



April 14, 2008

Mariner Licensing and Documentation Program Restructuring and Centralization Update

This report provides an update on the restructuring and centralization of the Coast Guard's Mariner Licensing and Documentation program. Included in this report is a status update on REC transitions, new initiatives to improve the program, along with performance information highlighting the credential processing activities at the National Maritime Center (NMC).

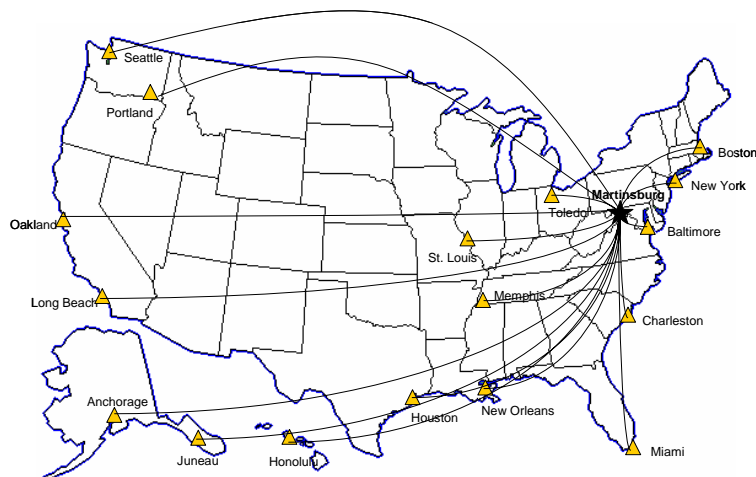
REC Transitions

As of April 1, 2008, the following Regional Examination Centers (RECs) have transitioned to centralized operations:

REC	Transition Date
New Orleans	May 2007
Anchorage	May 2007
Juneau	May 2007
Baltimore	Sep 2007
Toledo	Feb 2008
St. Louis	Feb 2008
Memphis	Mar 2008
LA/LB	Mar 2008
Seattle	April 2008
San Francisco	April 2008

We will continue transitioning the remaining RECs in May when New York and Portland, OR, will begin their transition. Charleston and Honolulu will follow in June, Miami in July, Houston in August, and finally Boston in September. With Boston's transition, all credential transactions will be conducted under the centralized system.

Under centralized operations, mariners will submit their credential applications to one of the 17 "storefront" RECs for an initial review. The staffs at the RECs will review the mariner's application to ensure it is "ready for evaluation". As mariner advocates, the REC staffs will also assist the mariner through the application process. Once ready, the REC staffs will forward the application to the NMC in West Virginia for processing. The RECs will also administer professional exams to mariners and conduct audits of approved training courses in their geographic areas.



Staff at the NMC

The diverse staff at the NMC includes a mix of Coast Guard military and civilian employees, along with contractor support staff. As of April 1, 2008, there were 158 people working at the NMC in West Virginia including: 13 military (including reservists), 47 civilian government employees and 98 contractors. In 2008, the size of the staff has been steadily increasing and by the end of 2008, there will be 232 people working at the NMC including: 14 military, 63 civilian government employees and 155 contractors. These employees will generate an estimated \$8.3 million dollar economic benefit to the region. Further, it is estimated the NMC will provide an additional \$23 million dollar economic benefit to the region from its annual operations.

Infrastructure

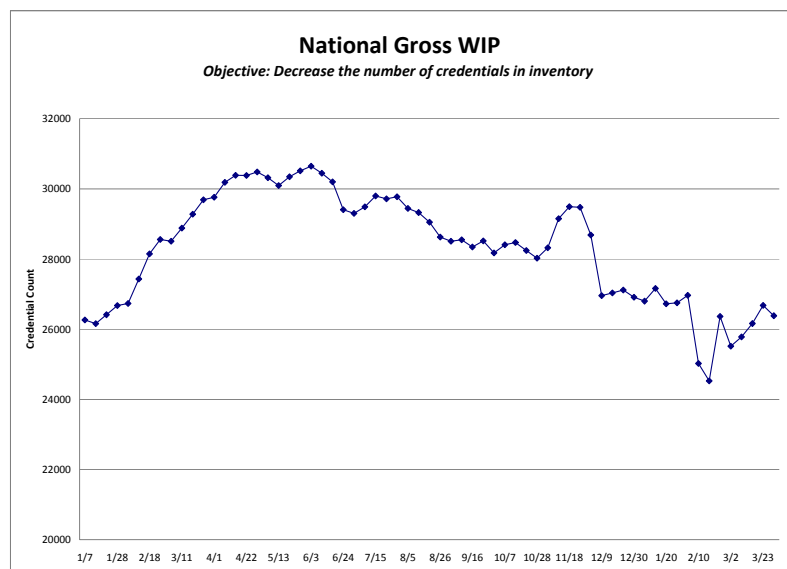
Since December 2006, the NMC staff occupied temporary office spaces in Kearneysville, WV. This included 18,600 square feet of leased space in the Burr Industrial Park. In October 2007, all of the personnel remaining in the NMC's previous facilities in Arlington, VA, relocated to the temporary Kearneysville facility and the Arlington operations were shut down. In December 2007, the NMC relocated 30% of its staff to the new permanent NMC facility in Martinsburg, WV. The remaining 70% of staff followed in January 2008. The new NMC facility consists of a 60,000 square foot "environmentally architected" facility specifically designed for NMC operations, which will be leased through GSA.

Credential Production

In an effort to reduce the time it takes to issue a mariner's credential, the National Maritime Center is closely monitoring the credential production processes to identify areas for improvement. Analysis shows that applications that are complete are being processed faster and credentials are being issued within 10 to 28 days. In an effort to further reduce processing time, several performance metrics are analyzed each month.

Figure #1 to the right (National Gross Work in Progress WIP) shows there are over 26,000 credentials being worked on nationwide. Approximately 45% of these credentials are either awaiting additional information from the mariner or waiting for the mariner to complete their examination at an REC. The remaining credentials reside in various states of production, including having just been received from the mariner, being evaluated or approved to print. In an effort to reduce our inventory of these credential applications, the NMC launched an aggressive campaign to complete all credentials over 120 days old by January 31, 2008. The campaign has already decreased the gross inventory by 14%.

Figure #2 on the next page (Average Gross Processing Time Since January 2008) shows the cycle time for credentials completed by transitioned operations since improved production operations were



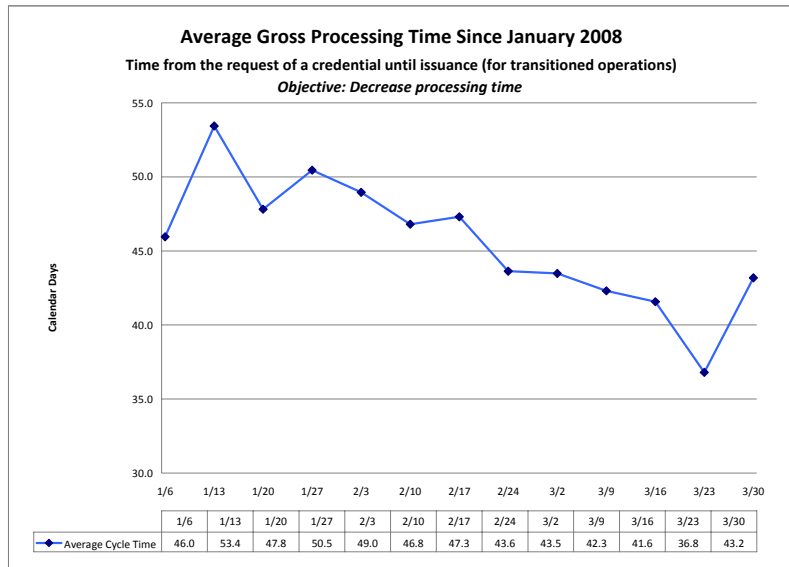
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launched in our new facility. This processing time includes both time accrued from actual processing time as well as time awaiting a response from the mariner. Mariners that submit a complete application and don't have any major medical or security issues are receiving their credentials within 10 to 28 days.

Customer Testimonials

The following are several testimonials received from individual mariners and industry representatives.

- December 11, 2007: *David C. Feaghy* - I have had a license for 32 years. This is the first time I have been treated so well. I have to say the New Orleans office was the worst I had experienced and always dreaded it. This time it was a joy. Very, very good. I could not be more pleased. Thank you very much.



- February 5, 2008: *Cornelia Beriones* - U.S.C.G. Baltimore, MD, initiated my renewal package and I was impressed on the change they have at the customer service window. Everybody had answered my questions and my application for renewal was completed in a short time. The electronic fingerprinting process also amazed me that it is already directly connected to the NMC in West Virginia. Baltimore's facilities and area are very clean and provided a comfortable place for applicants. Another thing that impressed me was the issuance of my MMD and COR. I was told that it will take 2 to 8 weeks and mine was issued within the time frame. Very impressive processing and very convenient and reliable website to check the status of applications, which I used to verify my application. I am a very satisfied mariner, so to speak, with regards to my MMD and COR renewal. I hope USCG Baltimore and NMC, West Virginia, will continue providing outstanding service.
- September 13, 2007: *Ken Wells, President, Offshore Marine Service Association* - I wanted to pass on to you how impressed we were with the changes at the NMC. The progress to date is wonderful and the plans for the future are very exciting. There is really no better way to put this than to repeat the comment I made yesterday that if you keep going at this rate, we will have run out of things to complain about.
- February, 1, 2008: *Tom Allegretti, President and Chief Executive Officer, The American Waterway Operators* - Our members in all regions have commented to me on how impressed they are with your approach to solving the problem and with the very common-sense solutions you are implementing. It gives them great confidence that we are finally on the path toward an enduring solution to the critical problem of issuing mariner credentials effectively and efficiently.

The Coast Guard is committed to making substantial improvements to the Mariner Licensing and Documentation program as we ask for your patience as we continue forward.

Sincerely,
David C. Stalfort
Captain, U.S. Coast Guard