search and rescue, pollution response and safe navigation remain paramount among Arctic Nations.

Meanwhile, CGC POLAR STAR recently completed Operation DEEP FREEZE in Antarctica. CGC POLAR STAR was not only flying the flag as our Nation's sole operational heavy icebreaker capable of operating in ice up to 21 feet thick, but also supporting U. S. strategic interests and the National Science Foundation by breaking a navigable shipping lane to deliver fuel and supplies to the U. S. base at McMurdo Sound.

The daily activities of Coast Guard men and women are heroic, as they support nearly every facet of the Nation's maritime interests, protect our homeland and secure our economic prosperity. In addition to the large-scale success in our counter-drug mission, over the past year the Coast Guard responded to over 16,000 search-and-rescue cases, saving more than 3,500 lives; interdicted more than 6,000 undocumented migrants; completed over 9,300 Safety of Life at Sea (SOLAS) safety exams on foreign vessels; and responded to over 12,800 reports of pollution incidents.

The Nation expects that high level of performance from the Coast Guard and the Fiscal Year 2017 President's Budget allows us to build upon those successes and continue moving forward to meet emerging demands.

Coast Guard recapitalization remains my highest priority, and the Fiscal Year 2017 budget continues to reflect this vital investment in your 21st Century Coast Guard. While our new assets have significantly enhanced our capabilities, the maritime environment remains harsh and maintaining our aged assets presents an increasing challenge.

This is why I am particularly pleased the President's Budget includes $150 million to accelerate the acquisition of a new heavy Polar Icebreaker. This investment reflects our interests as an Arctic nation, and affirms the Coast Guard's role in providing access to the Polar Regions with heavy icebreakers. Since the President announced this initiative last summer, we made notable progress by finalizing operational requirements across the interagency and beginning robust industry engagement to ensure we develop and execute the most effective acquisition strategy. Make no mistake, this project will take time, but the President's Budget lays a trackline to rebuild the polar capabilities the Nation needs in the 21st Century. We look forward to working with the Congress to deliver this vital capability.

The President's Budget also includes funding for final design and procurement of Long Lead Time Materials for our first Offshore Patrol Cutter (OPC), a major milestone in the Coast Guard's largest acquisition. Continued progress is absolutely vital to recapitalizing our aging fleet of Medium Endurance Cutters (MECs), some of which will be over 55 years old when the first OPC is delivered. In concert with the extended range and capability of the NSC and the enhanced coastal patrol capability of the Fast Response Cutter (FRC), OPCs will be the backbone of the Coast Guard's strategy to project and maintain offshore presence.

History has proven that a responsive, capable, and agile Coast Guard is an indispensable instrument of national security, and funding 21st century Coast Guard platforms and people is an especially prudent investment given the challenging fiscal environment. Our greatest strength is undoubtedly our people. Coast Guard operations require a resilient, capable workforce that draws upon the broad range of skills, talents, and experiences found in the American population. In FY2017, the Coast Guard will maintain a proficient, diverse and adaptable workforce that responds effectively to changing technology, an increasingly complex operating environment and dynamic partnerships. Together, modern platforms and a strong, resilient workforce will maximize the Coast Guard's capacity to meet future challenges.

No other investment will return more operational value on every dollar than the extraordinary men and women of the U.S. Coast Guard – including 48,000 Active Duty and Reserve members, 8,500 civilians, and over 27,000 members of the Coast Guard Auxiliary.

FY 2017 REQUEST:

The FY 2017 President's Budget funds Coast Guard operations and continues recapitalization efforts for cutters, boats, aircraft, systems and infrastructure. The Budget also efficiently allocates resources to optimize Coast Guard mission performance. The Coast Guard must continue meeting today's operational requirements while investing in future capability to best serve the Nation.

The Coast Guard's FY 2017 budget priorities are:

1. Invest in the 21st Century Coast Guard
2. Sustain Mission Excellence
3. Maximize Value to Nation

Invest in the 21st Century Coast Guard
Coast Guard mission demands continue to evolve. The complexities and challenges facing the maritime environment require well-trained Coast Guard men and women with capable platforms providing the persistent presence necessary to conduct operations. Given the age and condition of the Coast Guard's legacy assets, future mission success relies on completing the planned recapitalization of Coast Guard boats, cutters, aircraft, systems and infrastructure.

The FY 2017 Budget accelerates acquisition of a new polar icebreaker to meet anticipated demands in the Polar Regions. It provides funds for the acquisition of four Fast Response Cutters, continues to invest in an affordable Offshore Patrol Cutter and funds vessel sustainment projects for two 140' WTGB Icebreaking Tugs and a 225' Seagoing Buoy Tender. The budget also continues sustainment and conversion work on in-service fixed and rotary wing aircraft, missionization of the HC-27J aircraft received from the Air Force, and investment in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems.

Sustain Mission Excellence
The FY 2017 budget ensures the Coast Guard can conduct today's highest priority operations in support of national objectives. Most importantly, it sustains the Coast Guard's workforce and supports proficiency, maximizing operational safety and effectiveness.

In 2017, the Coast Guard will decommission four Coastal Patrol Boats (WPBs) that are being replaced by more capable Fast Response Cutters. The Coast Guard will also decommission one High-Endurance Cutter (WHEC) while accepting the delivery of a new National Security Cutter. In all, the FY 2017 budget increases the workforce by 328 FTE to support the Coast Guard's eleven missions.

Maximize Value to Nation
In best serving the Nation, the Coast Guard must continue to meet evolving mission requirements stemming from national priorities and remain a trusted steward of public resources.

The 2017 Budget sustains frontline operations by efficiently allocating resources across all mission programs. Coast Guard Operational Commanders will maintain search and rescue coverage, protect critical infrastructure, counter illicit threats from entering the United States, facilitate safe navigation within the vital Maritime Transportation System (MTS), safeguard the maritime environment and support foreign policy objectives and defense operations.

FY 2017 Highlights:

Acquisitions, Construction, & Improvements (AC&I)

Surface Assets.....$704.1M (0 FTE)
The budget provides $704.1 million for the following surface asset recapitalization and sustainment initiatives:

- **National Security Cutter (NSC)** – Provides funding for Post Delivery Activities for the fourth through eighth NSCs, test and evaluation activities, and unmanned systems. The acquisition of the NSC is vital to performing DHS missions in the far off-shore regions, including the harsh operating environment of the Pacific Ocean, Bering Sea,

and Arctic. The NSC also provides a robust command and control platform for homeland security contingency operations;

- **Fast Response Cutter (FRC)** – Funds procurement of four FRCs. These assets replace the less capable 110-foot patrol boats, enhancing the Coast Guard's coastal capability to conduct Search and Rescue operations, enforce border security, interdict drugs, uphold immigration laws, prevent terrorism, and enhance resiliency to disasters;
- **Offshore Patrol Cutter (OPC)** – Supports technical review and analysis of preliminary and contract design phase deliverables for the OPC project. Funding also provides for procurement of Long Lead Time Materials for the lead ship. The OPC will replace the Medium Endurance Cutter classes that conduct missions on the high seas and coastal approaches;
- **Polar Ice Breaker** – Accelerates the acquisition of a new polar icebreaker to begin production activities in 2020. The new icebreaker will provide continued U.S. Polar icebreaking capability for years to come;
- **Cutter Boats** – Continues funding for production of multi-mission cutter boats that will be fielded on the Coast Guard's major cutter fleet beginning with the NSC;
- **In-Service Vessel Sustainment** – Continues funding for sustainment projects on 140-foot ice breaking tugs, 225-foot seagoing buoy tenders, the training Barque EAGLE, and 47-foot motor lifeboats;
- **Survey and Design** – Continues funding for multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects. Funds are included to conduct engineering survey and design work to either reactivate or extend the life of an existing heavy polar-class icebreaker.

Air Assets.....$201.3M (0 FTE)
The budget provides $201.3 million for the following air asset recapitalization or enhancement initiatives:

- **HC-144A** – Funds mission system processor upgrade on the HC-144A Ocean Sentry aircraft;
- **HC-27J** – Funds continued activities of the HC-27J Asset Project Office (APO). The APO organizes logistics, training, maintenance support, and ensures these newly acquired aircraft are ready for induction into the operational fleet. Funds aircraft regeneration, spares, initial training, mission system development, ground support equipment; also includes missionization of two aircraft;
- **H-65** – Continues modernization and sustainment of the Coast Guard's fleet of MH-65 Short Range Recovery (SRR) helicopters. The modernization effort includes reliability and sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite;
- **HC-130J** – Funds upgrade of the mission system processor and initial spare parts and equipment required to maintain the operational availability of the HC-130J Long Range Surveillance aircraft.

Other (Asset Recapitalization).....$59.355M (0 FTE)
The budget provides $59.355 million for other initiatives funded under the Acquisition, Construction and Improvements account, including the following equipment and services:

- **Program Oversight and Management –** Funds activities associated with the transition of the Coast Guard's assets from acquisition to operations, including delivery, provision of logistics, training and other services necessary to ensure seamless integration into the operational fleet;
- **Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) –** Provides design, development, upgrades and assistance on C4ISR hardware and software of new and in-service assets;
- **CG-Logistics Information Management System –** Continues development and deployment of this system to Coast Guard operational assets.

Shore Units and Aids to Navigation (ATON).....$51.1M (0 FTE)
The budget provides $51.1 million to recapitalize shore infrastructure that supports Coast Guard assets and personnel, as well as construction and improvements to ensure public safety on waterways:

- **Specific Projects –** Funds a service life extension of Air Station Elizabeth City airfield apron and taxiways and minor shore infrastructure projects;
- **ATON Infrastructure –** Maintains transportation safety on Federal waterways through construction and improvements to short-range aids and infrastructure. Funds initial phase of an aid to navigation relocation in the Delaware River;
- **Major Acquisition System Infrastructure –** Funds modification and construction of facilities to support newly delivered assets. Includes upgrades and construction for a Fast Response Cutter homeport and upgrades to existing aviation facilities.

Acquisition Personnel and Management.....$120.933M (897 FTE)
The budget provides $120.933 million for pay and benefits of the Coast Guard's acquisition workforce.

Operating Expenses (OE)

Operating and Maintenance Funds for New Assets..... ....+$121.1M (+300 FTE)
Increases funding for operations and maintenance of shore facilities and provides sustainment funding for new cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts:

- **Shore Facilities –** Funds operation and maintenance of shore facility projects scheduled for completion prior to FY 2017;
- **Rescue 21 (R21) –** Provides funding to support Rescue 21, the Coast Guard's primary system that facilitates command, control, and communications in the inland and coastal zones, which will be fully delivered to the Western Rivers and Alaska in FY 2017;
- **FRC –** Funds operation and maintenance of FRCs #22-25, provides funding for crews for hulls #24-28, and funds shore-side support personnel for hulls #23-26;
- **NSC –** Funds operations, maintenance, and personnel for NSC #6 and 7 and funds a permanent increase in crew size for all NSCs deployed or under contract (#1-7).
- **HC-27J Aircraft –** Funds operations, maintenance, and personnel for HC-27J airframes #5 and 6, as well as support personnel at the Aviation Logistics Center, Aviation Technical Training Center, and Aviation Training Center;
- **HC-130J Aircraft –** Funds operations, maintenance, and personnel funding for HC-130J airframes #8 and 9, as well as upgrades necessary to ensure two airframes comply with FAA requirements and remain usable in all flight regimes and airspace;

- **MH-60T Helicopter** – Funds operations, maintenance, and personnel funding for MH-60T helicopter #45.

Pay & Allowances.....+$99.9M (0 FTE)
Maintains parity with DoD for military pay, allowances, and health care, and for civilian pay raise and retirement contributions, including providing a 1.6% military and civilian pay raise in FY 2017. As a branch of the Armed Forces of the United States, the Coast Guard is subject to the provisions of the National Defense Authorization Act, which include pay and personnel benefits for the military workforce.

Operational Adjustments
In FY 2017, the Coast Guard will make sound, risk based adjustments while investing in critical recapitalization and new workforce initiatives:

- **National Capital Region Footprint Consolidation.....-$3.9M (0 FTE)**
  Savings generated by reduction of the Coast Guard's physical footprint in the National Capital region through consolidation of personnel and offices into the Douglas A. Munro Coast Guard Headquarters building at St. Elizabeths; completes the transfer of all staff from Ballston;
- **National Security Cutter Energy Efficiency.....-$13.5M (0 FTE)**
  Reflects savings from a re-calculation of National Security Cutter (NSC) energy costs based on observed energy expenditures during NSC operations, without impacting the ability to carry out those operations;
- **Workforce Support Improvement.....+$8.6M (27 FTE)**
  Provides necessary funding and personnel to enhance military justice capabilities, including the handling of sexual assault allegations, and to conduct Personnel Security (PERSEC) and suitability background investigations required to maintain the Coast Guard workforce.

Asset Decommissioning and Retirement
As the Coast Guard recapitalizes its cutter and aircraft fleets and brings new assets into service, the older assets that are being replaced will be decommissioned.

- **Patrol Boat (WPB).....-$4.6 M (-55 FTE)**
  Decommissions four 110-ft WPB patrol boats. These assets are being replaced with Fast Response Cutters (FRCs).
- **High Endurance Cutter (WHEC).....-$7.3M (-92 FTE)**
  Decommissions one 378-foot High Endurance Cutter (WHEC). These assets are being replaced with National Security Cutters (NSCs).

CONCLUSION

In closing, I firmly believe you will not find a better return on investment than the United States Coast Guard. As we have for more than 225 years, your Coast Guard stands ready to meet the persistent threats in our complex global maritime environment. We have been and will remain *Semper Paratus* – Always Ready.

Question#:	1
Topic:	MOU with Canada
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Bob Gibbs
Committee:	TRANSPORTATION (HOUSE)

Question: Admiral Zukunft, as you know, the Great Lakes are a vital link between the industrial heartland of the United States and the rest of the world. It is critical for our national security and for our continued economic recovery that we do everything we can to ensure that goods can be brought to market throughout the year over the Great Lakes. During the hearing, you mentioned that the Coast Guard's 140-foot icebreaking tugs were being refurbished, but I understand that they cannot break level ice as thick as 3 feet. During the colder winters, the MACKINAW is the only Great Lakes Coast Guard icebreaker that can open navigation channels when level ice thickness exceeds 2-3 feet, and the MACKINAW cannot be in two places at the same time. You also mentioned that the Canadian Coast Guard provides Great Lakes icebreaking services in U.S. waters under an MOU, however, I understand that the Canadian icebreaking fleet stationed in the Great Lakes has declined from seven to two vessels, and once the St. Lawrence Seaway closes, Canada cannot send an east coast icebreaker to the Great Lakes. Also, since the Seaway opens at almost the same date as the locks at Sault St. Marie open, Canadian icebreakers are likely to be assisting Seaway traffic during the period of peak U.S. demand in the upper Great Lakes, and therefore unable to assist in U.S. waters when they are most needed.

Does the MOU with Canada ensure that a Canadian icebreaker will be on scene when the Soo Lock opens in March during a severe winter?

Response: The MOU provides for coordination of icebreaking activities between the two nations and promotes the shared objective of maintaining open waterways for maritime commerce. The U.S. and Canadian Coast Guards have worked diligently to improve coordination of icebreaking on the Great Lakes. The two Coast Guards host a joint pre-season meeting annually with industry and hold daily phone conference calls during the season to determine dispatching of necessary resources depending on current conditions. Given the excellent cooperation between our two services, there is no reason to expect any less than their full effort to re-establish a waterway in a historically severe winter, like we observed with three Canadian Icebreakers surging in 2014 and two icebreakers surging in 2015. The Coast Guard utilizes data and information from the U.S. National Ice Center to develop its icebreaking action plans. This information is fully and openly shared with the Canadian Coast Guard.

Question#:	2
Topic:	Great Lakes Icebreaking Mission Assumptions
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Bob Gibbs
Committee:	TRANSPORTATION (HOUSE)

Question: Will the ongoing Great Lakes icebreaking mission needs analysis assumptions include the impact of a potential temporary unavailability of the MACKINAW or a Canadian Great Lakes icebreaker due to a mechanical or structural problem, and with respect to Canadian icebreakers, unavailability to assist U.S. maritime commerce due to other national needs?

Response: The Great Lakes Icebreaking Mission Analysis report identifies the Service Life Extension Program (SLEP) for the 140 ft icebreaking tugs, the relatively recent commissioning of the MACKINAW in 2006, and the performance of significant maintenance during the summer months as factors that mitigate the likelihood that a critical mechanical or structural problem will occur during the peak of the ice breaking mission. The document will also emphasize the importance of U.S./Canadian coordination and agreements to ensure routes remain open for maritime commerce.

Question: Will those assumptions also include that the demand for Canadian icebreakers in Lake Ontario and the St. Lawrence Seaway after the opening of the Seaway delays their availability to assist U.S. commerce in the upper Great Lakes when the locks at Sault St. Marie open?

Response: To address circumstances where there is a simultaneous need in multiple regions, the Coast Guard uses a systematic approach to allocate ice breaking resources on the Great Lakes. U.S. Coast Guard Operation Taconite is responsible for icebreaking operations in the areas generally above Northern Lake Huron and Operation Coal Shovel is responsible for the areas generally below Southern Lake Huron. These two task groups work closely with Canadian Coast Guard regional operation centers to ensure synchronized and mutually beneficial operations during ice season.

Question: Will those assumptions also include the inability of the Coast Guard's WTGB and WLB fleet in the Great Lakes to break level ice thicker than 2-3 feet?

Response: The Mission Analysis Report update will account for the capabilities of all icebreakers in the Great Lakes as shown in the table below. It is important to note that the Coast Guard has historically been able to manage ice conditions in all but the most extreme winters.

Question#:	2
Topic:	Great Lakes Icebreaking Mission Assumptions
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Bob Gibbs
Committee:	TRANSPORTATION (HOUSE)

Type	Name	Commissioned	End of Service Life (EOSL)	New SLEP EOSL	Icebreaking Capability[1]: Continuous/ Back & Ram
240' WLBB	MACKINAW	2006	2036	N/A	32"/42"
140' WTGB	KATMAI BAY	1978	2008	2033	22"/36"
	BISCAYNE BAY	1979	2009	2035	
	MOBILE BAY	1979	2009	2034	
	BRISTOL BAY	1979	2009	2032	
	NEAH BAY	1979	2009	2032	
	MORRO BAY	1980	2010	2030	
225' WLB	ALDER	2004	2034	N/A	14"/36"

The 2010 Domestic Icebreaking Mission Analysis Report found that the current fleet of domestic icebreakers and ice-capable buoy tenders satisfied most of the icebreaking requirements for the Great Lakes, with a 6-week deficit in WTGB capability during a severe winter ice season. The U.S. Coast Guard permanently transferred an East Coast WTGB to the Great Lakes to mitigate the deficit and increase capability.

The United States Coast Guard is resourced for a normal winter on the Great Lakes. When a severe season pushes Coast Guard assets to the limit, the existing agreement and partnership with Canada fills the gap and brings in extra resources to manage the ice. The 2014 and 2015 ice seasons were an anomaly consuming almost twice as many cutter resource hours as in any of the other years since 2005.

Question: Will the Coast Guard include Great Lakes maritime commerce stakeholders in the mission needs analysis process to ensure the analysis properly prioritizes the timing and location of Great Lakes icebreaking needs?

Response: The Mission Analysis Report is an update to the 2010 Domestic Icebreaking Mission Analysis Report which was conducted with input from Great Lakes maritime stakeholders. This report discusses the Coast Guard's implementation of the 2010 report's recommendations.

[1] Continuous icebreaking capability is described as the thickness of ice a cutter can break while steaming ahead at a speed of three knots. Back and ram icebreaking capability refers to the maximum icebreaking potential of a cutter, achieved by backing the vessel away from the ice edge then coming ahead at full throttle to generate momentum and press into the ice.

Question#:	2
Topic:	Great Lakes Icebreaking Mission Assumptions
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Bob Gibbs
Committee:	TRANSPORTATION (HOUSE)

On a tactical level, all stakeholders are involved in icebreaking operations from the planning stages until the end of the ice season. A pre-season conference hosted by Coast Guard District Nine includes U.S. and Canadian Coast Guard representatives as well as industry stakeholders to discuss concerns and align before the upcoming season. Daily and sometimes even more frequent conference calls in-season and outreach from U.S. and Canadian operations centers enhance communication and engage maritime stakeholders to ensure a holistic approach to Great Lakes icebreaking operations.

Question#:	3
Topic:	Performance Target Data
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Bob Gibbs
Committee:	TRANSPORTATION (HOUSE)

Question: In the Coast Guard's FY16 and earlier years' budget requests Congressional Justification document, the USCG set a performance target of keeping high priority waterways on the Great Lakes and the eastern seaboard open during ice season 95% of the time. However, the USCG only collected data on whether it met that target in FY14, at which time the USCG fell short of its goal by 10 percent. Your FY17 submission does not include this performance target data. This Committee needs to collect this data so we can ensure the USCG is fulfilling its domestic icebreaking mission - rather than setting performance targets and not following through.

Did the USCG collect this data in FY15 or FY16? If so, please send that data to this Committee.

Response: Yes, see table below.

Fiscal Year	Great Lakes & Eastern Seaboard Tier One Availability
2015	81.90%
2016	100%

Question: Please disaggregate the Great Lakes specific data from the combined eastern seaboard and Great Lakes data so we can be sure the USCG is fulfilling its specific icebreaking missions in the Great Lakes region.

Response: The data specific to the Great Lakes region is included in the table below. Since tracking began in 2012, Domestic Icebreaking in the Great Lakes met its target of 95 percent in three of five ice seasons. The two seasons that fell short, 2014 and 2015, were deemed severe ice seasons and do not represent a typical winter experienced in the Great Lakes Region.

Fiscal Year	Great Lakes Tier One Availability
2015	81.20%
2016	100%

Question#:	3
Topic:	Performance Target Data
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Bob Gibbs
Committee:	TRANSPORTATION (HOUSE)

Question: Why did the USCG not include a similar performance target in its FY17 budget request to Congress?

Response: All DHS component performance measures were extracted from individual component budget submissions and included in the DHS Strategic Context Congressional Submission. The USCG Strategic Context for FY17 containing these performance targets can be found starting on page 1001 of the PDF at the following link:

https://www.dhs.gov/sites/default/files/publications/FY%202017%20Congressional%20Budget%20Justification%20-%20Volume%202_1.pdf.

Question#:	4
Topic:	NPC Requirements at Unimak Pass
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)

Question: I understand the Coast Guard is working to dramatically change the process for approving and maintaining response plans based on Alternative Planning Criteria (APC) in Western Alaska. Issues related to the Arctic are becoming increasingly important to the Federal government, including the Coast Guard. I note that Rear Adm. Paul Thomas, Assistant Commandant for Prevention Policy who is someone working directly on this APC issue - was introduced as the Coast Guard's new Arctic Executive Champion. At the root of my concern is a plan by the Coast Guard allowing some for-profit companies to provide APC plans only for the high-volume, foreign-flag vessel traffic on the Great Circle Route through the Aleutians using Lower 48 standards and a disregard for the importance of prevention measures. With this approach, these for-profit plan providers would not have to cover areas in Western Alaska outside the Aleutians, including the Arctic. I am concerned that the agency's plans will leave many parts of Western Alaska "stranded" without adequate coverage, or with coverage that significantly increases costs to Alaskans. Specifically, I am very concerned that if the Coast Guard is focused on meeting NPC requirements at Unimak Pass, that it will significantly increase the cost of maintaining APC plans for the vessels calling at ports and places along the Alaskan coast from the Aleutians north throughout the Bering Sea, the Bering Straits, and along the entire Arctic coastline. I believe this will result in these isolated communities unnecessarily paying more for delivery of fuel oil and other supplies. Finally, I am concerned that those who offer plans have and maintain the equipment needed for a response.

Do you agree that the agency's focus on meeting NPC requirements at Unimak Pass will in fact increase costs to the rest of Western Alaska, and if yes, what, if anything, does the agency plan to do about it?

Response: The Coast Guard does not believe that a focus on meeting National Planning Criteria (NPC) standards will increase costs. Current market trends have led to a rate reduction on the part of a current Alternative Planning Criteria (APC) service provider for Western Alaska.

Question#:	5
Topic:	OPA 90 Coverage
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)

Question: What are the Coast Guard's plans for OPA 90 coverage of the remote areas of Western Alaska and the Arctic?

Response: The Coast Guard continues to collaborate with all preparedness partners in Western Alaska and the Arctic to grow oil spill response preparedness. In locations where APC are most appropriate, the Coast Guard will continue to work with vessel owners and service providers to ensure the most robust response and preparedness scheme possible is in place.

Question#:	6
Topic:	Reconcile Objectives
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)

Question: How can the Coast Guard reconcile its short-term objective of concentrating on establishing NPC requirements at Unimak Pass with the long term objective of protecting our nation's interests in the Arctic?

Response: The Coast Guard's short-term focus on growing response capability directly supports the national interest in the Arctic. Any growth in response preparedness is a positive step and further protects our nation's interests.

Question#:	7
Topic:	Equipment Requirements
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)

Question: Does the Coast Guard require those who offer plans whether based on NPC or APC to have the equipment in place prior to plan approval? How does the Coast Guard ensure that the equipment is in place and maintained for use in a response?

Response: Yes, the Coast Guard requires equipment to be in place prior to plan approval. The Coast Guard routinely inspects oil spill removal organization's (OSRO) equipment as part of the OSRO classification process. Annual Preparedness Assist Visits include a review of training and maintenance records as well as the operation of selected equipment.

Question#:	8
Topic:	Oil Pollution Prevention
Hearing:	President's Fiscal Year 2017 Budget Request for the Coast Guard and Maritime Transportation Programs
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)

Question: If the Coast Guard is intent on managing the oil pollution prevention regulations in the Western Alaska Captain of the Port zone via subareas, does the Coast Guard have the resources, capability, capacity and competency to manage and enforce regulations in each of the subareas?

Response: Where alternative planning is appropriate, the Coast Guard continues to consider proposals by vessel owners or third parties that provide mitigation strategies to offset an inability to fully meet the response requirements laid out in OPA 90/33 Code of Federal Regulations 155. The Coast Guard monitors areas and approaches to ensure operating vessels meet applicable port entry requirements, including a geographically appropriate vessel response plan.

STATEMENT OF
PAUL N. JAENICHEN
ADMINISTRATOR
MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES

THE MARITIME ADMINISTRATION'S
FISCAL YEAR 2017 BUDGET REQUEST

March 15, 2016

Good morning, Chairman Hunter, Ranking Member Garamendi and Members of the Subcommittee. I appreciate this opportunity to discuss the President's Fiscal Year (FY) 2017 budget priorities and initiatives for the Maritime Administration (MARAD). This budget request supports MARAD's mission to foster, promote and develop the U.S. Merchant Marine, and reflects MARAD's priorities of maintaining security and preparedness, investing in mariner training, and fostering environmental sustainability.

MARAD's FY 2017 Budget Request is $428.1 million, which funds activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, environmental sustainability, safety, and mariner training and education. The FY 2017 request includes an increase for our mariner training programs to support the Nation's effort to continue to produce highly skilled U.S. Coast Guard (USCG) credentialed officers in the U.S. Merchant Marine to support America's defense and national security needs. The request also highlights an increase to begin dismantlement and decontamination of the defueled nuclear power plant on board the former Nuclear Ship SAVANNAH. A summary of the FY 2017 request is provided below.

SECURITY AND PREPAREDNESS

To defend American interests and carry out national policy overseas, the United States must be capable of deploying military forces anywhere in the world on short notice to meet contingency requirements. The U.S.-flag fleet of privately owned, commercially operated vessels, along with government-owned vessels, provide critical sealift surge and sustainment capacity to move equipment and materials for the Armed Forces and Federal agencies when needed, and where needed, during times of conflict, humanitarian crises, and natural disasters.

Maritime Security Program (MSP)

For FY 2017, $186 million is requested for the MSP to fund $3.1 million for each of the 60 ships expected to be enrolled in the program. The Maritime Security Act of 1996 established the MSP, which provides direct annual stipends for up to 60 active, commercially viable, militarily useful, privately-owned U.S.-flag vessels and crews operating in U.S. international trades. The MSP fleet ensures access to U.S.-flag ships in ocean-borne foreign commerce with the necessary intermodal logistics capability to move military equipment and supplies during armed conflict or national emergency, and also provides critical employment for up to 2,400 highly qualified U.S. merchant mariners and approximately 5,000 shore side maritime professionals each year. Under this program, participating operators are required to commit their ships, crews, and commercial transportation resources upon request by the Secretary of Defense during times of war or national emergency. Of the 78 U.S.-flag vessels that trade internationally, 57 currently participate in the MSP program. MARAD recently approved one vessel to enter the program and is in the process of filling the remaining two vacancies in the program.

Food Aid Proposal

The President's FY 2017 Budget Request proposes to modify the current P.L 480 Title II Food Assistance Program to change the way food aid is delivered around the world, specifically to allow flexibility (25 percent of total budget) for interventions such as local and regional purchase to reduce the average cost per beneficiary, making it more efficient and reaching more people in crises. MARAD's request for $25 million is included as a component of the food aid proposal to mitigate the impact these changes could have on sealift capacity and the availability of U.S. citizen mariners to support the Nation's sealift requirements. If enacted, this new initiative would provide funds to preserve mariner employment on commercial vessels of the United States and to identify other innovative means to encourage retention of U.S. mariners and vessels. Of this total, up to $24 million will be used to provide direct support payments to operators of vessels in foreign trade, separate from MSP payments and at least $1 million will be used to support training and credentialing of U.S. citizen mariners to retain them.

National Defense Reserve Fleet (NDRF)/ Ready Reserve Force (RRF)

MARAD manages and maintains a fleet of government-owned merchant ships in the National Defense Reserve Fleet (NDRF). This includes 45 RRF vessels that are maintained ready for operation within five days for transport of cargo to the area of operation and one RRF off-shore petroleum discharge vessel maintained ready for operation within 10 days to meet critical war fighting requirements. Vessels maintained in the RRF and NDRF, which include training ships on loan to the six State Maritime Academies (SMAs), in the past have been called upon for disaster response in an emergency, as was the case when one RRF ship and two training ships were activated in November 2012 to provide support for relief efforts following Hurricane Sandy, and more recently three RRF ships supported the medical mission to Liberia for the United States contribution to the international Ebola Virus response in late 2014. Additionally,

RRF and NDRF vessels can be configured to support other emergent situations as was the case in mobilizing the Motor Vessel (M/V) CAPE RAY for use in the international effort to destroy the Syrian Government's declared chemical weapon stockpile. That mission was successfully completed in August of 2014.

Funding provided by a reimbursable agreement from the Department of Defense (DOD) will allow MARAD to continue providing ready surge sealift support in FY 2017 in the areas of activating, operating, deactivating and special mission requirements for RRF vessels and maintaining MARAD's NDRF fleet sites.

Maritime Training Programs

It takes many years of training to develop the necessary mariner competencies for officer and engineering positions on vessels; therefore, maintaining an adequate pool of American merchant mariners is vital to the commercial success of both the U.S.-flag fleet and the capacity to project American sea power. The average age of a USCG credentialed merchant mariner is 46, and the workforce is retiring faster than it is being replaced.[1] Since the maritime segment of transportation workers is relatively small, the effect of a large percentage of older workers is likely to be significant on the entire maritime transportation workforce. Given the high average age of the credentialed mariner workforce, the expected separation rate of workers from the industry (i.e., those leaving the industry, retirements and expected job growth) and time needed to gain shipboard experience, there could be a critical need for senior mariners to meet employment demand between now and 2022

The U.S. Merchant Marine Academy (USMMA) and the State Maritime Academies (SMAs) graduate the majority of USCG-credentialed officers with the highest entry-level merchant marine officers who hold an unlimited tonnage or horsepower endorsement available to support the U.S. Merchant Marine and national maritime industry infrastructure. These graduates support our Nation having a cadre of well-educated and trained merchant mariners in the event of a contingency or national emergency, as well as to meet national security needs in support of military emergency and humanitarian missions.

United States Merchant Marine Academy

The President's FY 2017 Budget Request includes $99.9 million for USMMA. Of this, $74.9 million will support Academy operations and $25.1 million will fund major capital improvements and repairs to the Academy's physical campus. The request will support mission-essential program requirements and priority areas of physical campus and technology security.

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[1] *Strengthening Skills Training and Career Pathways Across the Transportation Industry: Data Report on Future Transportation Workforce Needs*, U.S. Departments of Education, Transportation and Labor, August 2015, https://s3.amazonaws.com/PCRN/docs/Strengthening_Skills_Training_and_Career_Pathways_Across_Transportation_Industry_Data_Report.pdf

Funding includes an increase to support necessary simulator program upgrades, physical and information technology security enhancements, and required Academy training ship dry docking costs. This request will enable the Academy to effectively achieve its core responsibility of providing the highest caliber academic study with state of the art learning facilities for the Nation's future merchant marine officers and maritime transportation professionals. The Academy's shipboard training program exposes Midshipmen to life at sea on board commercial and military vessels and enables commercial U.S. shipping companies and the U.S. Navy (Military Sealift Command) an opportunity to provide seamanship and engineering training. In 2017, 178 midshipmen are expected to graduate from the Academy. With rare exceptions, all Academy graduates are commissioned on active duty or into a reserve unit of the Armed Services or other uniformed services of the United States and provide a guaranteed source of mariners to crew government owned surge sealift vessels when activated.

The request seeks $302 thousand in funding for the USMMA Sexual Assault Prevention and Response (SAPR) Program. Sexual assault and sexual harassment are unacceptable behaviors and have no place at any institution of higher education, especially one committed to developing our Nation's future leaders. MARAD is committed to eliminating sexual assault and sexual harassment on our campus and, until we reach that goal, improving the reporting rate and taking appropriate action in each reported case. The SAPR program has significantly improved training across the Academy aimed at the prevention of sexual assault and sexual harassment including online prevention training, case studies, videos, social media, professional speakers and small groups. While the Academy has implemented a wide variety of important training, education, reporting and security mechanisms we recognize this important on-going responsibility and will work towards continuous improvement.

State Maritime Academies

The President's FY 2017 Budget Request includes $29.6 million for the SMA program. This request includes $22 million to fund maintenance and repair costs for federally owned training ships on loan from MARAD to the SMAs. The Training Ship Maintenance and Repair funds are used for recurring or periodic capital preservation projects, and to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic equipment/machinery failure or loss. This work is particularly important as the training ships age and approach their designed service life. In the interim, MARAD is using the requested funds to address priority maintenance across all the aging training vessels, with priority emphasis on the TS EMPIRE STATE, to ensure that they all meet safety and functional requirements and can stay in service as long as possible.

Additionally, the request provides $2.4 million to fund the Student Incentive Program (SIP), enabling enrollment of 300 students per year (75 graduates annually) who maintain a USCG Merchant Mariner Credential (MMC) and fulfill a service obligation through active or reserve duty in the U.S. Armed Forces or through employment in the maritime industry. Funding also

includes $3 million for annual direct payments to provide for operational support to each of the six SMAs and $1.8 million for fuel assistance payments.

The six SMAs collectively graduate more than two-thirds of the entry-level Merchant Marine officers annually.[2] More than 660 Cadets are expected to graduate from the SMAs in 2017. As part of its support to the SMAs, MARAD provides training ships[3] which are on loan to the SMAs to support at-sea training. Unlike the USMMA Midshipmen, the SMA Cadets receive most of their sea time to qualify for their MMC and International Maritime Organization Standards for Training, Certification and Watchkeeping (STCW) endorsements on these MARAD-provided training ships rather than on commercial or military vessels.

National Security Multi-Mission Vessel/School Ship Replacement Program
The FY 2017 Budget Request includes $6 million to fund an independent requirements and alternatives analysis for Cadet training ship needs, specifically the training requirements of the State Maritime Academies (SMAs) that MARAD currently supports. It is prudent to undertake additional rigorous analysis prior to making this type of investment to ensure the most cost beneficial and effective solution is provided. The activities will build upon the previously completed efforts.

ENVIRONMENTAL SUSTAINABILITY
MARAD environmental programs are aimed at reducing and mitigating maritime transportation-related impacts on ecosystems and communities; with a focus on obsolete vessel disposal, reducing port and vessel air emissions, testing and verification of ballast water treatment technology, underwater hull cleaning and inspection, improving and diversifying marine propulsion systems and fuels, and increased energy efficiency at sea.

Ship Disposal
In FY 2017, the Ship Disposal program requests $20 million which includes $9 million to support continued obsolete vessel disposal, $8 million for the decommissioning of the Nuclear Ship (N.S.) Savannah, and $3million for maintaining the N.S. Savannah in protective storage. The FY 2017 Budget Request for the Ship Disposal Program is $9 million to support the continued priority emphasis on the disposal of non-retention NDRF vessels in the worst condition, with priority emphasis on the removal of the three remaining obsolete ships in the Suisan Bay Reserve Fleet (SBRF). This is required to comply with the April 2010 California Court Consent Decree requiring removal of all 57 SBRF non-retention vessels by the end of FY

[2] The six SMAs are: California Maritime Academy in Vallejo, CA; Great Lakes Maritime Academy in Traverse City, MI; Texas A&M Maritime Academy in Galveston, TX; Maine Maritime Academy in Castine, ME; Massachusetts Maritime Academy in Buzzards Bay, MA; and State University of New York (SUNY) Maritime College in the Bronx, NY.
[3] 46 U.S.C. 51504

2017. Currently, MARAD has 16 obsolete vessels uncontracted for disposal services, which is a historic low. Funding will support ship disposal in an environmentally responsible manner that further reduces the risk of environmental contamination while contributing to the domestic recycling industrial base.

Nuclear Ship SAVANNAH

The President's FY 2017 Budget Request includes $11 million for the inactive former *Nuclear Ship SAVANNAH (NSS)*. This includes $8 million to begin the Nuclear Regulatory Commission (NRC) required decommissioning (DECON) process, including the dismantlement and decontamination of the defueled nuclear power plant on board the former *NSS*. The *NSS* decommissioning must be completed by December 2031 which coincides with the NRC license expiration date of the vessel.

Also within this request, $3 million will provide for the continuation of the required *NSS* protective storage activities, including nuclear license compliance, radiological protection, ship maintenance and custodial care.

Maritime Environment and Technical Assistance (META)

The President's FY2017 Budget Request includes $3 million for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. MARAD's META program continues to focus on reducing air pollution from vessels, port and harbor operations, and control of aquatic invasive species. In addition, META continues to explore ways to improve vessel energy efficiency and the use of alternative energy/technology such as biofuels, liquefied natural gas (LNG) and fuel cells. META activities are carried out primarily through cooperative agreements and partnerships with government agencies, industry, academia, regulatory and classification societies, and other maritime stakeholders. Projects typically include feasibility analyses, demonstrations, and technology testing and verification. Leveraging resources with the private sector and other government agencies, META's ultimate goal is to identify economically sustainable solutions to emerging maritime environmental challenges. These efforts will inform future regulatory agency efforts to craft effective and practicable environmental requirements for the marine industry, and will also inform industry decision making regarding capital investments necessary to meet current and future environmental requirements.

OTHER PROGRAMS

Strong Ports

The President's FY 2017 Budget requests $3 million for a pilot program of competitive port planning grants. These planning grants will be an important tool to help ports, states and regional planning bodies develop more investment grade strategies that are both practical and

that attract Federal, State, local and private financing. The requested amount would fund up to 15 grants at an estimated $200 thousand each, while significantly raising port awareness of improved planning opportunities.

Maritime Guaranteed Loan Program (Title XI)

The President's FY 2017 Budget Request includes $3 million for administration of the Maritime Guaranteed Loan Program, commonly referred to as "Title XI." The Title XI loan guarantees enable applicants to secure long-term financing at favorable interest rates for shipyard modernization projects and for building vessels in U.S. shipyards. The requested funds will be used to administer the Title XI loan portfolio to ensure agency compliance with the Federal Credit Reform Act requirements, and borrower compliance with loan terms. In FY 2014, the Title XI program approved financing for the construction of two new containerships, which were among the first in the world that are able to be powered by U.S.-produced LNG, making them one of the most environmentally friendly forms of freight transportation worldwide. Both vessels have been delivered and are in service in the Puerto Rican trade.

CONCLUSION

The programs above represent the core mission of MARAD as well as key policy proposals and initiatives highlighted in the President's FY 2017 Budget. We will continue to keep this Committee apprised of the progress of our program activities and initiatives in these areas in the coming year.

Mr. Chairman, thank you for the opportunity to present and discuss the President's FY 2017 Budget Request for MARAD. I appreciate the Subcommittee's continuing support for maritime programs and I look forward to working with you on advancing maritime transportation in the United States. I will be happy to respond to any questions you and the members of the Subcommittee may have.

Statement of
The Honorable Mario Cordero
Chairman
Federal Maritime Commission

On
The Fiscal Year 2017 Federal Maritime Commission Budget Request

Before the
House Committee on Transportation & Infrastructure
Subcommittee on Coast Guard & Maritime Transportation
United States House of Representatives

March 15, 2016

Chairman Hunter, Ranking Member Garamendi, and Members of the Subcommittee: good morning and thank you for this opportunity to discuss the Federal Maritime Commission's (FMC) budget submission for Fiscal Year 2017.

In short, the FMC seeks $27,490,000 in funding to support 134 full-time equivalent employees. This is a modest, and much needed, increase in funding and personnel for the agency and we hope you will support the budget request at the full amount.

The Federal Maritime Commission is a small, independent agency with a broad mandate and a vital mission to regulate the international ocean transportation system for the benefit of domestic exporters, importers, and most significantly, the U.S. consumer. We achieve these goals through maintaining close contacts with our regulated entities which include literally everyone involved in the movement of goods via the ocean carriers, freight forwarders, non-vessel-operating common carriers, shippers, and marine terminal operators. We analyze business trends, we monitor agreements filed with the agency, and we investigate allegations of Shipping Act violations.

There has likely never been a time when the FMC has been more relied upon by its stakeholders. Indeed, the *Journal of Commerce* began a recent article by noting, "Global changes in container shipping are confronting the U.S. Federal Maritime Commission with some of the most difficult decisions in its 55-year history." It is important to see our work not narrowly, as that of an enforcement and regulatory agency, but rather as an agency that seeks to facilitate international trade at the working level. Our efforts aim to ensure that American manufacturers, distributors, and most importantly, consumers have access to reliable ocean transportation services that are connected to the world's economy and are delivered at lawful rates.

International trade is a significant part of the American economy, and as a result of your work on this Subcommittee, you are keenly aware that the overwhelming majority of U.S. imports and exports, particularly when considered in the context of volume, travel on ships. Last year, 31.5 million twenty-foot equivalent units (TEUs) moved in the U.S. liner trades—an expansion of two percent (2%) from the previous year. If the shipping industry gets to a point where its practices are either inefficient or anticompetitive, then the consequences to our economy will be significant.

The impact will include a diminishment of consumer choices in transportation options as well as what is seen on the shelves of America's stores, resulting in higher prices at the point of sale for shoppers. Free flowing trade, delivered economically via ships as part of a supply chain system that is regulated minimally, but effectively, helps increase purchasing power of consumers and keeps needed cash in the pockets of individual Americans, allowing them to stretch their family budgets.

As part of my appearance before you today, I would like to share with you some of our work over this past year. Allow me to begin by reporting on the status of two Congressional mandates. In the *Howard Coble Coast Guard and Maritime Transportation Act of 2014*, the agency was directed to implement term limits for Commissioners and change how attorney's fees are awarded in cases brought before the FMC. On February 18th of this year, the Commission voted to issue a final rule that meets both of these requirements, which became effective on March 1, 2016.

We have been encouraged by the Subcommittee in years past to operate the Federal Maritime Commission with an eye toward realizing efficiencies and creating cost savings. As a small agency with a small budget, we are constantly exploring ways to be even more economical in carrying out our mission in an era when trade has grown exponentially and there is ever increasing demand for FMC services. There are a number of measures the Commission has initiated to achieve greater returns on every dollar we are fortunate to have appropriated to us. Examples of cost savings and/or efficiency measures include:

- We have sought to enhance shared services wherever possible. To the extent we can share one of our costs with another agency, in order to lower the costs to both, we have done so. Examples of current shared services include:

    - The National Finance Center for human resources processing services;
    - The Office of Personnel Management (OPM) for staffing, recordkeeping, and management of personnel files; and
    - The Bureau of Fiscal Services (BFS) for a wide range of Federal financial reporting system requirements.

- We are reducing the amount of space the agency uses in its headquarters building in Washington. In FY2015, we decreased our physical storage requirement and returned 910 square feet of space to the General Services Administration (GSA). We are currently in the planning stages of reconfiguring our office space at our headquarters building and anticipate being able to reduce our lease requirement by another 400 square feet resulting in savings we would otherwise be paying in rent.

- All offices throughout the Commission have delayed backfilling positions. When filling vacancies, we try to hire at the lower-end of a position's pay band. By both delaying hiring personnel and then hiring at a less senior level, we are able to achieve cost savings, though this sometimes means that we are not able to attract the most qualified candidates. Money saved via personnel hiring deferments has been utilized to advance our Information Technology (IT) refresh efforts. We are planning to migrate our contracted services with the Office of Personnel Management (OPM) to an in-house hiring process to limit costs.

- Our improved IT systems allow staff to operate more efficiently. Our IT refresh has given our analysts and economists increased capabilities. We still have important steps to take in our IT plan, steps that will allow us to eliminate having to literally hand off paper documents to one another.

- To the extent we are legally allowed, we post information and notices related to the Commission on the Commission's website, as opposed to *Federal Register* publication, resulting in significant cost savings.

- We have markedly improved morale within the Commission as reflected by the positive gains we achieved in all 14 categories of the Federal Employee Viewpoint Survey (FEVS) and earning the Award from the Partnership for Public Service "2015 Most Improved Small Agency."

We are particularly challenged in effectively utilizing our budget by the fact that we have no discretionary spending to cut, as this year only two percent (2%) of our budget is not already obligated with the FMC's fixed costs. The two categories that consume the vast majority of our budget are Salaries & Benefits at 74%, and Rent & Communications at 14% of allocated funds, for a combined total of 88% of our budget. The remaining balance of our budget is taken-up by: Commercial Services (5%); Government Services (5%); Travel & Transportation (1%); and Supplies & Equipment (1%).

Mandatory costs and unfunded mandates are also factors that severely limit our ability to either spend more of the money we receive on the core mission of the Federal Maritime Commission, or to be more flexible in moving money internally to help address funding shortfalls or unexpected expenses. Even though the FMC is a small agency, we must comply with each and every requirement all other agencies are obligated to meet.

One of our biggest operational cost categories over which we have no control is security: physical, personnel, and cyber. If the Department of Homeland Security (DHS) or the General Services Administration raises the fees for physical security costs at our headquarters building, we must meet the new payment schedule. As the government continues to work to safeguard itself against cyber threats, it is individual agencies that must finance the necessary upgrades. These upgrades and mandates continue, particularly in the aftermath of the recent Office of Personnel Management security breaches. Security clearances and background investigations for employees and contractors is yet another example of an area where the FMC must comply with requirements set forth by other agencies and where the cost of compliance – as this case the cost of having a background investigation completed – is rising.

An example of the unforeseen and unexpected costs that challenge the ability of the FMC, particularly in the category of security, to be more flexible with our budget is the "Managed Trusted Internet Protocol Service," commonly referred to as "MTIPS." Very briefly, the FMC must upgrade its phone and Internet connections from its current service to this new system that is more secure. Again, this is not a unilateral decision by the Commission, or part of our IT refresh plan, but rather a required response to the mandate to effectuate cyber security enhancements. The

cost of necessary hardware, software, and monitoring services must be borne by the agency and may result in a curtailment of other activities and services at the agency.

In 2015, the Commission responded to at least 75 different annually mandated reporting requirements. Some of these were easier to complete than others, and some required no action at all. Irrespective of the complexity of our reporting obligations, each one of these 75 mandated reports required staff attention and action, even if that action was to determine no further action was warranted. This work cost the Commission time and resources; and, as the saying goes, "time is money."

In the last three years the Commission has had to defend its actions in United States Courts of Appeals six times. People are entitled to, and have the unquestionable right to, appeal the actions and decisions of the Commission. I am pleased to say that the Commission thus far has had a very high success rate in defending its actions in Court, which is a testament to our agency and the quality of lawyers in the Office of General Counsel. Given the significance of the issues litigated, and their potential impact on the industry, the appeals had to be addressed immediately. We do not have the luxury of ignoring or delaying petitions for appeal in the hopes we can secure more funding in a future year budget to cover litigation costs. Not only were the costs of going to court borne out of the Commission's overall budget, the Office of General Counsel was forced to take on unpredicted, major, and expensive work.

The work the Federal Maritime Commission does, and its relevance to ensuring the efficient and lawful transportation of oceanborne international trade to the benefit of the American shipping public, represents magnitudes of value beyond our operating budget. The shipping industry continues to grow in terms of volumes carried and increased volumes mean increased filings by carriers and Ocean Transportation Intermediaries (OTIs) at the FMC. Last year, carriers, marine terminal operators, and other entities filed with the Commission:

- 258 agreement filings—an increase of 38 percent over the previous year. This was the largest number of agreements filed, both in terms of new agreements and amendments to existing agreements, in a 12-month period since 2006. I am pleased to say that we analyzed and processed 255 agreement filings during the fiscal year including two new Marine Terminal Operator agreements of significance—the Pacific Ports Operational Improvements Agreement and the Northwest Seaport Alliance.

- 653,315 contract amendments, compared to 573,208 in Fiscal Year 2014.

- 51,109 new service contracts, up from 44,208 in Fiscal Year 2014.

The above statistics represent our constituents, companies engaged in moving international cargo in and out of the United States, working to come up with services that meet the needs of American shippers. Each of the above actions require review, analysis, and monitoring in order to ensure that no harm comes to domestic shippers or that international ocean cargo services serving the United States are not unlawfully anticompetitive.

Over the past two years, port congestion is the key, and perhaps most vexing, policy issue where the Commission has demonstrated leadership in working to address a matter that has real world, bottom line, profit-and-loss consequences. International container volumes entering the United States continue to grow. Our Nation's leading ports struggle to manage the increased numbers of containers landing at maritime gateways. Cargo that does not move increases costs to shippers and the underlying consumer, and can often hamper the United States' economic growth and ability to effectively compete with other nations in a global market. Efficient ports that can move containers off a ship and through marine terminal gates rapidly is a goal we should all share, particularly as using even conservative estimates, it is very likely that the containerized cargo trade will double from current volumes by 2029.

During FY2014 and FY2015, the Commission hosted four separate public listening events at major gateway cities throughout the United States—Los Angeles, Baltimore, New Orleans, and Charleston—to gather input from stakeholders about what problems they were experiencing and how congestion was impacting their ability to move goods. These listening sessions, which were headed by at least one Commissioner, led to the issuance of two separate FMC publications last year:

- *Rules, Rates, and Practices Relating to Detention, Demurrage, and Free Time for Containerized Imports and Exports Moving Through Selected United States Ports* (April 2015--http://www.fmc.gov/NR15-03/?pg=9); and
- *U.S. Container Port Congestion & Related International Supply Chain Issues: Causes, Consequences & Challenges* (July 2015--http://www.fmc.gov/NR15-11/?pg=6).

As a final phase to this initiative, the Commission voted unanimously in February of this year to approve the facilitation of "Supply Chain Innovation Teams," working groups initially comprised of industry stakeholders doing business in, at, or with the combined port facilities in the San Pedro Bay, which is our Nation's largest and busiest port complex. Supply Chain Innovation Team members will work to develop commercial solutions to supply chain challenges and related port congestion concerns. Commissioner Rebecca Dye will be leading this effort and it will culminate in the issuance of a report to the FMC. The real value of this undertaking is that we believe it will lead to collaborative, practical solutions that will increase efficiencies and terminal throughput at port facilities.

Beyond its regulatory and enforcement authorities, the Federal Maritime Commission is able to play a unique role as facilitator and arbiter in times when there are disputes between supply chain stakeholders. There is no other agency that has the same access across all the different sectors of transportation service providers involved in moving a container from an origin in a country on one continent to a destination on another. We have the ability get parties to talk directly to one another with the goal in mind of finding a realistic, mutually agreeable, and mutually beneficial private sector solution.

The most recent example of this facilitation I can cite occurred on February 18th when the Federal Maritime Commission hosted a meeting between the United States Coast Guard and interested parties in the shipper, carrier, and marine terminal operator communities where views concerning

amendments to the Safety of Life at Sea (SOLAS) Treaty amendments regarding verifying container weights were exchanged. As I appear before you today, this issue remains unresolved, but the FMC continues to stand ready to help foster a solution through discussion.

Additionally, and related to the analysis and monitoring work of the Commission, we may see considerable consolidation among container carriers this year. France-based carrier CMA-CGM (CMA) is acquiring Singapore-based carrier NOL; and, China Ocean Shipping Company (COSCO) is absorbing China Shipping as part of a merger. Pending approval by regulators in the United States and other nations, both CMA-CGM and COSCO will grow in size; capabilities; market share; and possibly market power. The FMC has the vital responsibility to monitor possible changes in the marketplace and analyze potential impact on shippers. The CMA and COSCO transactions are complex, and far-reaching. There is no question that if these two transactions are approved they will represent "game changing" developments in the container shipping market that will require careful, on-going analysis for some time into the future.

The merger and acquisition activity referenced in the preceding paragraph underscores and illustrates the pressing and compelling need the Commission has for additional people in our Bureau of Trade Analysis; Bureau of Licensing; and, Bureau of Enforcement. The issue is not scores of new hires, but rather a handful of experienced staff to supplement the existing oversight role and safeguard American consumers. Our agency has a total of five economists examining a global industry that is transporting goods in and out of the United States valued at nearly $1 Trillion. It is also an industry that has become increasingly interconnected and complex in its operations. Rigorous monitoring of foreign-based ocean carriers is the preventative prescription for protecting American shippers and consumers.

The FMC frequently renders assistance to other government agencies at all levels – local, state, and Federal. The FMC continues to share its specialized knowledge and expertise with a number of agencies in a number of contexts. More specifically, we have:

- Provided technical advice regarding shipping matters to the Office of the U.S. Trade Representative (USTR) on two different trade agreements: the Trade in Services Agreement and the Transatlantic Trade and Investment Partnership;

- Provided technical advice to Executive Branch agencies concerned with potential anti-competition issues;

- Exchanged investigative information with Customs and Border Protection (CBP) which assists and benefits both agencies in investigating entities suspected of violating the statutes and regulations over which both organizations have jurisdiction;

- Worked in concert with U.S. Attorney's Offices, the Federal Bureau of Investigation, and Immigration and Customs Enforcement when information in our possession or the expertise of our agency was of benefit to investigative efforts; and

- Worked with local law enforcement agencies, including in New York, New Jersey, Florida, and Texas in matters relating to international shipping. Battling the export of stolen vehicles is one particularly good example of how the FMC can assist local police departments to address crime by providing expertise and information on international shipping.

In the community of organizations that work on trade matters for the United States, the Federal Maritime Commission plays an indispensable role. The Office of the Trade Representative opens markets; the Department of Commerce promotes the export of U.S. goods and services; the Coast Guard safeguards life and security aboard vessels, on the water, and at marine terminals; Customs & Border Protection and Immigration & Customs Enforcement protect the homeland; trade disputes are adjudicated by the International Trade Commission; and the Federal Trade Commission protects the consumer when it comes to the end use of an imported item. It is the Federal Maritime Commission, however, that makes certain that international commerce actually works. Our efforts guarantee that there is sufficient capacity to move goods via the ocean; that cargo does not become frustrated when it arrives in the United States; that shippers do not find themselves operating in an anticompetitive environment; and that those who seek shipping services are not defrauded by dishonest actors. The ultimate benefit the American consumer enjoys is that when he or she purchases an item that has arrived in the United States via a ship, the price they pay is not higher than it needs to be as a result of an inefficient global supply chain that revolves around ships and ports. We plan to achieve all of that with the proposal of 134 full-time equivalent employees and $27,490,000. The above achievements come at a cost to an agency as small as the FMC. There are considerable strains and stresses to our workforce that may undermine the future capabilities of the Commission.

Other independent government agencies engaged in similar trade-related functions as the Federal Maritime Commission have more substantial budgets. This year, the Federal Trade Commission is seeking $342 million to support 1,211 fulltime employees; the U.S. International Trade Commission is asking for $92.9 million in funding; and the Surface Transportation Board requests a little more than $42 million for its operations. I am not suggesting that the FMC should be the same size, or have the same budget, as our sibling-Commissions; but, given the trade forecast and growth of the container market, it is ever more vital to have a properly funded and resourced Federal Maritime Commission. The Commission's budget request for $27,490,000 is sufficient for us to continue operations without compromising the quality of service that our constituents not only expect of us, but require of us in order for them to do business.

Thank you for providing me with this opportunity to discuss our budget request for the coming fiscal year and I hope that you will support full funding for the Federal Maritime Commission. I welcome the opportunity to answer your questions.

WRITTEN STATEMENT OF
KATHRYN SULLIVAN, PH.D.
UNDER SECRETARY OF COMMERCE FOR OCEANS AND ATMOSPHERE
AND NOAA ADMINISTRATOR
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

ON THE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION'S
FY 2017 BUDGET REQUEST

BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES

March 15, 2016

Chairman Hunter, Ranking Member Garamendi, and members of the Subcommittee, thank you for this opportunity to submit this written statement for the record about the Administration's Fiscal Year 2017 (FY17) Budget Request for the U.S. Department of Commerce's National Oceanic and Atmospheric Administration (NOAA). The priorities included in the FY17 Budget request build upon the important investments you enacted in FY16, and I am grateful for your support.

I believe that NOAA is one of the most valuable service agencies in the U.S. government. Through our network of observations, forecasts, and assessments, we strive to provide the foresight and information people need to live well and safely on this dynamic planet. At NOAA, we call this information "environmental intelligence," and producing it is at the core of our mission. From the surface of the sun to the depths of the ocean floor, we're keeping our finger on the pulse of our changing planet. We provide timely, reliable, and actionable information – based on sound science – that citizens, communities and businesses rely on to safeguard lives and property, prepare for extreme weather events, adapt to a changing world, ensure environmental sustainability, and enhance economic prosperity.

The $5.9 billion FY17 budget request is a $77 million increase over the FY 2016 enacted level and focuses on supporting our core missions, including deploying the next generation of weather satellites and observational infrastructure; fostering healthy marine resources; strengthening the

resiliency of our communities to adapt to a changing planet; improving forecasting accuracy and lead times for severe weather; and achieving organizational excellence by providing robust mission support services.

We've seen demand for our products and services increase as decision makers look for tools to help them better understand risk and prepare for the future. NOAA forecasts help communities prepare and respond to weather events, including the severe storms that swept through Texas last year, tornado events across the mid-west and Florida, and the recent winter storm that struck the Northeast. NOAA is also constantly improving its longer range forecasts for drought, coastal inundation and sea level rise, and seasonal events including El Ninos and La Ninas.

But the greater demand for our services goes beyond just extreme weather. The marine transportation system must accommodate a growing volume of commerce at our ports. NOAA provides the positioning data, tide and currents information, and nautical charts that ensure safe navigation and keep commerce flowing. Furthermore, changes in marine ecosystems due to climate and other stressors are increasing the need for more advanced scientific assessments to sustain economically viable commercial and recreational fisheries and to ensure that threatened and endangered species are protected.

The NOAA FY 2017 budget request aims not only to enhance public safety and community resilience, but also to make smart investments via innovative science and research to better position this country, its services, and its citizens for the future. As the agency positions itself to meet the growing demand from communities and businesses to help them prepare for, respond to, and overcome vulnerabilities and risk, we have carefully crafted a budget that continues efforts to strike a balance among our mission areas and between our internal and extramural programs, while maintaining strong fiscal discipline.

Below we highlight some of our top accomplishments, many of which we could not have achieved without strong support from Congress and our partners in the research, corporate, and conservation communities.

Launched Deep Space Climate Observatory Satellite (DSCOVR)
On February 11, 2015, we successfully launched DSCOVR from Cape Canaveral, Florida. DSCOVR, the United States' first operational deep space satellite, is a vital piece of our international space weather observing system. DSCOVR provides NOAA's Space Weather Prediction Center forecasters high-quality measurements of solar wind conditions, improving their ability to monitor and warn of potentially dangerous geomagnetic storms. Early warnings are crucial because solar storms can disrupt public infrastructure, such as transportation systems, power grids, telecommunications, and Geographic Positioning Systems (GPS). Early geomagnetic storm warnings allow infrastructure managers from the commercial airline, electric

power, and GPS industries to take appropriate mitigation actions. DSCOVR reached final orbit at Lagrange point 1, a gravity neutral point a million miles away from Earth, on June 8, 2015, and is now hovering continuously between the sun and Earth.

Launched the Jason-3 Satellite

On January 17, 2016, teams from NOAA, NASA, the Centre national d'etudes spatiales (CNES, the French Space Agency), the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT), and SpaceX launched the Jason-3 satellite continuing a 20-year legacy of measuring changes to our world's oceans. From its near-polar orbit 1380 km above the earth, this observational platform will continue a record of ocean surface topography measurements. This sea level data is important for scientists to observe global sea level rise, help understand the strength of tropical cyclones, forecast tides and currents for commercial shipping, inform response efforts for oil spills and harmful algal blooms, and support El Nino and La Nina research and forecasting.

Continued Progress on Ending Overfishing and Rebuilding Fish Stocks

NOAA's *Status of Stocks 2014: Annual Report to Congress on the Status of U.S. Fisheries*, released in April 2015, reports that the number of fish stocks subject to overfishing or overfished has declined to an all-time low. As a result of the combined efforts of NOAA; the regional fishery management councils; and our partners in industry, research, and conservation communities; stocks subject to overfishing are down from 17 to 8 percent and overfished stocks are down from 24 to 16 percent since 2007. The report notes that three stocks, Gulf of Mexico gag grouper, golden tilefish, and butterfish, have been rebuilt to target levels. Two additional stocks, canary rockfish and petrale sole, have been rebuilt since the report was released, bringing the total to 39 stocks rebuilt since 2000 and allowing additional fishing opportunity in those fisheries. Gulf of Mexico red snapper continues to rebuild, enabling a 30 percent increase in the allowable catch for red snapper in 2015.

Led Effort to Secure Settlement Funds for Gulf of Mexico Ecosystem Restoration

NOAA led a collaborative effort among four Federal agencies and the five Gulf of Mexico states (Trustees) to advance the *Deepwater Horizon* oil spill case – the largest marine oil spill in U.S. history – to reach a groundbreaking proposed settlement between British Petroleum (BP) and the Trustees that will promote widespread restoration in the affected region. NOAA provided extensive science and research (assessing the fish, wildlife, and habitat affected by the spill), supported the litigation actions against BP and other responsible parties, and led development of a comprehensive damage assessment and restoration plan that will direct $8.8 billion for ecosystem restoration in the Gulf of Mexico in the coming years. This funding will support significant long-term restoration for natural resources injured by the oil spill, including sea turtles, marine mammals, fish, deep sea corals, oysters, and coastal habitats and will provide

lasting and significant benefits to the people and environment of the Gulf of Mexico who were most directly impacted by this tragic event.

Increased Supercomputing Capacity for Improved Data Assimilation and Forecasts
NOAA began a major upgrade of its large scale operational supercomputers to allow for greater data assimilation and faster computation of model data. The supercomputing upgrade will help forecasters more accurately predict droughts, floods, winter storms, severe thunderstorms, and hurricanes. It will also enhance our water science and services for better forecasts of water flow, soil moisture, evapotranspiration, runoff, and other parameters for 2.7 million stream reaches in the continental U.S. This upgrade has already increased NOAA's supercomputing capacity by nearly four times the previous level, for a total of 5.8 petaflops.

Expanded Two California National Marine Sanctuaries
On June 9, 2015, NOAA expanded two national marine sanctuaries (NMS) by 2,770 square miles to protect one of the most productive ocean areas in North America. The expansion represents a tremendous collaborative effort by local communities, academia and government, and is based on years of public comment and research by NOAA and its scientific partners. The nutrient rich upwelling zone identified in the Cordell Bank and Gulf of the Farallones NMS supports a vast array of sea life including whales, seals, dolphins, sea lions, and white sharks. New research opportunities in the expansion areas have already provided new findings, including the discovery of large catshark and skate nursery areas and a new species of gorgonian coral. Cordell Bank NMS, located 42 miles north of San Francisco, was expanded from 529 square miles to 1,286 square miles. Gulf of the Farallones NMS (now called the "Greater Farrallones NMS"), located in the waters adjoining Cordell Bank NMS, and was expanded from 1,282 square miles to 3,295 square miles of ocean and coastal waters.

Released Climate Resilience Toolkit
In November 2014, NOAA released version 1.0 of the web-based U.S. Climate Resilience Toolkit, which helps the Nation address challenges related to coastal flooding and other climate-related risks. The Toolkit responds to the President's State, Local and Tribal Leaders Task Force on Climate Preparedness and Resilience's requests for the Federal Government to provide useful, actionable climate information and tools to assist communities in planning for future climate conditions. For instance, the Toolkit includes map generators to illustrate climate-related vulnerabilities that communities face on national and local scales, and summarizes steps communities can take to become more resilient to climate change, such as managing water supply or strengthening infrastructure. The Climate Resilience Toolkit was developed in accordance with the President's Climate Action Plan and is available online at https://toolkit.climate.gov.

Completed Hydrographic and Environmental Surveys in the Arctic

During 2015, NOAA ships collected critical hydrographic, fisheries, and protected species data in the Arctic region, enabling improvements to nautical charts required for safe navigation and providing data on managed species. NOAA Ships *Rainier* and *Fairweather* collected nearly 600 nautical miles of hydrographic data. NOAA Ships *Ronald H. Brown* and *Oscar Dyson* supported a joint NOAA fisheries and research project to study marine ecosystems in the Northern Bering Sea, Chukchi Sea, Beaufort Sea, and Gulf of Alaska. The NOAA Ship *Reuben Lasker* conducted a month-long North Pacific right whale survey off Kodiak Island, Alaska; this data is critical to assessment and management of this endangered species.

Upgraded Hurricane Weather Research and Forecasting Model

On June 9, 2015, NOAA improved operational hurricane track and intensity forecasts for the Western North Pacific, Southern Pacific, and North and South Indian oceans. The Hurricane Weather Research and Forecasting (HWRF) model, which tracks the entire globe to detect tropical cyclones, was upgraded and can now produce forecast guidance out to five days in advance for up to seven separate storms simultaneously. Evaluation of the 2015 HWRF model for the North Atlantic, Eastern North Pacific and Western North Pacific showed a ten percent improvement compared to the model's performance in 2014.

Released Upgraded nowCOAST Tool

NOAA released a major upgrade of nowCOAST in September 2015. The GIS web-based mapping portal provides near real-time coastal intelligence for coastal and marine users on present and future weather, oceanographic, and hydrologic conditions. This upgrade ensures availability of nowCOAST's map viewer and map services 24 hours a day, 7 days a week for emergency management, homeland security, search and rescue, HAZMAT response, and marine operations. The new version features an improved map viewer that enables animations of changing conditions and the use of different base maps. The tool now integrates the latest National Weather Service watches, warnings, and advisories for long-duration hazards; water vapor imagery from NOAA geostationary satellites (GOES); forecast guidance from NOAA operational oceanographic forecast modeling systems; and satellite data on lightning activity.

Initiated an 'Early Warning System' for Freshwater Toxic Algal Blooms

In 2015, NOAA joined forces with NASA, the U.S. Environmental Protection Agency, and U.S. Geological Survey to transform satellite data designed to probe ocean biology into information that will help protect the American public from harmful freshwater algal blooms. The annual cost of U.S. freshwater degraded by harmful algal blooms is estimated to be $64 million in additional drinking water treatment, loss of recreational water usage, and decline in waterfront real estate values. In August 2014, local officials in Toledo, Ohio, banned the use of drinking water supplied to more than 400,000 residents after it had been contaminated by an algal bloom in Lake Erie. This inter-agency effort is designed to be an early warning system for toxic and nuisance algal blooms in freshwater systems by using satellites that can gather color data from

freshwater bodies during scans of the Earth. Based on this information, state and local agencies can provide the public with public health advisories. In addition, the project will improve the understanding of the environmental causes and health effects of these cyanobacteria and phytoplankton blooms in the United States.

FY 2017 BUDGET REQUEST

As noted above, NOAA's FY 2017 discretionary budget request of $5.9 billion further strengthens our efforts to put critical information into the hands of the public. This budget, an increase of $77 million or 1.3 percent over the FY 2016 enacted level, invests across NOAA's diverse portfolio in a number of initiatives that promote the Department's and the Administration's highest priorities, including: 1) enhancing community and economic resilience; 2) investing in mission-critical observational infrastructure; 3) evolving the National Weather Service; and 4) achieving organizational excellence.

1. Supporting Resilient Communities and Economies

Communities around the country are becoming more vulnerable to natural disasters and long-term adverse environmental changes. 2015 was the warmest year on record and saw 10 weather and climate disaster events, including flooding, coastal inundation, and drought, with losses each exceeding $1 billion across the U.S. These events devastated communities while impacting national agricultural, manufacturing, and energy production. At the heart of many of these environmental threats is water—either there is too much, not enough, or it is of poor quality. This is heightening the demand for more integrated water intelligence and prediction capabilities to inform decision-making at all levels about how best to keep communities safe, resilient, and prosperous.

NOAA is uniquely positioned to bring new insights to the water challenges facing our Nation. In FY 2017, we request $12.25 million to establish the Integrated Water Prediction effort to deliver a suite of water intelligence products to help communities and industries make better-informed decisions about how to prepare for and respond to extreme water events. At the heart of this initiative is an enhanced river flooding forecasting system that will increase the number of prediction points from about 4,000 to nearly 2.7 million nation-wide - providing river and stream forecasts at the neighborhood level and bringing flood and stream forecast to 100 million Americans who do not receive one today. This information will better equip communities and emergency managers to prepare for flooding events and to direct resources where they are most needed.

A large part of this work would happen at the National Water Center in Tuscaloosa, AL. This interagency facility researches, develops, and delivers state-of-the-science national hydrologic analyses, forecast information, data, decision-support services, and guidance to support and

inform essential emergency services and water management decisions. The Center currently has 46 staff members in residence from NOAA, USGS, academia, and other partners.
The Integrated Water Prediction initiative will set the stage for future efforts that draw on NOAA's broad expertise to improve our drought forecasts and to better integrate our models on coastal flooding with inland flooding. This effort will provide new information that emergency managers, farmers, water systems, the energy sector, and individuals can use to plan on scales ranging from of days to seasons. It will also allow them to maximize economic opportunity and protect lives and property.

In addition to NOAA's Integrated Water Prediction initiative, we have several other important resiliency initiatives. NOAA is requesting $10 million for the National Ocean and Coastal Security Fund, to help coastal states and other entities better understand and utilize the oceans, coasts, and Great Lakes of the U.S. More specifically, we will partner with the National Fish and Wildlife Foundation to award grants that enhance ecological, economic, social, and recreational benefits of coastal resources. The FY 2017 budget also consolidates the NOAA Fisheries' Coastal Ecosystem Resiliency Grants program into the National Ocean Service's Regional Coastal Resilience Grants program, which will fill a gap for regional-scale, collaborative resilience actions that are funded competitively. The combined program requests a net $5 million increase and will emphasize functional linkages between healthy ecosystems and natural infrastructure for community resilience. Coastal communities have made clear their need for this type of assistance; last year, NOAA received 196 applications totaling over $151 million for both programs. With the $15 million that was available, we were able to leverage over $4 million in matching funds. Clearly, there is a huge demand for this type of funding – and federal investments bring other resources to the table.

In the past few years NOAA has taken a number of significant steps to promote sustainable fisheries and fishing practices worldwide, including the release of the Sustainable Seafood Traceability proposed rule. This rule will improve the ability of the United States to keep illegally harvested seafood out of our markets, reduce seafood fraud, continue to create a more level playing field for U.S. fishermen and will discourage unsustainable and unsafe fishing practices abroad. However, additional funds are needed to ensure that we can enforce these laws, and NOAA is requesting an additional $1.6 million to work with international partners to block the flow of illegal, unreported, and unregulated-caught fish into the global stream of commerce, and ultimately, into the U.S. market.

We are proud that U.S. fisheries are among the world's most sustainable. However, we also know that environmental and economic factors can lead to changes in fisheries that put the economic and environmental resilience of coastal communities at risk. To provide additional support to fisheries that the Secretary has designated a disaster, NOAA requests $9 million in funding for a new Fisheries Disaster Assistance program. By focusing on both environmental

and economic resilience, this new Fund will help the fishing industry and fishing communities address the causes and recover from a disaster, as well as reduce the need for disaster assistance in the future. The recovery phase represents an opportunity for fishing communities to adopt a resilience-centered approach that will support long-term improvements in the ecosystem and economy.

Finally, NOAA is seeking almost $20 million in additional funds to increase consultation and permitting capacity related to the Endangered Species Act (ESA), Marine Mammal Protection Act, and Magnuson-Stevens Act Essential Fish Habitat. This funding will improve permitting and review timeframes for public and private development projects, including those in the Gulf of Mexico supported by the states, the RESTORE Council, and the Natural Resources Damage Assessment Trustees. Demand for consultations is significantly rising: from FY 2012 to FY 2014, we saw a more than two-fold increase in the number of consultations we needed to complete. With such a surge in demand and no increase in resources, NOAA simply cannot keep pace and it has resulted in significant backlogs. At the end of FY 2015, NOAA had a backlog of 1,193 ESA consultations (250 formal, 943 informal), compared to 688 in FY 2014 and 377 in FY 2013. We expect demand to continue to increase, and funding for additional capacity is critical.

2. Investing in Observational Infrastructure that Underpins Environmental Intelligence
NOAA has operational responsibility to provide weather, water, ocean, and climate forecasts. Our global observing systems are the foundation of the information we provide – without them forecast reliability would decay and fail to meet the Nation's growing needs for more precision. We must ensure NOAA's fleet of research vessels and observational platforms can continue to provide the environmental intelligence needed to meet our mission.

Without investment, the NOAA fleet will decline by 50 percent from 16 to 8 active ships between FY 2016 and FY 2028, significantly hindering NOAA's ability to provide the critical observations and services the nation depends on. NOAA greatly appreciates the inclusion of $80 million in the FY16 Omnibus to begin recapitalization. In FY17, NOAA requests an additional $24.0 million to complete design, acquisition and construction of a Regional Survey Vessel (RSV). This RSV will be the first vessel of its class capable of integrated, interdisciplinary, and general-purpose oceanographic research throughout the U.S. Exclusive Economic Zone.

We must also ensure continuity of our satellite operations to continue to provide the data necessary for weather forecasts and environmental measurements into the future. The successful launches of the DSCOVR and Jason-3 satellites, and the upcoming launch of GOES-R and JPSS-1 are major milestones. We are very appreciative of the support Congress gave to NOAA's Polar Follow On (PFO) satellite program in the FY 2016 Omnibus. This year's budget includes $393 million for PFO to continue the JPSS-3 and JPSS-4 development activities and to invest in next

generation technologies that will set the stage for improved NOAA forecasts for decades to come.

3. Evolving the National Weather Service

NOAA's timely, accurate, and well-communicated forecasts inform important decisions in sectors ranging from food security and public health, to aviation, to general retail and of course to emergency management and national security. For this reason, we continue our commitment to build a Weather-Ready Nation and provide the technical underpinning to evolve the NWS to become a more agile organization.

The proposed FY 2017 budget focuses on investing in key ground infrastructure that provides the observations on which our forecasts and warnings are built. For instance, 85 percent of all tornado warnings are currently based on Next Generation Weather Radar (NEXRAD) data. Without investment, NEXRAD availability will degrade beginning in 2020, resulting in long-duration radar outages and regional gaps in service. That is why NOAA is requesting an increase of $8.5 million for the third year of an eight-year Service Life Extension Program (SLEP) to sustain the aging NEXRAD infrastructure. Continued funding for NEXRAD SLEP in FY 2017 will extend the useful life of a $3.1 billion investment by approximately 15 years while next-generation radar technology matures to operational readiness.

Another surface weather observation system that needs investment is the Automated Surface Observing System (ASOS). ASOS systems – a partnership program between the Federal Aviation Administration (FAA) and NOAA are generally located at airports and beam local conditions straight into airplane cockpits for safe navigation. The FAA has already secured funding for updating the ASOS software. In FY17, NOAA is requesting $7.5 million to being updating the hardware through a cost-effective approach that will extend the life of this program, while also providing greater safety, consistency, and accuracy. The ASOS SLEP requires $53 million over eight years to extend the system, which cost $227 million in the mid-1980s, for another 20 to 25 years. Without this investment, ASOS availability will degrade rapidly and cause data outages and regional gaps.

4. Achieving Organizational Excellence

Each and every day, NOAA's employees strive to promote organizational excellence and execute our mission with discipline and consistency. To ensure that our customers receive the best service possible, NOAA must be able to recruit, develop, retain, and reward the best talent. However, in order to do that, we need the infrastructure in place – the Mission Support Services – to support a workforce of the 21st century with Human Resources employees and services that enable NOAA to expeditiously recruit the expertise and talent that Congress, our partners, and our customers demand.

Mission Support Services at NOAA are at a critical breaking point. Based on data pulled in November 2015, there were periods of time in which one NOAA human resources professional serviced 148 NOAA employees – nearly three times the number serviced by HR professionals in peer agencies, such as the National Science Foundation, NASA, or the Nuclear Regulatory Commission based on FedScope data. The funding for these services and other core operations have declined since 2008, and the increased workload that results has led to an attrition rate of HR professionals that is twice that of other agencies.

To begin to reverse this trend, we are requesting funding in FY17 to transform NOAA's current service delivery model to a more efficient one. We have conducted an extensive organizational and process review of the HR function, and have determined it best to move routine HR work, like hiring, to a cross department initiative focused on mission enabling services. While this move will result in cost savings in the long-term, additional resources will be required to get started. The $2.3 million increase requested in FY17 for maintaining capability in the DOC Working Capital Fund is essential for us to create an improved HR tailored service function within NOAA. In addition, the requested $4.4 million for Mission Support Services is necessary to immediately begin to improve oversight, guidance, and administrative operations and services. Without addressing the lack of capacity in HR, NOAA cannot complete the actions it needs to fill the approximately 1,800 empty positions throughout the agency and hire weather forecasters, fisheries biologists, and other important personnel without whom our services are not possible.

We must also give our world-class scientists the tools to turn the investments made in earth science research and development into tangible benefits for American citizens and the economy. Unfortunately, the transition from research to operations often takes far too long. For example, NWS's High Resolution Rapid Refresh model, which has a spatial resolution four times finer than previous models and better pinpoints threats such as tornadoes, flash floods, and heavy snowfall, took 10 years to fully transition from research to operations. To cut this time down and accelerate the delivery of benefits to the public, NOAA has established the policies and administrative mechanisms needed to expedite transitions from the lab to commercial impact.

NOAA's Chief Scientist has spent the last year evaluating the best practices of industry and other agencies to develop the RTAP for identifying and investing in those projects that have a high probability for successful acceleration. The $10 million requested in FY17 will enable faster integration of research into operations to ensure that the American public experiences the benefits of previous federal investments in R&D.

Another key investment in FY17 is the $4.6 million to prepare for the replacement of our Mukilteo Research Laboratory in Seattle, WA. The current structural condition of the facility, which was built in the 1940s has deteriorated to the point that it poses an imminent safety risk to NOAA personnel. In 2015, immediate stabilization of the foundation was needed to render the

building safe for occupancy; but these efforts only extended its certification for occupancy by five years and require continuous monitoring and inspections. NOAA plans to replace the facility because of the unique attributes of the lab – more specifically the access to large volumes of high-quality seawater the location provides. Mukilteo's location plays a key role in the cutting-edge ecosystem recovery, marine pollution, and ocean acidification research undertaken by NOAA scientists, and it is an important NOAA asset that requires immediate investment.

Finally, we are also requesting $6.3 million to improve the resiliency of our data systems and mitigate critical cyber-security vulnerabilities, which is essential based on recent attacks to our systems. NOAA's Office of the Chief Information Officer will lead the effort to coordinate a clear enterprise analysis of the complex interrelationships among all NOAA IT systems. This includes mapping specific system linkages and documenting interdependencies to allow us to mitigate the risk to IT systems that support NOAA's Primary Mission Essential Functions.

CONCLUSION

NOAA's FY17 Budget request reflects the commitment Commerce Secretary Penny Pritzker and I have made to grow a strong economy that is built to last, while being fiscally responsible and focusing on priority initiatives. NOAA is a vital component of the U.S. Government, helping to maximize U.S. competitiveness, enable economic growth, foster science and technological leadership, and promote environmental stewardship. Americans – civilians, the military, and businesses – rely upon the services NOAA provides every single day.

We are fortunate to have a highly skilled and passionate workforce. Our people come to work each day committed to serving the public and advancing our mission. Every one of our investments in the FY 2017 budget – from improving products and services to positioning ourselves for the future – will help the organization as a whole strive for excellence and deliver the environmental intelligence this country needs to better prepare for and respond to the growing environmental challenges we face.

I look forward to working with the Congress and our partners and constituents to achieve the goals I articulated through the implementation of the FY 2017 budget. Thank you for the opportunity to provide NOAA's FY 2017 budget request.

Federal Maritime Commission
Washington, D.C. 20573 - 0001

Office of the Chairman

April 12, 2016

The Honorable John Garamendi
Ranking Member
Subcommittee on Coast Guard and Maritime Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives
2251 Rayburn House Office Building
Washington, DC 20515-6143

Dear Ranking Member Garamendi:

During my March 15, 2016, testimony before the Subcommittee on Coast Guard and Maritime Transportation, you asked me to provide information on the required administrative reporting obligations of the Federal Maritime Commission (Commission or FMC). These reports are completed in addition to the FMC's mission-focused work.

Attached, please find the *2015 Recurring Reports List* for your review. This document includes only those reporting requirements that FMC staff tracked or completed in calendar year 2015. In the aggregate, 75 reports may not seem like an unreasonable compliance burden, but given the total end strength of the Commission is only 124 people, we simply do not have an abundance of personnel who can be tasked with reporting compliance duties. Each one of these reports demand the attention of staff who could otherwise be working on the core mission functions of the FMC.

Many of the requirements listed in the provided report summary are made to the Office of Management and Budget (OMB), or other Federal agencies, to assist in governmental oversight and management. Often, the reports are required based on both an Executive Order and statutory mandate.[1] We recognize that these reports are regularly required of independent agencies. At times, the Commission may be exempted from reporting based on factors relating to the information sought.

Additional reporting requirements are regularly added to the Commission's workload. In addition to the reports shown in the attachment, the Commission also responds to other periodic requests, primarily related to the Commission's administrative functions. Ironically, on March 16, 2016, *the very day following my appearance before the Subcommittee and your request for the attached list*, our Inspector General noted that new reporting on the Commission's Information Technology (IT), required by the Cybersecurity Act of 2015, is due by August 14, 2016. This one

[1] The Commission's biannual reports on its regulatory agenda are required pursuant to 5 U.S.C. § 602, and also completed as part of Executive Orders 13563, *Improving Regulation and Regulatory Review*, and Executive Order 12866, *Regulatory Planning and Review*.

time report, submitted by the Office of the Inspector General, will require descriptions of the FMC's IT systems handling of personally identifiable information (PII), including its policies and procedures to ensure compliance with best IT practices.

The Commission regularly monitors the Executive Office of the President and OMB websites for new orders and memoranda, determining and confirming potential applicability to the FMC, and what, if any, reporting requirements may be added to or deleted from current requirements. Commission staff also reviews the OMB's MAX.gov site for data calls. The MAX.gov site allows agencies to share information with OMB and other agencies to maximize collaboration. The Commission reviews approximately 30 budget data requests annually, and has thus far responded to 4 budget data call requests in FY 2016.

I appreciate the opportunity to testify before you and to provide you with additional information on the Commission's responsibilities. Accountability to the American public is an important part of governance, and I am cognizant that the underlying goal of self-reporting and oversight is to provide quality and diligent service to the public. While we take all of our responsibilities seriously, we do so with our underlying mission and foundation to regulate the international ocean transportation system, ensuring its fairness and competitiveness, at the forefront. I am proud of the work that we do, and will continue to do, with your support. If the Subcommittee has any questions concerning the information set out above, please contact me or John DeCrosta of my staff at 202-523-0224 or via JDeCrosta@FMC.gov.

Sincerely,

Mario Cordero
Chairman

Attachment: *Federal Maritime Commission Recurring Reports Summary*

cc: General Counsel
Managing Director

FEDERAL MARITIME COMMISSION RECURRING REPORTS

2015 REPORTS

No.	REPORT	GUIDANCE/NOTES
		JANUARY
1	Improving the Security of Consumer Financial Transactions	Executive Order -- Improving the Security of Consumer Financial Transactions Requires agencies to improve payment security by requiring the adoption of enhanced security features for all payment cards.
2	Department of State Listing Foreign Gifts – Calendar Year 2015	The FMC is required to submit to the Office of the Chief Protocol of the Department of State a listing of all gifts of more than $375 received by an employee of the Commission from a foreign government.
3	Strategic Sustainability Performance Plan	Executive Order 13514 Reports on the Agency's greenhouse gas emissions.
4	Charge Card Management Plans	The Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194 and OMB Memorandum M-13-21 requires agencies to establish and maintain internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. The plan requires input from OMS & OBF. The annual certification should be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(d)(2)).
5	Inspector General Risk Assessment of Agency Charge Cards	The Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194 and OMB Memorandum M-13-21 The IG is required to conduct annual risk assessments and submit an annual purchase and travel card audit recommendation status report to OMB.
6	Quarterly Freedom of Information Act (FOIA) Report	Submitted to DOJ.
		FEBRUARY
7	2016 Annual Congressional Budget Report	Due to THUD Appropriations Subcommittees.
8	Annual Chief FOIA Officer Report	FOIA Guidelines require the Chief FOIA Officer for each federal agency to submit a report to the Attorney General containing a detailed description of the steps taken by the agency to improve FOIA compliance and

		transparency. These reports contain details of FOIA administration at each agency, as well as the steps taken to implement FOIA Guidelines during each reporting year. Submitted to DOJ.
9	Department of State Listing Foreign Gifts – Calendar Year 2015	The FMC is required to submit to the Office of the Chief Protocol of the Department of State a listing of all gifts of more than $375 received by a foreign government from an employee of the federal government.
10	Workplace Flexibilities and Work-Life Programs	Report provides information to assist OPM in the preparation of a report that includes information on agency best practices re: workplace flexibilities and Work-Life Programs.
11	Information Security Oversight Office (ISOO) Report on Cost Estimates for Security Classification Activities	ISOO reports annually to the President on the estimated costs associated with agencies' implementation of E.O. 13526, *Classified National Security Information*. This report is to estimate and report the costs of the FMC's security classification system.
12	Annual Survey Report (Drug Program)	The Federal Drug-Free Workplace Program, as mandated by Executive Order 12564 and Public Law 100-71, is a comprehensive program to address illicit drug use by federal employees, certification of Executive Branch agency Drug-Free Workplace Plans, and identification of safety-sensitive positions subject to random drug testing.
MARCH		
13	Information Quality Guidelines Report and Bulletin for Peer Review updates	Memorandum of OMB's Final Information Quality Bulletin for Peer Review This Bulletin establishes government-wide guidance aimed at enhancing the practice of peer review of government science documents.
14	Annual Report to Congress	
15	Spring Regulatory Agenda	The Commission's biannual reports on its regulatory agenda are required pursuant to 5 U.S.C. § 602, and also completed as part of Executive Order 13563, *Improving Regulation and Regulatory Review*, and Executive Order 12866, *Regulatory Planning and Review*. The objectives of the Executive orders are to enhance planning and coordination with respect to both new and existing regulations; to reaffirm the primacy of Federal agencies in the regulatory decision-making process; to restore the integrity and legitimacy of regulatory review and oversight; and to make the process more accessible and open to the public.
APRIL		
16	Federal Agency Annual EEO Program Status Report (MD-715)	This Directive provides policy guidance and standards for establishing and maintaining effective affirmative programs of equal employment opportunity under Section 717 of Title VII (PART A) and effective affirmative action programs under Section 501 of the Rehabilitation Act (PART B).

		OHR provides statistical and narrative information to support preparation of report.
17	IG's Semi-Annual Report to Congress	The Inspector General Act of 1978 requires that the Inspector General report semiannually to the head of the Department and the Congress on the activities of the office during the 6-month periods ending March 31 and September 30. The semiannual reports are intended to keep Congress fully and currently informed of significant findings and recommendations by the OIG.
18	Quarterly Freedom of Information Act (FOIA) Report	Submitted to DOJ.
		MAY
19	Report to Department of Labor re Occupational Safety and Health	Section 19(a)(5) of the Occupational Safety and Health Act requires agencies to submit an annual report to the Secretary of Labor, addressing occupational accidents, injuries and illnesses, and the agency's program for providing safe and healthful places and conditions of employment.
20	Improper Payments Elimination and Recovery Act (IPERA)	Report sent to specific Congressional committees; GAO; and OMB. Required by the Improper Payments Elimination and Recovery Act of 2010 and Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*.
21	Annual Forms Review for FISMA	OMB Memorandum M-07-16 established that the Forms Control Officer will undertake a review of FMC Forms and forms used by FMC employees annually in May of each year to determine if SSNs are being collected unnecessarily.
22	Transmittal Letter and accompanying tables to IG's Semi-Annual Report to Congress	
		JUNE
23	Federal Activities Inventory Reform Act – FAIR Act (competitive sourcing)	The FAIR Act created a process for identifying the functions of the Federal Government that are not inherently governmental functions. Required by the following: FAIR Act of 1998 (P.L. 105-270) OMB Circular A-76 OFPP Policy Letter 92-1 OMB Memo M-06-08
		JULY
24	Sole Source Contracts	Report to House & Senate Appropriations Committees.
25	Quarterly Freedom of Information Act (FOIA) Report	Submitted to DOJ.

AUGUST		
SEPTEMBER		
26	FY 2017 Annual OMB Budget Request	
27	FY2014 Interagency Working Group (IAWG) on U.S. Government-Sponsored International Exchanges and Training	The IAWG was mandated by 22 U.S.C. § 2460(f) and (g) to improve the coordination, efficiency, and effectiveness of U.S. Government-sponsored international exchanges and training. Information provided covers entire agency (Commissioners and bureaus/offices).
29	No Fear Act Training	The No FEAR Act (P.L. 107-174) is intended to reduce the incidence of workplace discrimination within the federal government by making agencies and departments more accountable. Required biennially.
30	Plain Language Act of 2010 Plan and Compliance Report	The Plain Writing Act of 2010, Pub. L. 111-274 requires that federal agencies use clear Government communication that the public can understand and use. Required by OMB Memo M-11-15 and Executive Order 13563.
31	Fall Regulatory Agenda	See earlier entry regarding same report.
OCTOBER		
32	IG's Semi-Annual Report to Congress	
33	Quarterly Freedom of Information Act (FOIA) Report	Submitted to DOJ.
NOVEMBER		
34	Annual SAO Self-Inspection Report	E.O. 13526, "Classified National Security Information," requires designated SAOs to report annually to the Information Security Oversight Office on their agencies' self-inspection programs. The Order mandates that all executive branch agencies establish and maintain an ongoing self-inspection program. The purpose is to provide information necessary to assess the effectiveness of the classified national security information program within the agency.
35	Designation of SAO for Managing Government Records Directive	The Presidential Memorandum - Managing Government Records dated 11/28/11 required agencies to designate an SAO who has direct responsibility for the FMC's compliance with all applicable records management statutes, regulations, NARA policy, and the requirements of the Directive.
36	Annual FISMA Reporting (Cyberscope)	Required by 44 U.S.C. 3544 (c) & 3545(e).
37	Financial Statement Auditor's Report	

38	Performance and Accountability Report (PAR) - Final	This report goes to OMB, Congress and other key officials.
39	ISSO SF 311 Data Call	SF 311, Agency Security Classification Management Program Data: The SF 311 is a data collection form that records classification management data. The data is submitted on an annual basis to ISOO for inclusion in a report to the President.
40	462 Report – Federal statistical report on discrimination complaint activity	The Office of Federal Operations (OFO) produces an Annual Report on the Federal Workforce that includes, among other data, information on federal equal employment opportunity complaints and ADR activities. This data is collected from each agency in the Annual Federal Equal Employment Opportunity Statistical Report of Discrimination Complaints (EEOC Form 462).
41	Transmittal letter and accompanying tables to IG's Semi-Annual Report to Congress	
	DECEMBER	
42	DVAAP – Annual Disabled Veterans Affirmative Action Program	OHR provides statistical and narrative information to support preparation of report. Required by 5 C.F.R. § 720.
43	Annual Freedom of Information Act (FOIA) Report	The FOIA requires each federal agency to submit an Annual Report to the Attorney General each year. These reports contain detailed statistics on the numbers of requests received and processed by each agency, the time taken to respond, and the outcome of each request, as well as many other vital statistics regarding the administration of the FOIA at federal agencies.
44	2014-2015 Telework Call for Data	The information in the call for data is required in the Telework Enhancement Act and is report to Congress by OPM.
45	Managing Government Records Directive SAO Annual Report	This report documents progress towards the successful implementation of the OMB/NARA Managing Government Directive (M-12-18). The purpose of this report is to provide SAOs with an opportunity to report on how the agency is achieving the goals of the Directive.
46	Records Management Self-Assessment	This is an online questionnaire that requests information about the FMC's records management program.
47	Annual Report to President on Hispanic Employment	OHR provides statistical and narrative information to support preparation of report.
48	FEORP – Annual Federal Equal Opportunity Recruitment Program Plan	OHR provides statistical and narrative information to support preparation of report.

49	Service Contract Inventory	Section 743(a) of Division C of the Consolidated Appropriations Act, 2010, and related OMB guidance. Required by Service Contract Inventories Guidance.
APPROPRIATIONS RELATED		
50	Establishment of Baseline Budget for Reporting	As requested (typically within 30 days of passage of appropriation bill). Provided to THUD Appropriations Subcommittee.
51	Request to Reprogram Funds	As required in appropriations bill. Due to Congress (THUD Appropriations Subcommittee).
BIENNIAL RECURRING REPORTS		
52	Reauthorization of Head of Agency Home-to-Work Authority for the Area Representatives	Letters to Congress
53	Executive Resources Biennial Allocation Request	During even-numbered calendar years each agency examines its SES position needs and submits a written request to OPM for a specific number of SES position authorizations for each of the succeeding fiscal years. Pursuant to 5 U.S.C. § 3133(a).
PERIODIC REPORTS		
54	Delegation of Official Passport and Visa Authority	To Department of State Passport Office.
55	Delegation of Payment Authority (FMS Form 2958)	To Treasury.
56	Privacy Act System of Records Notices Review	Required comprehensive review of all FMC systems and notices.
BUDGET RELATED REPORTS		
57	BDR15_04* - Federal Civil Monetary Penalties	To collect information about civil monetary penalties that agencies use to help enforce federal laws and regulations and verification of statutes.
58	BDR15_03 Addendum 2 - Preparation of the FY 2016 Budget Appendix and MAX-A11 database	Update appropriation language in OMB MAX database.
59	BDR15_16 - Corrections to the 2016 President's Budget	

60	BDR15_17 - Implementing the FY 2015 Sequestration Order issued on March 10, 2014 and FY 2014 sequester amounts available in FY 2015	
61	BDR15_19 - Agency support for the National Strategy for the Artic Region	
62	BDR15_20 - Funding Requirements for Transitioning to Internet Protocol (IP) from Time Division Multiplexing (TDM)	
63	BDR15_03 - Preparation of the FY 2016 Budget Appendix and MAX-A11 database	Resolves all errors in the OMB Max database that will affect the President's budget that need to be addressed in the MAX database.
64	USA Spending Reconciliation	Reconcile USA Spending with actual spending data.
65	Financial Statements	Financial statements
66	Material Difference Report	Identifies differences between FMC and our trading partners.
67	Treasury Report on Receivables (TROR)	Verifies all FMC receivables with Treasury. Q4 signed by CFO.
68	Travel Card Report	Number of employees on board at quarter end. BFS submits to OMB after receiving FMC guidance.
69	Footnotes	Footnotes required for the Financial Statements.
70	Central Accounting Reporting System (CARS) 224	Monthly statement of transactions. Reconciliation of the FMC's fund balance with Treasury.
71	Semiannual Report of Payments Accepted From a Non-Federal Source to GC/GSA	Payments or repayments for authorized government travel. Due to GSA for the periods 10/1-3/31 and 4/1-9/30.
72	Work Years and Personnel Cost Report and Premium Work Years and Pay	Work Years for Total Agency; General Schedule; SES, cost of employee's benefits and Leave earned and used. Provided to OPM.

73	Government wide Financial Report System (GFRS)	A set of prescribed financial statements of an agency's department-level comparative, audited, financial data.
74	Fiscal Year Premium Class Travel	Employees who travel by 1st or business class. Submitted to GSA in November.
75	Fiscal Year Senior Federal Travel	Senior employees who travelled by Government aircraft. Submitted to GSA in November.

Statement of

General Darren W. McDew, United States Air Force

Commander, United States Transportation Command

Before the House Readiness Subcommittee

On the State of the Command

15 March 2016

UNITED STATES TRANSPORTATION COMMAND 2016

Introducing the Command

It is an honor to represent the men and women of the United States Transportation Command (USTRANSCOM). Our Total Force team of Active Duty, Guard, Reserve, civilians, commercial transportation partners and other contractors operate a world-class Joint Deployment and Distribution Enterprise (JDDE) that delivers the Nation's objectives worldwide. Our service component commands, the Army's Military Surface Deployment and Distribution Command (SDDC), the Navy's Military Sealift Command (MSC), the Air Force's Air Mobility Command (AMC), our subordinate joint force command, the Joint Enabling Capabilities Command (JECC), and our reserve force provider, the Joint Transportation Reserve Unit (JTRU), in conjunction with the transportation industry, provide reliable and seamless logistical support and enabling capabilities to the Nation, our forces, their families, and coalition partners around the globe.

It is important to mention the U.S. commercial transportation industry, as it is hard to overstate their value when it comes to our success as a global combatant command. This industry, which we often refer to as our fourth component, provides the majority of lift capacity for every operation and is essential for sustaining forces around the globe. Our industry partners have always answered the call.

Operating Environment

USTRANSCOM stands ready to deliver the Nation's objectives anywhere and anytime. When the Nation deems necessary, we can respond immediately to a contingency or deliver disaster relief the world over. Additionally, with acceptable risk, we can support the mobility requirements of any combatant commander (CCDR) while retaining the ability to support

homeland defense, ongoing efforts to counter violent extremist organizations (VEO), or other lesser contingencies. Our capacity, however, is not unlimited. Should the need arise to respond to a second, major contingency in an overlapping timeline, the mobility resources required could exceed existing capacity. This shortfall would be most acute for sealift and air refueling tanker capabilities, resulting in increased timelines for meeting CCDR force mobility requirements.

As future conflicts become increasingly dynamic, U.S. forces must have the agility to respond quickly, across traditional regional boundaries with a variety of strategic capabilities. USTRANSCOM currently has the ability to meet the challenges of this dynamic environment, but the military and commercially-provided capabilities that comprise this global distribution and transportation network are approaching their capacity limits. Over the next five to ten years, these capabilities will be increasingly stressed.

Emerging contested environments, to include cyber, pose a significant challenge to the transportation and distribution networks in the mid- to long-term range, and will require careful consideration of how to protect those networks. Sea-lanes, for example, have not been contested for U.S. forces since World War II, yet those lanes will likely be contested in the next major contingency. In the past, our anti-access area denial problem set was focused primarily on en route nodes and infrastructure. However, the assumption that we will have uncontested access to international airspace and sea-lanes between these nodes in the future is likely no longer valid. To address this threat, we are working with the Services and geographic combatant commanders to determine ways to protect those crucial strategic lanes.

Cyber threats remain a major concern for USTRANSCOM. Because of our extensive use of commercial capabilities, nearly 90 percent of our missions are executed over unclassified and commercial networks. Advancing and maturing our cyber capabilities will allow us to operate

with less risk in this increasingly contested environment. Continuous evaluation of our vulnerabilities, while identifying and advocating for critical cyber capabilities, policies and procedures, will enable success in executing our global mission.

State of Our Readiness

Ensuring the Nation's ability to fight at the time and place of our choosing will require enhancing our readiness, while improving our future capabilities. The ability to project rapid power anywhere on the globe at any time sets the U.S. apart from the world. To maintain this strategic advantage, we must ensure we have the appropriate personnel, platforms, systems and training to continue providing this unique capability. Continuous enhancement of our readiness will require investments in our cyber, air, surface and sea assets, which will ensure the capability to support the Nation's objectives. Readiness of our forces – military and commercial – remains my top priority.

Airlift and Aerial Refueling – An Immediate Force Tonight

The mobility force needed to deliver national objectives includes a fleet of ready, modernized aircraft capable of rapidly deploying personnel and cargo, and a ready total force of dedicated, professional aircrews. Airlift forces move critical cargo and people to the point of need, while air refueling capabilities enable projection of forces across great distances to any location at any time.

The Air Force's primary airlift workhorse, the C-17, remains the backbone of our national strategic airlift capability. To continue its airworthiness, and meet Federal Aviation Administration (FAA) 2020 mandates, a series of modifications are planned for the early 2020s. Additionally, the Air Force is pursuing a mitigation plan to restore 16 of their C-17 aircraft from

Backup Aircraft Inventory to Primary Mission Aircraft Inventory in order to enhance operational readiness and reduce risk within the inter-theater airlift fleet.

The C-5 fleet is currently undergoing a Reliability Enhancement and Re-engining Program modification through April 2018, which has delivered increased mission capable rates and will extend service life past 2040. The C-5's tremendous lift capability and range make it a critical resource for decades to come.

The KC-46A will be critical to the entire joint and coalition team's ability to project combat power worldwide and give America and our allies an unparalleled rapid response capability for combat and disaster relief operations alike. The enhanced capabilities, reliability, and flexibility of the KC-46 provide the Nation the ability to move forces rapidly, across great distances, to locations of our choosing. These capabilities are essential to operating in a dynamic environment where varying types of air assets will be needed across regional boundaries potentially in support of multiple mission requirements. With Congress's continued support, the KC-46A program will remain on track and ultimately mitigate risks in our highly-stressed air refueling fleet.

We appreciate the support of Congress to right size the C-130 fleet to 300 total aircraft, which combined with the Air Force's modernization and recapitalization plans for C-130H and C-130J aircraft, will ensure the entire Total Force intra-theater airlift fleet remains capable of supporting the National Military Strategy.

With regard to civilian airlift, we are implementing initiatives through the Civil Reserve Air Fleet (CRAF) contract that is designed to ensure wartime readiness capability while simultaneously offering best-value services for steady-state peacetime commercial augmentation. We recently provided Congress a report on how we measure readiness of the CRAF and how we

will continue to ensure the fleet remains ready for future contingencies consistent with the guidelines of the National Airlift Policy.

Additionally, USTRANSCOM is building partnership capacity with other nations possessing air refueling competencies. Greater interoperability among nations will strengthen coalition partnerships and provide additional capability to the combatant commands.

Surface

Civil sector transportation infrastructure enables the movement of military forces, so we continue to maintain an enduring interest in this area. Our national defense programs work in close partnership with the Department of Transportation, and numerous other public agencies and private entities, to assess and sustain the civil sector infrastructure that connects our military installations and ports, which play a key role in ensuring our ability to conduct rapid force deployment.

We also recognize there is a face and a family behind every household goods move, so we continually strive to improve our interface with DoD's most precious resource – our people. The Defense Personal Property Program (DP3), administered by SDDC, enables the movement and storage of Service member, DoD employee, and U.S. Coast Guard (USCG) employee personal property and privately-owned vehicles, by leveraging best-value transportation decisions and traffic management expertise in accordance with the Defense Transportation Regulation. DP3, in collaboration with Transportation Service Providers (TSP), manages over 550,000 personal property shipments for DoD and USCG customers at an annual cost of $2 billion. As a primary customer of the nation's TSPs, we continue to work closely with industry to ensure our policies are congruent with industry standards while driving toward increased efficiency for every dollar spent.

The Defense Personal Property System (DPS) and its associated Program Management Office provide a centralized, web-based, single-point interface system for worldwide shipment of personal property. The DPS is a self-service system, offering real-time access for government, industry and customer users to input and retrieve data supporting the entire movement process – from pick-up to delivery of household goods. The DPS provides Service members 24-hour access via the internet to information regarding personal property moves. In efforts to increase Service member quality of life, this 24-hour access provides on-line move counseling, status of their personal property shipments, as well as flexibility when providing post-move claims and service surveys.

While development and implementation of DPS has not been without challenges, USTRANSCOM and SDDC are examining innovative solutions to improve user interface capabilities, enhance system security, and modernize technical architecture with the ultimate goal of achieving a modern, user-friendly system that ultimately enhances Service member relocations and quality of life.

The U.S. Army's Military Ocean Terminal Sunny Point (MOTSU) in Southport, North Carolina and Military Ocean Terminal Concord (MOTCO) in Concord, California, each provide critical and irreplaceable organic seaport capabilities, ultimately supporting the movement of large quantities of containerized ammunition. Together these two unique national assets support operational plans and power projection capabilities throughout the world. MOTSU is essential to conducting operations in Europe, Africa, and the Middle East, while MOTCO critically underpins operations in the Pacific.

Substantial and needed investments to restore the aging infrastructure at these unique installations have largely mitigated near-term risks to our ability to execute potential mission

requirements; however, the older and more deteriorated infrastructure at MOTCO still requires continued attention and additional investment. We are working diligently within the DoD to find necessary resources to prevent capability gaps, while adequately filling both the personnel authorizations and equipment requirements critical to force protection.

Sealift – A Decisive Force When Needed

Sealift moves roughly 90 percent of all DoD cargo and is critical to our ability to deliver a decisive force on behalf of the Nation. As such, maintaining the readiness of the entire strategic sealift portfolio, both commercial and organic, is a top priority for USTRANSCOM.

Per the National Sealift Policy, we rely on the U.S.-flag commercial shipping industry, to the extent it is available, to provide sealift in peace, crisis and war, and the government-owned organic fleets to provide unique national defense capabilities not resident or available in sufficient numbers in commercial industry. At the start of a major contingency operation or a crisis requiring an immediate surge response, organic vessels managed by the Maritime Administration (MARAD) and MSC will likely be the first vessels available and activated to deploy combat power in the critical initial phase. These vessels can provide millions of square feet of cargo carrying capacity under short response timelines. As commercial industry vessels become available, they augment the initial surge response, and provide additional capacity to meet sustained logistics requirements. USTRANSCOM depends on the entirety of the fleets and must ensure each portion of the sealift portfolio is ready to assume its role.

Our relationships with our U.S.-flag commercial sealift partners are formalized through agreements such as the Voluntary Intermodal Sealift Agreement (VISA), the Maritime Security Program (MSP) and the Voluntary Tanker Agreement (VTA). Since their establishment in 1996, participation in these programs by privately-owned U.S.-flag commercial shipping has proven an

extremely cost-effective means to acquire significant sealift capacity to meet the Nation's requirements.

However, the U.S.-flag commercial international trading sector is declining. Reductions in government-impelled and DoD cargo have exacerbated this decline. In the past year, fourteen U.S.-flag internationally trading vessels within the VISA program were either reflagged to a foreign country or scrapped without replacement due, in large part, to the reduction in demand. This loss of U.S.-flag vessels represents a net decrease of over 327,000 square feet of roll-on/roll-off force projection capacity and over 600 U.S. merchant mariner jobs. The impact of losing these jobs cannot be overstated; the U.S. mariners who move our military cargo come from the same pool that move our international trade. Additionally, the reduction of U.S.-flag vessels is forcing our commercial sealift partners to make adjustments to the services they provide by either removing liner capacity or expanding alliances with other carriers to take advantage of larger vessels.

Congress' recent efforts to enhance the MSP by authorizing a higher annual stipend will help stabilize the U.S.-flag fleet, and ensure continued commercial industry participation and DoD access to sealift capacity in the near term. We will continue to work closely alongside the Department of Transportation, MARAD, and our industry partners to understand the impact of declining demand for cargo on MSP participants and how to ensure they can provide sufficient capacity for DoD requirements over the long term.

The government-owned organic fleets are also facing challenges. Due to the age of vessels in MARAD's Ready Reserve Force, this fleet will begin to lose capacity in the mid to late-2020s, with significant losses in the 2030s. Replacing vessels to sustain this capacity would likely require a multi-billion dollar effort. We are working closely with the U.S. Navy to

develop a plan which meets combatant command requirements and is compatible with future Service force development and budget constraints.

Similar to commercial industry, the reduction of cargo requirements and associated workload adversely affects the readiness of the organic fleets. USTRANSCOM will continue to work closely with MARAD, the U.S. Navy, and MSC to find means to ensure the organic fleet can get underway, meet its readiness timing, and remain proficient in its force deployment surge role.

Cybersecurity

USTRANSCOM information and network systems are essential elements in accomplishing our global mission; accordingly, global cyber mission assurance requires extensive collaboration. External partners such as U.S. Cyber Command and Joint Force Headquarters Department of Defense Information Network play a critical role in threat awareness, detection, and mitigation. Notably, because USTRANSCOM is a supporting command, all other combatant commanders share our risk to operations. This shared risk demands that we mitigate our cyber vulnerabilities in all phases of operational planning.

Information technology service companies and transportation commercial partners are also essential contributors in accomplishing our mission. These partners are critical to our operations, as commercial companies carry the majority of DoD personnel and cargo. Coordination, tracking and billing activities with these companies are accomplished via commercial telecommunications networks requiring a focused, deliberate effort to ensure data integrity and to defend against cyber intrusions.

Additionally, the growing connectivity among information systems creates increased opportunities for adversaries to take advantage of vulnerabilities and disrupt our cyber key

terrain, critical systems, and infrastructure. Adversaries continue to expand and develop capabilities to deny, manipulate and exploit national security-related information, as well as use cyberspace operations to impact physical systems. In an effort to mitigate these threats, our Joint Cyber Center (JCC) established a repeatable approach to identifying cyber key terrain and assessing the associated threats and levels of risk. This approach, also known as the Cyber Staff Estimate, allows us to assess risk, adjust defensive posture, and adopt operational or technical mitigations in performance of key missions.

We have also improved our cyber posture by integrating cyber security language into a majority of our commercial contracts. We continue to include this language in new contracts while synchronizing the language we use with the revised Defense Federal Acquisition Regulation Supplement.

Finally, USTRANSCOM is a co-chair for the National Defense Transportation Association Cybersecurity Committee. In this capacity, we endeavor to strengthen our partnership with industry as we promote a culture where effective information sharing occurs among members in a rapid, robust, and resilient manner. Through sharing and education, we seek the widest possible application of appropriate cybersecurity best practices within available resources.

Enabling Capabilities

USTRANSCOM provides direct enabling capabilities through our subordinate joint force command, the JECC. Created through the consolidation of joint billet authorizations from the closure of Joint Forces Command and the elimination of similar capabilities from the other

geographic combatant commands, the JECC bridges capability gaps by providing rapidly-deployable, tailored, enabling packages of key joint planning, public affairs, and communications capabilities in support of geographic combatant commands. These capabilities are unique to the JECC and indispensable to the DoD and geographic combatant commands. The JECC stands ready to respond to simultaneous demands for these essential capabilities across multiple geographic regions.

Global Distribution Network (GDN)

As the DoD Distribution Process Owner (DPO), USTRANSCOM is responsible for coordinating and overseeing the DoD distribution system with the goal of ensuring interoperability, synchronization, and alignment. Additionally, we are responsible for synchronizing movement planning and operations in coordination with the geographic and functional combatant commands, the Services, and other government agencies as directed. We achieve this synchronization through our Campaign Plan for Global Distribution and we continue to implement process improvements to achieve greater effectiveness while preserving and enhancing an efficient and flexible GDN.

Our national security interests depend upon an agile, scalable, and resilient GDN. The GDN enables joint force deployment, sustains it through all phases of operations, and brings it home. The GDN is a complex array of U.S. organic and commercial transportation capabilities directed by multiple commands and agencies. These organizations operate in the air, land, and sea domains utilizing the infrastructure of allied, friendly, and cooperating nations. Additionally, the usefulness of the GDN is dependent upon on our ability to move about the global commons without interference from state and non-state actors. The U.S. must continue to exercise freedom of navigation around the globe if we are to maintain the access we require.

Updated annually, our En Route Infrastructure Master Plan (ERIMP) assesses the various risks and identifies global infrastructure requirements essential to our operations. This plan is complementary to other products and processes we use to ensure the access and maintenance of the capable, resilient, transportation infrastructure that is so paramount to our ability to project and sustain national power. It is important to note, however, that our success in this realm would not be possible without the enduring relationships we have established with partner countries around the globe. These logistics-focused international engagements provide a valuable and nonthreatening means of fostering military-to-military relationships.

Beyond planning for the infrastructure we need, we also developed a capability to account for those cases when the full infrastructure demanded by our operations is unavailable. Known as Joint Task Force-Port Opening (JTF-PO), this capability is designed to rapidly open and establish initial aerial and seaport operations, ultimately facilitating the distribution of materiel in an area of operations. This operational construct of air, surface, and maritime elements establishes the initial framework for expeditionary port opening, providing that critical first response for the supported geographic combatant commander during contingency or disaster relief operations.

Our ability to rapidly deploy JTF-PO forces to operate two aerial ports in Liberia and Senegal during Operation UNITED ASSISTANCE proved a powerful example of the importance of this capability. Our JTF-PO teams successfully enabled USAFRICOM's Joint Task Force to receive and distribute vital medical equipment and supplies to stem the outbreak of the Ebola virus across West Africa. Because of lessons learned from this operation, and subsequent joint exercises, we partnered with the Defense Logistics Agency (DLA) to integrate

their Rapid Deployment Initiative into our JTF-PO capability to provide rapid initial theater distribution support to the supported geographic combatant commander.

Efforts are also underway to develop a base plan for all phases of USTRANSCOM operations. This plan will document how we fulfill our Unified Command Plan responsibilities and meet the tasks assigned to USTRANSCOM. This planning effort will result in an overarching global plan that articulates how we coordinate, synchronize, and execute our JDDE responsibilities, and will describe our approach to operations in a contested environment. This plan will also set the conditions for effectively utilizing the JDDE, allowing the U.S. to project power, extend operational reach, and maximize flexibility for the joint force.

Training and Exercises

Our Joint Training and Education Program ensures USTRANSCOM maintains strategic agility and dynamic presence. Leveraging approximately 155 exercises annually, including our own USTRANSCOM-sponsored joint exercises, we meet training requirements that directly contribute to assuring assigned mission success. These exercises deliver strategic value by providing a global presence that helps ensure freedom of action and uninhibited access to global mobility infrastructure. They also foster interagency, regional, and coalition partnerships.

In addition to demonstrating and testing our capabilities like JTF-PO, Joint Logistics Over-the-Shore, the Joint Distribution Enabling Team, and the Offshore Petroleum Discharge System and Inland Petroleum Distribution System, the Joint Exercise Program offers us opportunities to work with the other combatant commands in their high-priority exercises. These venues allow us to practice the full range of our capabilities from the simplest deliveries to high-end, joint forcible entry exercises.

Preparing for Tomorrow

Financial Health

As good stewards of taxpayer dollars, USTRANSCOM and our Service Component Commands are committed to being prepared for a fiscal year (FY) 2017 financial audit in accordance with the guidelines set forth in the FY 2010 National Defense Authorization Act. Financial Improvement and Audit Readiness (FIAR) permeates all facets of operations. Our financial environment is complex with three separate accounting systems, one for each of the Service Component Commands. There are many challenges to overcoming long-standing business processes that are not audit compliant, and legacy computer systems that cannot trace a transaction from inception to the financial statement. As we move toward Integrated Multi-Modal Operations, however, we are imbedding FIAR throughout our new processes. Beyond auditability, our FIAR efforts also support sustainment readiness through internal controls that culminate annually in our Statement of Assurance.

Additionally, maintaining a healthy Transportation Working Capital Fund (TWCF) ensures our ability to provide timely transportation services on behalf of the Nation. To that end, we are striving to provide our customers greater transparency on costs while maintaining a cost-competitive model that incentivizes customer participation within the enterprise.

We continue to engage with the Army and Air Force Exchange Service and the Defense Commissary Agency to create greater efficiencies within the DTS by increasing container utilization, combining loads on shared lanes with other DoD shippers, and using airlift only when appropriate and cost effective. Additionally, we continue to strengthen our partnerships with the Defense Security Cooperation Agency (DSCA), DLA, the United Nations and foreign partners. These partnering efforts have led to increased workload by offering best-value solutions that

promote a whole-of-government approach, military-to-military cooperation, and service interoperability.

In coordination with the DSCA and DLA, we now also offer integrated transportation and distribution services for Foreign Military Sales (FMS) customers. The Distribution Services solution provides customers with a single point of entry, pay-as-you-go capability that leverages the infrastructure and backbone of the DTS, as well as the secure storage and consolidation inherent in DLA's core mission. To increase efficiency, we continue to encourage partner nations, through the geographic combatant commands, to use the Joint Planning and Execution System for the movement of their FMS cargo.

Enhancing the Joint Force

We are enhancing our human capital strategies to leverage best practices from industry, government and academia. We are also refining our efforts to sustain, motivate and retain a high-performing, mission-ready team.

With more millennials entering the DoD workforce, and a need to better utilize existing talent networks, we are considering new approaches to workforce management. Some of these approaches include a paradigm shift from talent "management" to talent "engagement." This means tapping into a broad workforce outside traditional boundaries, and examining innovative concepts such as partnership as well as freelance and open-source talent, to take advantage of talent pools not available through routine personnel management. With our unique position as a link between DoD and commercial industry, we intend to serve as an incubator for new workforce management initiatives that will ultimately benefit the entire DoD.

We also recognize the need for Defense reform to posture the DoD to meet the security challenges of the future. I applaud the Congressional initiative in considering revisions to the

30-year-old Goldwater-Nichols Act. This will be a daunting and lengthy task that will require extensive collaboration between the executive and legislative branches. Such a transformational effort is necessary to address how the DoD is organized to meet the challenges of today's strategic environment and reassess how DoD is developing the joint force of tomorrow. The force we needed to win the Cold War is not the force we need to address tomorrow's diverse range of future threats. I am ready to work with DoD and Congress to address key policy changes for consideration this year.

Our Commitment

Upon taking command seven months ago, I provided my initial assessment of USTRANSCOM to Secretary Carter. As I closed that assessment, I made a commitment to him and I would like to make that same commitment to Congress and the American people.

"USTRANSCOM stands ready to deliver the Nation's objectives. We will advocate for and address all challenges and vulnerabilities to ensure we can deliver an immediate force tonight and a decisive force when needed. We promise!"

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