

Center for Strategic and International Studies (CSIS)

Confronting New and Non-Traditional Challenges in the Age of Austerity

Moderator:

**Rick “Ozzie” Nelson,
Director of the Homeland Security
and Counterterrorism Program at CSIS**

Speaker:

**Admiral Robert J. Papp, Jr,
Commandant,
U.S. Coast Guard.**

Monday, February 13, 2012

9:30 a.m. EST

Washington, D.C.

*Transcript by
Federal News Service
Washington, D.C.*

JOHN HAMRE: OK, everybody. Good morning. My name is John Hamre; I'm the president here at CSIS. Thank you – thank you very much for coming. Just so that everybody knows, the president speaks at 1:00; and Admiral Papp, being an admiral, is not going to get out in front of his president. So I just want you to know – but he's nonetheless going to, I think, lead us through a very, very interesting and important discussion.

We – of course, we've called this the future of maritime forces in a – in a time of fiscal austerity. And it is – I wouldn't say it's a new world for the Coast Guard. As long as I've known the Coast Guard, they've never had enough money. (Laughter.) It's always been like that, Admiral? You know, but it's always been a service that has just sought its way through complex landscape – deeply admired and respected in the American public, largely because it touches the public in so many ways – in so many positive ways. And I think it's – so it's – there's a reservoir of support for the Coast Guard that doesn't often show up as profoundly in Washington and in budget circles as it should. And we are in a period of some austerity.

That's, of course, what it means that management becomes even more important. And the Coast Guard's very, very fortunate that Bob Papp is its commandant now, because he knows this service so intimately – not just the – not just the breathing and the flesh and blood of the service, but he knows the infrastructure of this service. He knows its internal folkways, its dynamic. And he is just the right person now to see us through this time. I will be the first to say so. He can say it wasn't his – he didn't start it, but he needs more money. And we do have to look forward to the next couple of years, because we do have important obligations that we place on top of the Coast Guard. And those have to be honored.

So our goal today is not to be whining about money, but to talk about need. What does this country need in a Coast Guard? What does it need in a modern force? What does it need for maritime security in an era of globalization? Far more dynamic, far more complicated than it was in the past. And we're lucky that we have a man of his ability that's going to lead us through this discussion. So I want to say thank you for coming today. I want to thank our friends from the Coast Guard that are going to be participating in other panels today. I think it's going to lead for a very rich discussion.

Ozzie's going to start us for real. I'm only ornamental. But make sure he doesn't take too long, because we want to get on with this. Ozzie, please, go ahead. (Applause.)

RICK NELSON: All right, thank you, Dr. Hamre. My name is Rick "Ozzie" Nelson; I'm director of the Homeland Security and Counterterrorism Program here at CSIS. And this is the formal introduction, and I won't take long. I would go ahead and do Admiral Papp's bio very briefly, and then again a reminder – he'll speak for about half an hour and then take questions and answers. When you do the question, please state your name and your affiliation. After Admiral Papp departs, we'll take a 50-minute break, and then we'll get into the strategy panel after that – which is moderated by Stephanie Sanok.

But your bio for Admiral Papp is in your – in front of you in your materials there. We're absolutely thrilled to have him at CSIS – back at CSIS. We've had a very robust relationship with the Coast Guard since he's taken command. Admiral Papp is the 24th commandant of the

Coast Guard. He assumed these duties on May 25th, 2010, so he's coming up on his two-year anniversary in the job. And many of you know the Coast Guard is the largest component of DHS: 42,000 active individuals; 82,000 reserves – I'm sorry, 8,200 reserves; 8,000 civilians; and then – always an interesting component – over 30,000 auxiliary members of the Coast Guard.

Professionally what's I think so incredible and noteworthy about Admiral Papp's biography is, I can't find a lot of administrative or bureaucratic assignments in his bio. As a flag officer, he was the Atlantic Area commander. He had commanded four Coast Guard cutters, which is quite remarkable in and of itself; and obviously well-rounded from the academic side as well: graduate of the Coast Guard Naval War College – yay – and then Salve Regina. So without further ado, Admiral Papp, I'm going to turn it over to you. Thank you, sir, for coming. (Applause.)

ADMIRAL ROBERT PAPP, JR.: Thank you, Ozzie. Well, good morning, everybody. When I saw the crowd out here, I thought that perhaps you thought I was going to announce the '13 budget. (Laughter.) I'm not. We can perhaps talk a little bit in generalities. This is getting a little bit of – is that better? Better? Better, yeah. We can probably talk in some generalities on how the budget – not only this year, but the last couple of years – is affecting the Coast Guard and therefore maritime homeland security.

Thanks for the introduction, Ozzie, and thanks to Dr. Hamre for inviting me here. We came here for a dinner a couple months ago to talk about the Arctic, and we'll touch on the Arctic a little bit, and I'm glad that we've opened up that conversation. In fact, that conversation has been opened up so much that we are in fact gaining some traction there. That's causing some budget problems for me. I'll discuss that a little bit as well as we go forward.

And yes, I did have a lot of operational assignments; I planned it that way. And when I went into the Coast Guard Academy, all I wanted to do was become a ship captain, and I got the opportunity to do that. The academic achievements are probably a little overstated. I see Randy Beersworth (sp) back there. I remember a time back at the academy where they actually put me as a roommate with Randy Beersworth (sp), hoping that his intellect would rub off on me a little bit – (laughter) – and cause me to study. It didn't work. (Laughter.)

In fact I got a letter – when I became commandant, I got a letter from Captain Jimmy Woods (sp), who used to be the head of the math department at the Coast Guard Academy. He sent me a card, and he said: Congratulations on a reward richly deserved. You know, the funny thing was, he said the same thing when he gave me an F in calculus. (Laughter.)

But here we are, and I'm glad to talk about maritime security. You know, it's going to come across, I think, as a little biased, because I have to talk about the Coast Guard. The Coast Guard is the – is a key component in our maritime security. And we can't avoid it, and it may come across as a little self-serving. And if it does, I don't apologize for that, because I'm very proud of this organization that I've spent about four decades in. I'm proud of the service that we provide. I'm proud of our history in terms of providing for maritime security for this country.

Let's start talking about security. And security, if you ask any person, is going to be defined by the lens that they view it through. I was reminded of this – I was in a meeting up in Ottawa just a couple weeks ago. And we had a person from the U.S. Department of Defense, and we were discussing the issue of the Arctic. And the U.S. Defense Department representative said, well, we don't foresee any challenges up there for probably about 10 years.

Well, the Canadian counterpart looked and said, security is much more than defense. Security is economics; it's prosperity; it's safety; it's the environment; it's a whole range of things that come into consideration for national security. And I would say that is the lens with which the Coast Guard views maritime security as well. It's a broad range of topics that we need to be considerate of as we approach maritime security for our country.

And this is not a new idea. In fact, we consider Alexander Hamilton, one of our Founding Fathers, as the father of the United States Coast Guard. You will recall that Hamilton was a federalist. He belonged in – or he believed in having a strong central government for this country, which was in dispute after the Revolutionary War as we went through the Articles of Confederation and then moved our way towards the Constitution. And as we developed the future plans for this country, Hamilton began writing something called the Federalist Papers. And in Federalist Paper Number 12, which was in 1787, he wrote about how we would support this federal government.

Now we had just fought a war to get out from under being taxed, so it was obvious for a number of reasons that we wouldn't be able to start taxing the citizens to pay for this federal government – because, first of all, it would be inequitable. You had farmers, people who were trying to maintain a subsistence; then you had the industry in the North; and there's no way that you could equitably tax individuals – and, oh, by the way, we had fought a war to get out of taxation. So how do you support this government?

Well, in Federalist Number 12, he talked about tariffs on commerce. And commerce in that day, of course, was maritime commerce – just as it is primarily for today. Ninety percent of the world's commerce goes by sea. Ninety percent of the trade goes by sea, and that's true for the United States as well. And all our commerce went by sea. We had tremendous natural resources and – that were desired by the European countries, and they were going to send manufactured goods to the United States. We would derive income off that by a series of tariffs.

And it worked well. It was eventually implemented. The Treasury Department, through the Customs Service, up until the early 1900s supported the federal government through tariffs. We did not have a personal income tax until the early 1900s. When you look at the custom house buildings that are in most of our major ports, they're like little palaces. And that represents how successful the Treasury Department was in supporting this country through the tariffs that were collected.

Well, there's another part in there that talks about: You will not have political security until you have fiscal security. And this is what was driving Hamilton. He had to find a way to have a stable political construct within the United States. And in order to do that, you needed fiscal security to do that. So this – so the tariffs were conceived.

Also within Federalist Number 12, he wrote about how you would enforce this. He recognized that the Americans had become very good at smuggling during the years that we were under the rule of Great Britain and we had that taxation. So he needed a way to enforce the laws. He knew you couldn't do it just in the ports themselves, because maritime transportation is something that is difficult to predict, and you have various ports you can go to. He stated in Federalist Paper Number 12 that "a few armed vessels, judiciously stationed off the entrances of our ports, might at small expense be made useful sentinels of the law."

In there is the definition of the United States Coast Guard – although I must admit that there are some people within the government that all they remember out of that is, a few vessels at small expense. (Laughter.) But the "useful sentinels of the law" is one of the keys in that statement: a service that is multimission, can do various activities to enforce the laws of the United States.

The other useful phrase in there is, "judiciously stationed off the entrances of our ports." Hamilton got it right. You needed to be offshore. You needed to be able to interdict threats and other challenges well offshore. In those days, you could meet them at the sea buoy, or at least within the coastal zone. But today the entrances of our ports start in places like Singapore and Rotterdam. And what we need to do is – just like the Defense Department presses out through deployments overseas to meet the threats – we need to be involved; we need to push our borders way out beyond what is generally considered to be our waters, to the entrances of our ports in other locations around the world. So Hamilton had it right.

The Coast Guard was created in the Tariff Act of 1790, which outlined how the tariffs would be collected and also authorized the construction of 10 small ships, cutter-rigged, which became the Revenue Cutter Service. And then up – it existed up until 1915, when we were combined with the Lifesaving Service, which gave us our safety-at-sea, rescue-at-sea authorities and component.

The – another thing that Hamilton did was – one of the first acts of the Congress in 1789 – and actually it was before the creation of the Revenue Cutter Service – it created the lighthouse establishment, brought all the lighthouses – the aids to navigation – which helped mariners to approach our shores. It was created under the Lighthouse Act of 1789. That lighthouse service was brought into the Coast Guard in 1939, just before World War II.

And then the other component of today's Coast Guard is the Bureau of Marine Inspection and Navigation, which brought in our licensing, marine inspection and other responsibilities for the commercial mariners. It brought together a wide range of authorities and capabilities and competencies that – to create and make us what we are today.

I have long believed that the measure of a country's greatness is the services that it provides to the mariner for the safety and security of their approach to the shores of that country. If that measure is true, then the United States is the undisputed world leader in terms of maritime security, because it created the world's best Coast Guard.

And the Coast Guard is just very difficult to understand, because it's a merger of military, law enforcement, regulatory, maritime first responder, marine safety, competencies, authorities, responsibilities and partnerships that all come together to make this service the special service that it is. So it's very difficult sometimes to understand, but countries around the world are trying to replicate what we do in order to provide maritime security for their countries.

I'm constantly faced with this challenge of explaining exactly what the Coast Guard does. In fact, sometimes it happens even within our own department. As I became commandant, almost two years ago now, we – you'll remember we were deeply involved in the Deepwater Horizon oil spill. And we had had a spill-of-national-significance exercise earlier that year. We had a little difficulty getting buy-in and participation by some of the senior leaders within the department, because they just didn't know why the Coast Guard, why the Department of Homeland Security, was – needed to be concerned about oil spills.

Well, it became readily apparent to them over the course of that summer. And after things finally settled down, the deputy secretary called me in, and she said: You know, Papp, I just don't understand you guys. Where's Peter Neffenger? He's deeply involved in this. Admiral Neffenger was deployed for Deepwater Horizon. He was going to be my strategic coordinator, and I lost him for about six months as he went down to be Thad Allen's assistant.

But when he got back, and as we settled in – and the deputy secretary – her motives were altruistic; she wanted to get better support for the Coast Guard, but she needed to understand us better. And she just didn't quite get it. So she said, why don't you have some people write up a paper that would explain the Coast Guard to me so I could understand it a little bit better?

So we started something that we referred to as the white paper, to explain to the deputy secretary exactly how the Coast Guard comes together and how we work all these capabilities, competencies, responsibilities, authorities and partnerships to provide maritime security for this country. We developed a paper that I thought was perfect, and we sent to her. She read it; she said, I still don't get you guys.

We did a rewrite; another rewrite; and every time it would take it up to her, she just said, I still don't get you guys. You know, I'm an Army officer; I understand the Army fights and wins America's wars. I just don't understand what it is about you that – this multimission stuff just confuses me. So we finally condensed it down to what I thought was a good, about two-page paper. Peter and I went up there to her office. And she looked at it; she shook her head; she threw it down again, and she said, I still just don't get you guys. This doesn't explain it for me.

So all of a sudden a light went on in my mind. I recalled a story – or I recalled actually an event in my career where I had been a speaker at a conference, and there was a Navy – retired Navy four-star who got up and spoke after me. I had stayed for his speech. And he told this story about when he was nominated for his fourth star, and went home and told his wife the news. She was joyous. But his mother-in-law was there, and the mother-in-law looked at him and said, yeah, but what do you do?

So he gave her this great big long explanation about hundreds of ships, thousands of sailors, Marines, other countries, aircraft, et cetera, and she just shook her head and she said, yeah, but what do you do? He gave an increasingly complex explanation; she came back with the same response. Finally the light went on for him, and he got it. He said, Mom, we make sure bad things don't happen from the sea. Mom – I get it.

So I thought, you know, that's a great story for me to use. And I thought it was a cute little anecdote, and I said, but it only starts to tell what the Coast Guard does because, yes, we make sure bad things don't happen from the sea, but we also make sure bad things don't happen to people who use the sea, and we also make sure bad things don't happen to the sea itself. And it is really sort of a layman's explanation of our maritime strategy for safety, security and stewardship.

So when she threw down the paper and she said, I don't get you guys, I told her the Admiral Ulrich story. And I said, but, same thing. We make sure bad things don't happen from the sea, we make sure bad things don't happen to people who use the sea, we make sure bad things don't to the sea itself. She literally jumped out of her seat; she said, I get it. She was the mother in law. You know, we gave the increasingly complex explanations – she just didn't get it.

She actually took that, ran with it, and developed something that's the first time ever – that little white paper that we worked on became the Department of Homeland Security white paper for maritime safety, security and stewardship; signed by the secretary, signed by me. And it supports all those things that we do – all those capabilities, competencies, authorities and partnerships that the Coast Guard maintains to provide maritime safety, security and stewardship for our country.

And, in fact, in there – even though we changed the wording a little bit – it says: In the execution of its duties the Coast Guard protects those on the sea, protects the nation from threats delivered by the sea and protects the sea itself. In doing so, the Coast Guard ensures the safety, security and stewardship of the nation's waters. This mission is vital (to) today's complex and ever-changing maritime environment to ensure the nation's security and prosperity.

So I think that also makes the point that I was trying to make, in that security is not just defense. Security is the economy; it's prosperity. And when you have a country that depends upon 90 percent of its trade coming by sea, an organization that provides for the safety, security and stewardship of its waters and provides for the safe approaches – the safe and secure approaches to its shores by the mariners of the world – is a very important and vital agency for that country.

I'm proud to be a part of that agency. I'm proud to be a – (inaudible) – part of the United States Coast Guard. But we are facing challenges in the years ahead as we try to live within the top line of our budget.

That budget – we went through about 10 years of extraordinary growth starting after September 11th, 2001. In fact, the week before September 11th, 2001, I was the chief of

congressional affairs for the Coast Guard. And we were up on the Hill with the then-chief of staff, Vice Admiral Tim Josiah. And we were in some late-night negotiations trying to preserve what amounted to at that time about a \$2.5 billion budget for the Coast Guard, which they were attempting to reduce. We were going to have to lay up about a half-dozen ships, send a bunch of aircraft to the desert and probably lay off about 2,000 people, with the budget that was proposed that year.

And then September 11th happened. Most of those cuts were removed from the budget. And then we started going through a period of growth, to the point where we're at about a \$10 billion budget right now. Now people – the amazing thing is in this city, people don't blink when you say \$10 billion. And that's right, because \$10 billion isn't a lot. And out of that, there's only about probably 8.5 billion (dollar) discretionary funding, about 65 percent of that is tied up in people.

The most important thing for us, as we go along – as I talk about the budget – is with a capital plan the size of the Coast Guard's – which goes from real property through ships, aircraft – my estimate is we need probably about \$2.5 billion a year to recapitalize that plan. The most we've ever received, which was last year's budget, is 1.4 billion (dollars) for recapitalization, which really challenges us. We'll get into a little bit more about that as we go along.

But in order to understand why we need that recapitalization, you really need to understand how we set up our force structure in order to provide maritime security for this country. If I could have the first slide, please. Now, I'm going to focus on a sort of a microcosm of what we confront in the maritime for the Coast Guard. This is one of our most recent events; I think it'll go down as a historic event.

The – Nome, Alaska, depends upon fuel deliveries by sea. Barges come up from Anchorage. Actually, the fuel tankers come up from the lower 48, up to Anchorage, where they are then transferred into barges, and fuel deliveries for most of the small, Alaskan cities up around the northern slope are by barge.

There was a late season storm and the barge didn't get in, and then the ice started forming. And immediately, Nome put up the alert that they were not – they were going to run out of diesel fuel and gasoline before the end of the winter and it would have some tragic consequences for the people up there.

Senator Begich put out a press release. And he said, it's a shame that the Coast Guard doesn't have enough ice breaking capacity. They provide for safe commerce on the Great Lakes and other places by providing ice breaker services. We need an ice breaker for Alaska to be able to provide services, and for cities in distress like Nome.

The next day, Coast Guard Cutter Healy, which happened to be on science expedition up in the Arctic, happened to pull in off of Nome to transfer some passengers ashore before getting ready to go back to Seattle. A photographer took a picture of it and said, wow, the senator really got some great reaction here. (Laughter.)

It was all by chance. The senator didn't know that the Healy was up there, but fortunately Healy was. That was just at the beginning of December. Healy was supposed to transit back to Seattle to be in for the holidays after being up there for about six months. We extended Healy and the whole deployment ended up being about eight months. They just got back to Seattle a week ago this past Sunday.

But they had to transit through about 300 miles. We had to go through a lot of effort. First of all, we couldn't find a United States double hull ice-capable tanker that was available. We had to go to Russia. Then we had to go through Jones Act considerations, getting fuel, getting the ship inspected, and we could do all those things, or most of them, within the Coast Guard because of our authorities.

And then we kept Healy up there, and there were some days where they were actually getting set in reverse. But they eventually made it up to Nome. They did a successful transfer of fuel. They could only get to about a mile offshore before the depth of water became too shallow. And they actually ran hoses from the tanker all the way to shore, didn't lose a single drop of oil, didn't harm the environment. We transferred enough fuel to get Nome through the winter.

And then they had to make the transit back through the ice, of course. They went through about 300 miles of ice to get to Nome. By the time they turned around to go back there was about 375 miles of ice to go through, because the ice was actually forming on some days faster than the ships could go to overtake it. But eventually the weather improved and they got out of there. And as I said, we just got Healy back.

The challenge is we are down to one active icebreaker in the United States. At one time we had eight polar breakers. When Randy Beardsworth and I first got out as young officers, this Coast Guard – this country had eight polar icebreakers. Most of them were built just before World War II. And I wanted to find out, how did we get those things built back then?

Well, what we found in an oral history from, who – an Admiral who was the chief engineer from the Coast Guard at the time. Henry Morgenthau was the secretary of the treasury, and for those of you don't know we spent most of our existence in the Treasury Department before going to Transportation and then Homeland Security. But Henry Morgenthau was the secretary of the treasury. And he came down to Coast Guard headquarters one day and had a note in his hand, which he transferred to the commandant, Admiral Russell Waesche.

On the note, which has White House on it, it said: Henry, build me the world's best icebreakers, FDR. Obviously, the federal acquisition rules were a little easier in those days – (laughter) – because we have to go through a few more hoops nowadays. But the challenge is that we had eight polar icebreakers back then – actually at the beginning of my career. We started decommissioning them because we built two new polar icebreakers – Polar Star and Polar Sea – in the early '70s. We decommissioned all those breakers, and then eventually we were down to two.

And then about 12 years ago we built the Healy, which is the newest of our icebreakers. I won't go through the whole litany, but funding for the icebreakers was transferred to another

agency. That agency decided instead of providing the operational funding back to the Coast Guard – we thought if it was pay as you go people would realize how expensive it was and we'd get better support.

They ended up taking their money and leasing foreign icebreakers to break out Antarctica and do some of the other missions. They like Healy because it's built for science, and the provided us enough money to keep that running, but we did not have enough money to run the other icebreakers. So we ended up putting Polar Star into caretaker status and trying to keep Polar Sea operational.

We pushed them too far, and now we've had to decommission Polar Sea. We've got some money from Congress and we got the money for operating them put back in our budget, and we're in the process now of reactivating Polar Star. She'll be ready in 2013. And then we'll have two operational polar icebreakers. That is a bridging strategy for us. It's a bridging strategy until we can get an across-government solution in terms of what we want to do in the Arctic in terms of taking care of our responsibilities.

But what I would suggest is, assured access to the Arctic is probably one of the primary considerations that we should have. There's going to be a lot of activity during the summertime up there in terms of traffic and human activity because of the water that's opening up, but there are times of the year – just like this illustrated – where we're going to have to be able to gain access to the Arctic. And I don't want to be out there trying to find a foreign ice breaker to help the United States to take care of some of the problems that we have.

So we need to maintain a sovereign presence. That's part of security. And we have to have the capability of getting in there ourselves. In fact, we had a request back a couple of months ago to break Healy off of the mission that we had up there because the foreign ice breaker, which comes from Sweden that had been leased to use to break out Antarctica this year – Sweden pulled it back because they had responsibilities they had to take care of at home. And they pulled out of the lease and all of a sudden the National Science Foundation was looking for an ice breaker to be able to go down and break out Antarctica – into McMurdo.

One of the better – although it was a lucky decision on my part – was to say no. Because we had a mission up in the Arctic, which is closer to home, and I didn't want to be the person to have to explain, if something happened in the Arctic, why we didn't have an ice breaker to take on the mission. And then the Nome situation happened. I couldn't ask for a better case to come up to demonstrate why we need ice breaking capability and why we need a presence up there.

Next slide please. Now, expanding sort of this microcosm of maritime security into the larger picture, this is something that's going to be happening this summer. I talked about the increase in human activity. In 2008, Bering Strait saw about 2,000 – or about 250 transits by vessels. Last summer, it was up to about 325. And with the increase in activity for drilling operations, which we expect to happen in the Chukchi and the Beaufort Sea with Shell oil next summer, they're going to take up 33 vessels of their own up there, with about 500 people. So that's 33 more ships and 500 more people than were up there last year or any previous year.

Human activity is picking up up there, and with that Coast Guard responsibilities – if for nothing else search and rescue. But also environmental. But also security, as well.

There are environmental concerns out there that would like nothing better than to see the drilling operations disrupted. It's a very tight timeframe, and unless they start on time in May and then get out of there by October, they only have about a two-week – two weeks of flexibility in that whole program; if they lose that flexibility, they lose an entire season of drilling up there.

So – beginning of May, Shell is going to pre-stage in Dutch Harbor. We're going to provide escorts up to the North Slope for their operations. They're going to be – they're going to be operating out of Barrow in terms of personnel transfers. They're going to be transferring about 350 people a week back and forth between the platforms up there, which raises the prospect of the potential for search and rescue.

They are providing some self-rescue capability, but it's our responsibility. And if they can't do it, I don't – once again, I don't want to have to be the person that answers why we weren't there to take on either personnel rescue, environmental response or security. So we have a plan. The 17th Coast Guard district and Pacific area has worked up a plan. And what we're going to do is we're going to send one of our new national security cutters up there.

We do not have shore-side infrastructure. Barrow is perhaps the most sophisticated town up there. But just as sort of an example of the sophistication, we went up there with a travel party last summer – travel party of 12 – and we couldn't find hotel rooms to fit the travel party of 12. We ended up staying in a dormitory at one of the old distant early warning system radar stations. So the other thing is there's no hangars. There's no hangars to put helicopters. So we're going to provide it.

The national security cutter, when it goes up there, first of all, is a command center. It's a mobile command center. It has worldwide communications, command and control. It has a flight deck that can handle two helicopters. It can launch multiple boats and put boarding teams or boarding parties out there. It is the equivalent of a – it's a floating Coast Guard sector, expect that most sectors can't, on their own, organically launch helicopters and launch boats. The national security cutter will be able to do that. They'll also be accompanied by two of our seagoing buoy tenders that are ice-capable and can provide logistic support and will keep the helicopters on board the cutter.

Now, we thought about putting the helicopters ashore, with the footprint of the air crews and support. What we found out was that, get this, you'd have to an environmental impact statement, which would cost up a couple million dollars just to be able to put the people on the shore up there because it changes the infrastructure, it changes the footprint of the federal government. So we're going to solve that. We're going to put everybody offshore, on ships, which is really what we've done throughout the course of history – multi-mission ships that are – that have great capabilities and can respond to the challenge up there.

The other thing that we're confronted with – and once again, this is a microcosm of the macro issue of maritime security – is we deal with the tyranny of time and distance. Long

stretch from Seattle up to Dutch Harbor, and Dutch Harbor, even though it's – it is the deepest water port up in Alaska – really isn't much to speak of as well. And there are no deep water ports up here. For refueling, ships have to come back down to Dutch Harbor. For logistics, we have to come back to Dutch Harbor. And the other challenge is all of our shore infrastructure for the Coast Guard is all down in southeast Alaska with Air Station Kodiak, Air Station Sitka, our district headquarters in Juneau and sector office up in Anchorage. Nothing up here right now in terms of permanent infrastructure for us. So we'll do it with multi-mission, very versatile and adaptable ships.

Next picture – or slide. OK, let's get into the more macro issue of maritime security. This is a depiction of what our country faces in terms of threat vectors from the maritime on a daily basis. One of the areas that's very familiar to Coast Guard people, and we deal with all the time, is down in South and Central America. And of course, that's the drug trade and to a certain extent migrants.

But migrants and drugs from the south and in the Caribbean. We have migration coming to the United States across the Atlantic and the potential for threats coming across the sea. We have drug precursors, migrants, fisheries concerns, and of course we've mentioned fisheries and the new increase of human activity in the Arctic. The shaded areas that you see that are in blue, that's the exclusive economic zone. The United States has the largest maritime exclusive economic zone in the world – 3.5 million square miles.

And these pink areas are areas that we may have responsibility for once we've signed on to the Law of the Sea Treaty, because the Law of the Sea Treaty gives us the opportunity to claim extended continental shelf claims, which would give us ownership of the sea bottom for exploration, for minerals, for oil. And of course, this area up here is very important to us.

Within the Arctic – there's estimates that say there's about 20 percent of the world reserves of oil and natural gas are in the Arctic. We have some rather substantial claims we could make for extended continent shelf, which would give us those riches up there. But until we are signatory to the Law of the Sea Treaty we don't have a venue for – and standing to be able to do that.

Now, the way we approach maritime security is through what I call a trident of forces. We have shore-based forces, first. And over the last 10 years, we've done a pretty good job in recapitalizing our shore-side forces. In the early 1990s we had about 42,000 uniformed, active-duty people. Through the course of the '90s, and up until that point just before September 11th that I was talking about, we lost about 6,000 people. We were down to 36,000 uniformed people. We're back up to about 42,000 people today, so we're at the same strength in terms of active duty that we were in 1990. And I would suggest that we have a huge increase of responsibilities since September 11th, 2001, and nobody's taken away any duties from us either. So we're back to 1990 strength taking on multiple new challenges.

The good news is a lot of these bodies, a lot of the increase, have been put in our shoreside forces. We had many Coast Guard stations that were down to barebones 11 or 12 years ago. We called them stations small because the station itself physically was still there, but

we had to reduce it down to the size where there were just about enough people to get a boat under way, enough people to raise the flag in the morning, but we were keeping these stations open on life support.

Not only have we recapitalized and repopulated those stations, we've bought new, very technically advanced boats. We bought about 500 of what we call Response Boats – Small, in the early years after September 11th, and we're in the process now of recapitalizing what we call Response Boat – Medium, which is a really capable small boat going to be used at most of our stations. We're going to buy a total of about 180 of those, and we're well on our way. We have, I think, about 85 purchased now and we're gearing up for full production on those at a rate of about 30 a year.

The other thing that we bought into our shore-based bases we call deployable specialized forces – maritime safety and security teams. They are basically seagoing SWAT teams. They can provide security for events.

And we got 13 of those teams immediately after September 11th. We had one decommission in a previous budget, and we have rearranged them a little bit and created what we call the maritime security response team or MSRT, which is a higher-level team which brought in one of the previous MSSTs and some other bodies. But they are additional forces, forces that are able to move around the country and provide enhanced security for events or other things that come up. So that layer of forces, I think, has done pretty well.

We have maritime patrol forces – is the next layer that's brought in, and that's our ships and our aircraft that patrol offshore. We've done pretty well in terms of the in-shore portions of that. We've built 69 87-foot patrol boats and we have 41 Island-class patrol boats that were built about 20 years ago, so we have a rather substantial patrol boat fleet right now of about 117 total. Once again, back probably about 20 years ago, we only had about 75 patrol boats.

One of the things about patrol boats is they're not as expensive as big ships. They're attractive. Once you start building them, it's something Congress likes to put money into, and generally we've gotten more patrol boats than we asked for in the beginning. We're likely to see the same thing with the replacement for the Island-class, our Fast Response Cutter.

It's a game changer for us. It's a 154-foot patrol boat, very substantial. The planned baseline for that is 58 boats to replace the 41 Island-class that we have right now. We had 49, but we had to decommission some of them. So in terms of patrol boats we're doing very well – the close in-shore stuff.

So that's the triad – our shore-based forces, our deployable specialized forces and our maritime patrol forces – and we can synchronize those forces in various ways to provide layered response to maritime security, and that's really the point that I want to make here. Through our very broad authorities that we have, our partnerships, what we do is we can actually press the entrances of our ports offshore.

We gain great benefit from working with the International Maritime Organization or IMO. The Coast Guard leads the delegation to IMO, and the International Ship and Port Security Code that was devised replicates the Maritime Transportation Security Act in this country. The United States was a driver with IMO to come up with security procedures worldwide for the ports in the aftermath of 9/11. We make sure that security is being done in the ports overseas by investing in something we called international port security liaisons or IPSLOs.

And it's a very low-cost way to press security overseas. If you want to trade with the United States, you have to meet the standards of the International Ship and Port Security Code – not only for your port facilities, but also for the ships that approach the United States. So we send out these IPSLOs overseas. It's a low-cost way to provide security. And we work with our partners, whether it's the countries or through the IMO, to help provide security for those things that are approaching the United States.

The last layer is in the ports. And as I said earlier, we've recapitalized our shore-based forces and our close in-shore forces, the patrol boats, over the last 10 years to the extent that I am very comfortable with what we have in our ports in terms of being able to provide security both for events and on a daily basis. But the thing that I would suggest is you don't want your security threats – you don't want to have to deal with them in the ports. Hamilton was exactly right. Pressing it out to the entrances of our ports, not inside our ports – and as I suggested earlier, the entrances are places overseas.

So if you're inspecting overseas and you have good resources in your ports, you want some sort of middle layer to be able to intercept any threats before they get into your ports. And unfortunately for us, that is the most expensive layer that we deal with, because in order to you that you have to have stout, capable ships that have high endurance, speed, seakeeping ability, and that entire layer of our security defense is obsolete at this point.

The Hamilton-class high endurance cutters – we have 12. They are on average about 43 years of age. They're obsolete; they're expensive to maintain; they're environmentally unsound. And oh, by the way, they are – they are terrible for our people to live and work in. You have '60s designs, and I would suggest that the people who volunteer to step forward today deserve a little bit better working conditions than what you find on those ships.

Our 210-foot medium endurance cutters are all about, on average, 45 years of age and becoming increasingly expensive to maintain and support as well. And we have our 270-foot medium endurance cutters, which are on average about 25 years of age right now. They're going to be our mainstay until we can get our new fleet developed.

Those 12 Hamilton-class high endurance cutters that I talked about are being replaced by eight National Security Cutters. The medium endurance cutters that I talked about – there's, depending on how you count them, about 28 of them – they're being replaced by 25 ships. So as we've built out – build out this new fleet, we will go from what we have – it's about 44 ships today – down to 25 and eight, if we get all eight. That's one of the challenges that we're facing right now as we try to fit within the top line of the budget.

I talked about the traction that we're gaining in talking about the Arctic and trying to get icebreakers built. Well, now is where we start getting into the challenge, because we are confronted with a no-growth budget. In fact, probably as we go forward over the next couple of years, it's going to be a decremental budget for us. And I said that we need about \$2.5 billion to recapitalize the Coast Guard and we're only getting about 1.4 billion as of the '12 budget, and I project that that will probably decline over the next couple of years.

There's only so much shipbuilding you can fit in there. When a ship costs about \$750 million to build, that's about half your acquisition budget in any given year. And I think there are plenty of people that are now talking about, perhaps we should truncate the National Security Cutter purchase, maybe transfer that money into building cheaper ships or maybe even transfer it into building icebreakers.

That's the problem. When you start mouthing off about the need for icebreakers a lot around town, all the sudden people start listening to you – (laughter) – and start making decisions about how you should spend your money. And rightfully so – it should be a discussion. This is the taxpayer's money, and I think the Coast Guard provides a great value proposition for our taxpayers in terms of providing a synchronized, layered security approach for our country.

But this country is confronted with some challenges in the budget and it's not going to get any better over the next couple of years. And what it will require is met and my senior leadership to make the case to the administration and the Congress on the need to recapitalize this very important middle layer that provides a variety of services that are very important to the maritime security of our country, and therefore its prosperity.

So there are the challenges. I believe that the Coast Guard represents a great value proposition for this country, as was mentioned earlier – a very small budget, but a lot of return on that investment. And it is instrumental to the maritime security of this country as we attempt to protect those who use the sea, to protect the nation against threats delivered by the sea, and to protect the sea itself.

So thank you for listening to me here this morning, and I'd be delighted to try and answer any questions that you might have. (Applause.)

Yes, ma'am?

Q: (Off mic.) I'm Nancy Werth (sp) –

MR. : Wait for the mic.

Q: Sorry.

MR. : It's headed your way.

MR. NELSON: Yeah, I mean – (inaudible) – please – yeah, state your name and your affiliation if you have one.

Q: Thank you. I'm Nancy Werth and I'm with the Naval Postgraduate School. I guess there are two issues that I want to bring up. One is the first one you talked about, which was your white paper on how things work. Thirty-five years ago I was the first female political appointee at the Navy. There was nobody around who could tell me how things work.

As best as I can tell, these papers still don't exist, and yet you have constant turnover of leadership, both political and Coast Guard in the Defense Department. It strikes me as that's something that all of the services ought to have done so when new people come in – I mean, I keep experiencing it year after year, when the new ones come in and they have no idea. I mean, the rule of thumb used to be it took six months to find the men's room.

The other thing – in listening to your story about what you need, I kept wanting to see it in a graph. I wanted to have it easily explainable so it becomes obvious to me as a citizen who can say, why are we not giving more money to the Coast Guard? And so the whole issue of storytelling becomes so important. And lots of it needs to be done in graphs because it's either dollars or it's process. How do we make that happen?

ADM. PAPP: You're absolutely right, and I think that's what I was trying to illustrate with my discussion about Deputy Secretary Lute. And I don't – I'm not trying to be funny about that. I mean, I'm telling you the truth on how the story developed, but she was actually trying to help us. And this whole white paper that we have is explaining to someone who is an Army officer and a political appointee how we do what we do.

For many years – we came up with all kinds of catch phrases – one of the things that's very simple is we're military, maritime, and multi-mission. Well, what does multi-mission mean? And if you're multi-mission, what's to say you can't do some of those missions or just stop doing some of those missions?

We, probably because of a feeling of self-righteousness or everything that we do is righteous, said, why don't you understand? We're the Coast Guard. We're the guys in the white hats. We do all kinds of good things for our country. Why can't you get it?

And this whole process, and as I told – as I told my flag officers and SES at one of our conferences – this has been very educational for us because we had to take the time to articulate and explain to people why it is – what we do, why we have these broad capabilities and authorities, and how it is integral to providing security for this country. And the white paper, I think, is a nice piece of work.

Q: (Off mic.) Is it online?

ADM. PAPP: Yes it is. Yes it is. And where was I going with that? It's the first time, in my knowledge, that we have something signed by a secretary that says this is what we want

our Coast Guard to do and provides some broad strategic guidance for us. So we're very proud of it.

The other thing was, particularly over the last dozen years or so, we added so much capabilities, like these maritime safety and security teams – we got them. How do you employ them? And left to our own devices in the Coast Guard, we are just – our greater strength and our greatest weakness is this can-do attitude. You know, problem? We'll take care of it. So we just continually add and we look to expand capabilities, sometimes overstress our people and overstress our equipment.

So what we've done over the last year – I mean, one of my four principles when I became commandant was steadying the service, and that's sort of a catch phrase. But what it meant is let's take a look at all those things that we have. How do we synchronize them in order to provide this layered security that we do?

And I don't think we ever talked about – this whole thing about layered security, the overseas forces that are least expensive, the in-shore, which is very attractive because everybody's got a Coast Guard station in their district; patrol boats are relatively inexpensive and we can build more than you really need – but it's that middle layer. How do you provide a persistent sovereign presence in the offshore waters? You can't do it with patrol boats. It takes ships, and ships are expensive.

The Navy is going to go through the same thing here. Ships are expensive. But my goodness, they also provide great jobs and prosperity for our people and their technical skills. I just don't get it – why we're not building more ships in this country. The amount of skill, craftsmanship that goes into building ships has – spreads out throughout our economy when you have all the subcontractors and everybody else that's involved.

Now, I don't have a lot of sympathy for our brothers and sisters in the Navy because oftentimes, their ships – they decommission them after about 25 years or so. That's a generality. But you know, we're pushing 45 years with our ships. They're way obsolete and are in need of replacement, and that's very, very tough.

Getting back to your thing about how do we educate – therein lies the challenge for the Coast Guard. We're in a relatively new department. And I made a mistake – I talked about the leadership as shallow. That was the wrong choice. It's a thin layer of leadership. Usually when I say the leadership is shallow, I get a little bit of a response out there. (Laughter.) But no, it's a thin layer of leadership, and highly populated by political appointees. So we're on our third secretary now in – what are we? Eight years as a department. And you go through the education process every time that changes over.

The Department of Defense has less of a problem because there is a rather large bureaucracy, and I don't use bureaucracy as a pejorative term. There's a reason for bureaucracy. It provides consistency, continuity across programs. We don't have that in the Department of Homeland Security so far. In fact, to a certain extent, we're sort of struggling with what the

services in the Department of Defense struggled with prior to Goldwater-Nichols. You know, how do you bring these agencies together?

And part of the challenge is some of the agencies were changed as they were brought in. Customs and Border Protection was re-racked. ICE was re-racked. The only two agencies that were brought into the Department of Homeland Security without touching them were the Coast Guard and the Secret Service. So the other components have been doing some growing, and the department itself has to grow together.

So learning about one of those components – you know, the secretary of homeland security has a pretty broad and expansive job, and adding that to the complication of trying to learn about this very strange organization called the United States Coast Guard that does all these things, like oil spills and other things. But even within our own service we have a hard time understanding, so we've spent some time over the last year developing – and this is going to be put out here within the next couple of weeks – it's Coast Guard hub 3.0, which is Coast Guard operations.

And it explains to our service and to external people how that triad of forces comes together with authorities, partnerships and capabilities to provide this layered approach to maritime security for our country. And it is enduring guidance that I think our service will use for years. We're also working on some of the sub-plans for this.

3.1 is going to be the employment of deployable specialized forces, and 3.2 is going to be short-notice maritime response, which is one of the things I think is lacking for us right now. If you have a noncompliant vessel approaching the United States that will not stop, how do you deal with it? It might be carrying a weapon of mass destruction, a nuclear device. We don't have a formalized plan right now, which probably people are saying – yeah, I heard it over there, whew. We don't, though.

And we've been struggling with it for about four years. We were working on how to come up with more resources to be able to do it instead of saying, OK, this is what we have. This is how we're going to employ it. Well, we're doing that now. We know we're not going to get any more resources, so how do we best use the resources we have to achieve that effect?

My goodness, I could – how about in the back there.

Q: Admiral – excuse me – I'm Rob Quartel, former U.S. federal maritime commissioner and now CEO of NTELX, which works with ONI on data issues. It's ludicrous that a ship – by the way, you did a great job of talking through all of what the Coast Guard does – but it is ludicrous that any ship, including a high-tech Coast Guard cutter, would cost \$750 million – utterly ludicrous.

We know that ships built overseas cost one-third or so what the cost of a commercial ship build in the United States. There have been numerous studies, some buried in DOD, talking about the quality issue. We know that U.S. ships are no better quality than foreign-built ships, including a study about 15 years ago at DOD that talked about military ship quality.

So part of the process is probably that we don't have a competitive market in ships, shipbuilding, which is – an aftereffect of the Jones Act. And the other is procurement. Our procurement processes seem to be broken despite years and years of trying to fix them. What would you do to fix the shipbuilding process, so you're not spending \$750 million?

ADM. PAPP.: I think we're going to find out to a small extent when we face this class of what we call the offshore patrol cutter, we're going to build 25 of those. And what I've been stressing is affordability, affordability. Now, we were – for years, we were going to make this another gold-plated ship in terms of capabilities. And I don't think we can afford it.

There are some people that have suggested that we just dust off the plans for the 270-foot medium endurance cutter and build some more of those or something similar to them. And I would say no. I love the 270. I was the captain of one. But it's got its limitations. And if we're only going to have eight national security cutters, you've got to build a ship that is substantial enough, has seakeeping capabilities, speed, endurance, that can operate from the Caribbean to the North Atlantic, and more importantly in the Bering Sea.

We're not going to be able to provide enough large ships – the high endurance cutter, national security cutter range – to be able to fulfill all our requirements across the Pacific and up in Alaska as well. So this offshore patrol cutter, as we're calling it, is going to have to be more substantial than the medium endurance cutters than we have right now.

And actually, I think to a certain extent, it's harder to cram all the equipment into a smaller ship than it is to build a larger hull and spread things out a little bit. And you gain, because of length to speed ratios and seakeeping capability with a longer hull, you actually gain some of the things you're looking for.

I've been approached by people, by companies that have told me: Yeah, we can build that for about \$250 million. Once again, maybe they don't understand the federal acquisition rules. I think the acquisition rules are confounding. In order for us – now, part of the problem that we face with what used to be called the Deepwater Program, as we started this system of cutters and aircraft, was that when we cut back during the 1990s, when we lost those 6,000 people, we attempted to keep up frontline operations. So what we did was we cut acquisition specialists, we cut budgeting and comptroller specialists, we cut all kinds of support positions because we needed to keep on doing what we were doing, keeping our frontline operations. So we gutted – we became a hollow service in terms of support.

And we started getting money after September 11th. All of a sudden our acquisition forces weren't substantial enough or skilled enough at the time in order to take on this influx of money that came in. And quite frankly, we made some mistakes which increased costs in the long run. But I think we've cured that.

But what amazes me is, in order to build up our acquisition forces and to comply with federal acquisition rules, do everything the right way, negotiate properly with contractors, we're up to close to a thousand people on our acquisition staff right now. Now, we have about 3,000

people within the Washington, D.C. area. Almost a third of those are acquisition people, just to deal with the challenges of the acquisition process. And I'm not an expert on it. All I know is that it's confounding; it's confusing; it's ponderous. And I have to believe that it increases the costs that we deal with.

I mean, I've seen it on a micro level. I live in government quarters. And there are times – you know, we get a little bit of a stipend to do repairs and other things for our quarters. I turned it over to my wife. If we have something that needs to be done, she calls contractors and says, oh yeah, this is Linda Papp. Can you come in and give me an estimate? And we get estimates, and then when they get – when she gets the lowest estimate, she says, OK. Do you take a government credit card? And they get a shocked look because they realize they've been had, because if they knew it was a government job, you can boost the prices up. In fact, there was one time where they tripled the price when they found out it was a government job, and we ended up not going with them. But if that's what happens even on small things, you can imagine what happens on large things.

The – going back to the offshore patrol cutter, we have a lot of interest in this ship. There are a lot of shipyards across the country that are looking for business. The Navy's going to be slowing down its shipbuilding program, I suspect. I'm hopeful that companies don't start deciding to close down, because we'll have even less competition. I think when you had all these large shipbuilding companies that were competing for projects in the '80s and '90s – you know, I wasn't at a stage in my career where I looked at what the prices were in those days, but I suspect it had to be more competitive. Right now, we're down to just a few yards left that can really take on the work. And I think there are some small start-ups that probably would like to take on the work, but you got all the challenges of working through all the regulations.

So I'm not sure I've got a great solution. What I have is, we have to operate within the requirements that we have. It's frustrating. It's expensive. And it is what it is. I know there are foreign companies, as I travel, that would love to get into the business of building ships for the United States. And there's no doubt they could do it cheaper, unless they had to deal with our federal acquisition rules as well, I guess.

MR. NELSON: We're around – a little over – we have time for one last quick question. No pontificating, please.

ADM. PAPP: How about right here?

Q: Good morning, sir. Thanks for your talk. My name is Doris McBride. I'm with the Department of State. My question has to do with resources. A lot of the things that the Coast Guard does appear to be the kinds of things it could be charged for, and many areas of government are kind of moving to a fee-for-service model. I'm wondering to what extent that currently applies to the Coast Guard, and whether or not that's something that the Coast Guard will be looking at more in the future? Thank you.

ADM. PAPP: You're welcome. You're talking more in the range. This comes up every couple of years for us – user fees, you know, whether it's harbor fees, other things. I guess you

could look at it sort of on the – you know, going back to Hamilton’s idea of tariffs. I think most companies in the maritime that we deal with would contend that, first of all, if you’re shipping into the United States, you’re paying tariffs, you’re paying money that goes to the government of the United States – probably not directly to the Coast Guard, but it goes to the government. And U.S. companies and others, they pay taxes. And they believe they’re paying taxes in sufficient quantities that pay for these services, so why should they be charged again?

And I’ve already saw them get involved. User fees is something that’s usually the administration – and both administrations, whether it’s Democrat or Republican have tried to do that from time to time. Congress never buys into it, because of the arguments and perhaps I guess the pressure they get from the maritime community, which once again believes it’s already paying its fees.

MR. NELSON: Well, great. Admiral Papp, sir, thank you very much for your time. We know your schedule is extremely busy. A round of applause, please.

(Applause.)

ADM. PAPP: Thank you.

MR. NELSON: We’re going to go ahead and reconvene the next panel, as the admiral makes his way out, for about a five minute break. Thank you.

(END)