

# **THE STATE OF THE UNITED STATES COAST GUARD**

***TWO-THOUSAND AND FIFTEEN***

**ADMIRAL PAUL F. ZUKUNFT**

**COMMANDANT:**

Let me begin my remarks today by addressing the potential lapse in the DHS appropriation that may occur later this week. If this were to occur, our workforce, our acquisition programs and our daily operations will be adversely impacted. Unquestionably, the challenges created by a shutdown are significant, but I am optimistic we will get through it.

To assuage any immediate concerns, everyone will receive a pay check for work performed through February 27.

Despite the budget uncertainty, today I want to focus on the state of our Coast Guard and the extraordinary men and women who are leading us into the 21<sup>st</sup> century.

One hundred years ago Ellsworth Bertholf was sworn in as the first commandant of the modern Coast Guard.

As most of you know, it was a service forged from the U.S. Life-Saving Service, Revenue Cutter Service and the Lighthouse Bureau. What many don't know is how close it came to being the "story that never happened."

In the years leading up to 1915, a government commission on "economy and efficiency" made a finding that the Coast Guard should be split apart – its platforms and authorities transferred to other departments to save \$1M on an annual basis.

However, it turned out that this effort to save money was actually going to cost the government 50 percent more to accomplish the Coast Guard's services elsewhere. The Commission concluded that without a Coast Guard the Departments of Treasury, Justice, the Interior, Agriculture, Commerce and Labor would have to acquire maritime capability, and the Navy would have to reposition ships for search and rescue operations.

It was neither efficient nor economic.

Commandant Bertholf proved 100 years ago that the Coast Guard is the most effective and efficient service to carry out inherently governmental operations across a wide array of missions.

He knew that his highly skilled team of professional mariners was indispensable to achieving national maritime objectives.

In my first state of the Coast Guard I am going to begin by talking about the extraordinary people serving our Nation today in the United States Coast Guard – the 88,000 active duty, reserve, civilian and auxiliary men and women serving on all seven continents; ensuring the safety, security and economic prosperity of our Nation’s waters and maritime interests.

I recently had the pleasure of meeting Petty Officer Rebecca Templeton at Joint Interagency Task Force -South. She is a tactical action officer responsible for monitoring a 42 million square mile area of ocean – an area greater than 10 times the size of the United States. She connects the dots between operational intelligence and tactical assets, and her efforts have led to 300 interdictions and 140 vessel seizures. At the same time, she’s almost completed her master’s degree in criminal justice.

Rebecca is a shining example of our 21<sup>st</sup> century workforce.

At Marine Safety Unit Texas City, I met Chief Warrant Officer Michael Trebilcock. Michael is a maritime casualty investigator. He’s widely known for his professionalism, analytic skill and expertise in investigating maritime mishaps, like the collision this fall between a towing and merchant vessel. His thorough investigation determined the underlying cause and identified best practices to prevent similar incidents.

I met our aviators at Helicopter Interdiction Tactical Squadron, better known as “HITRON.” Their 46 interdictions in 2014 set a new record. On a single deployment aboard Boutwell this summer, the HITRON crew of Lts. Zach Fuentes and Mike Owen and Petty Officers David Ruiz and Mark Trice made five interdictions, leading to the arrest of 10 narco-traffickers and the removal of nearly 5,000 pounds of pure cocaine.

Last fall, I met rescue swimmer Corey Fix at a Coast Guard Foundation event in the Bay Area. Petty Officer Fix was being honored for saving 13 lives in a single year. All of these were people in danger of being swept into the rocky cliffs of Northern California. He jumped from a perfectly good helicopter into a raging sea so that others may live. When asked to make a few remarks while being recognized at a Coast Guard Foundation dinner he said, “This is what I’m trained to do, and it happened to be my duty day.” Corey is the champion of the understatement, and he’s the epitome of humble service before self.

These are just a few of talented people serving our Nation as I speak, and it’s why the 88,000 people serving in the Coast Guard today are by far the best in our 225-year history.

It is because of our people that the state of our Coast Guard is strong. But, I am concerned. I’m concerned that aging platforms and crumbling infrastructure continue to hinder mission success.

This is not a case of neglect – the people who run our operations and mission support enterprises have demonstrated exceptional commitment and innovation to sustain a medium endurance cutter fleet that has served our Nation for more than half a century – while some of our shore

infrastructure is nearing the full century mark and are on the archives of historical landmarks. We are conducting 21<sup>st</sup> century operations from veritable museums.

It is a case of resources – regrettably, we have lost nearly 40 percent of our acquisition budget over the last four years. We have \$40 million a year to buy down \$1.4 billion in needed shore infrastructure repairs.

It is like paying only the “minimum due” on a credit card. The bill is growing at a faster rate than we’re paying. So, we’ll never get out of debt at this rate.

At the same time, there has never been a greater demand for the Coast Guard.

When is the last time we’ve encountered a new ocean? We are seeing it today in the Arctic.

When is the last time that much of Central America was on the cusp of instability? Unstable because of unchecked transnational organized crime fueled by drug demand in the U.S. and drug cartels whose greatest fiscal challenge is laundering bulk cash from ill gotten gains.

When is the last time the U.S. led the world in oil and gas production and transported much of it by sea?

What domain has ever affected industry or government like cyber?

Never in our history have four such growth areas converged on the Coast Guard at the same time.

Think of the aftermath of Exxon Valdez and the Oil Pollution Act of 1990 or 9/11 and the Maritime Transportation Security Act of 2002. Those seminal events reshaped the Coast Guard and we spent 10 years transforming.

Today we’re seeing significant increase in demand across all of our daily activities and it limits our ability to respond to major contingencies.

Indeed, we are facing a time like none other in our nearly 225 years of service.

Unfortunately, this isn’t the first time the Coast Guard has found itself at the confluence of increasing demand for services and a flat-lined – or worse – decremental budget. In the late 1990s, the Coast Guard faced significant budget pressure while demand remained steady. The resulting wear and tear became so dire in 1999 that one of my predecessors and mentors, Adm. James Loy, referred to Coast Guard readiness as a “dull knife.” In fact, the Coast Guard nearly broke under the strain. So, yes, we’ve embarked upon this course before.

Today, the knife is not yet dull, but we are cutting at a furious pace with no whetstone to sharpen the edge.

Last year, I sent four 210-foot cutters to costly emergency dry dock availabilities, and lost 20 percent of my planned cutter underway days due to unscheduled maintenance. The Coast Guard is, once again, under heavy strain.

Make no mistake; I will take decisive action to alleviate this strain.

We will not do more with less. Those days are over.

Rather, we will make tough decisions and tradeoffs. I am committed to ensuring that our budget priorities are driven by a Coast Guard strategy aligned with national priorities to ensure our people have the platforms they need to serve the Nation now and into the future.

Our extraordinary people deserve America's investment in a 21<sup>st</sup> century Coast Guard and I am going to discuss our strategy to: disrupt criminal networks in the Western Hemisphere; safeguard commerce; address cyber threats to our maritime industry; and meet the demands of increased human activity in the Arctic.

Let me start by talking about our strategy for the Western Hemisphere that I signed this past fall.

In October, Coast Guard Cutter Boutwell returned from a 90-day patrol in the Eastern Pacific with 28,000 pounds of pure cocaine and a street value of more than half a billion dollars. This was the result of 18 interdictions by U.S. forces.

Coincidentally, during the same three-month period over 68,000 unaccompanied children crossed our Southwest border.

What do these events have in common? Let me tell you.

Eight out of the 10 most violent nations in the world are in our own Western Hemisphere.

In fact, the murder rate in Honduras is higher today than it was in Iraq in 2007 at the height of the insurgency.

The unaccompanied minor crisis of last summer was a symptom of a more insidious problem. Many Central American nations are gripped by 40 percent unemployment, 50 percent poverty and widespread violence that forces parents to send their children away – alone – in the hands of a human trafficker and in a desperate race to survive.

Illegal trade in drugs, people and weapons is a \$750 billion global criminal enterprise. When I meet with Central American leaders, I hear the same refrain: organized crime is undermining governance and the rule of law. In many cases, their citizens have the misfortune of living along the drug corridor and are collateral damage to our Nation's 400-metric ton demand of cocaine.

Since 9/11, 450,000 Americans have died from drug use and drug violence. The impact of transnational organized crime on our homeland is profound.

Additionally, in response to ISIL, Ukraine, North Korea and events like the Ebola outbreak, our Department of Defense is rebalancing to answer alarms around the world. Our sister Armed Services have no room for miscalculation in one of the most complex geo-strategic environments in modern history.

For all of these reasons, I am laser focused on the Western Hemisphere and I am committed to combating transnational criminal organizations where they are most vulnerable, on my turf, at sea.

Defeating organized crime requires an offensive strategy – one that targets, attacks and disrupts criminal networks. We will do this through intelligence-based operations and persistent offshore presence.

When we identify a target and have a flight deck equipped cutter with airborne use of force and a highly trained boarding team, our chance of interdiction is nearly 100 percent.

We have actionable intelligence on approximately 90 percent of known maritime drug movements – thanks to people like Rebecca at JIATF-South; however, with too few surface and air assets to patrol the vast expanses of the transit zone, they can only attempt to target, detect and disrupt 20 percent of that known flow.

You can do the math – this is an issue of capacity.

To close this gap, we have four specific initiatives to combat criminal networks:

- (1) We have increased offshore presence to interdict drugs at sea. As a result of this increase, in the first two months of 2015 we have interdicted more cocaine in the Eastern Pacific than we did in the first three-quarters of 2014 and in all of 2013 when Coast Guard presence in the transit zone was drastically curtailed due to sequestration.
- (2) We will continue building upon 41 international counter-drug bilateral agreements and work with the Department of State and our international partners to grow partner nation capacity. It takes a network to defeat a network – we cannot do it alone.
- (3) We will fully support Sec. Johnson's vision for Unity of Effort and the DHS task forces to secure America's southern borders and approaches. Vice Adm. Dean Lee, commander of Joint Task Force East and our Atlantic Area commander – will reach full operational capability later this year.
- (4) We will invest in an affordable offshore patrol cutter to replace our aging medium endurance cutters.

Recapitalizing the medium endurance fleet with the offshore patrol cutter is my number one investment priority.

If you remember nothing else I say today, my investment strategy can be summarized in four words: (1) Affordable. (2) Offshore. (3) Patrol. (4) Cutter.

By the time we begin laying the keel for the first OPC, some of our legacy cutters will be over 55 years old. These ships are well beyond their intended lifespan and they are compromising the safety of our people.

The offshore patrol cutter will be the backbone of Coast Guard offshore presence and the manifestation of our at-sea authorities. It is essential to stopping smugglers at sea; for interdicting undocumented migrants; rescuing people; enforcing fisheries laws; responding to disasters; and protecting our ports.

The offshore patrol cutter is a key element of our Western Hemisphere Strategy.

I sincerely appreciate Sec. Johnson's stalwart support for this vital national asset, and I look forward to working with the department, the administration and the 114<sup>th</sup> Congress to bring the offshore patrol cutter to our fleet.

Shifting to my second area of emphasis; let me spend a moment on the Coast Guard's role in the American energy renaissance.

Recently, I visited a liquefied natural gas facility under construction in Louisiana. When it begins operating at full capacity it will produce more LNG than the world's shipping fleet can carry.

And, at a time when the expansion of the Panama Canal will accommodate such shipping to serve the Asia-Pacific market and recalibrate our foreign trade balance. Think about that.

Today, the United States is already the world's largest producer of natural gas and crude oil. Industry is predicting that domestic energy production will exceed consumption by 2020. It's a trend expected to continue for at least 20 years. This is significant to me, because much of that oil and gas moves on our Nation's maritime transportation system.

This is a maritime transportation system that already contributes \$650 billion annually to the Nation's gross domestic product and sustains more than 13 million jobs. Yes, the safety and security of our waterways are foundational to U.S. economic prosperity.

The "American energy renaissance" is far more than the minute to minute price of oil. For the Coast Guard it is about how we manage, safeguard and regulate maritime activity while facilitating commerce – and ultimately – our economic security.

Today, we're seeing a re-birth in the U.S. flag fleet. Fifteen LNG ships are on order to U.S. companies and they will fly the flag of the United States.

In 2013, a new tank barge was launched every day – a 29 percent increase over 2012.

And, we're seeing a ten-fold increase in oil and natural gas transits on the Mississippi River compared to just four years ago.

The Coast Guard will continue to monitor these trends closely because we inspect, certify, regulate and safeguard those U. S. flagged ships and their crews.

We mark waterways with aids to navigation, we protect the environment and we keep the channels free of ice.

As a maritime regulator, it is imperative we engage and keep pace with industry. The Coast Guard will facilitate commerce – we will not impede it.

We also have a statutory role to ensure the maritime transportation system is secure and resilient. This includes working with industry to protect maritime operators and facilities from cyber-related threats.

To meet this increasing demand on the maritime transportation system, I am taking the following steps:

- (1) I have directed the Vice Commandant to undertake a service-wide effort to revitalize our marine safety enterprise with particular focus on marine inspection and our regulatory framework.
- (2) We will increase the proficiency of our marine safety workforce, and we will continue to train new marine inspectors – adding to the more than 500 that have entered our workforce since 2008.
- (3) I am directing investments in innovative technology to improve waterways management and the aids-to-navigation system.
- (4) In coordination with the Department of Homeland Security, I will soon sign a Coast Guard Cyber Strategy. It will articulate the Coast Guard's plan for protecting critical maritime infrastructure.

Shifting to the far north and far south, the Coast Guard has been present in the Polar Regions since the days of “Hell Roaring” Capt. Mike Healy and the Revenue Cutter Bear.

The recently reactivated and 39-year-old Coast Guard Cutter Polar Star just completed Operation Deep Freeze in Antarctica, breaking the sole channel to allow the resupply of the U.S. base of operations in McMurdo Sound. That vital mission has enabled the United States to conduct scientific research and to uphold the Antarctic treaty – a strategic necessity for our Nation.

Polar Star is the only heavy icebreaker in the United States fleet capable of conducting this mission and providing global access to ice-covered Polar Regions.

In fact, the necessity of global access played out just last week for 26 stranded crewmembers on the New Zealand fishing vessel Antarctic Chieftain. Polar Star steamed 900 miles and broke through 150 miles of ice to save the fishing vessel and her entire crew.

Ponder that for a moment – what a truly spectacular rescue.

What concerns me; however, is that United States has no self rescue capability whatsoever should Polar Star suffer a catastrophic casualty and become beset in ice.

There is no one to rescue the rescuer, and that concerns me.

In the Arctic, I am keenly following the significant spike in human activity attributed to climate change. Last summer we had to divert Coast Guard Cutter Healy – the United States’ only medium icebreaker – to rescue a 36-foot sailing vessel trapped in ice 40 miles north of Barrow, Alaska. Yes, human activity is taking to the Arctic Ocean in ways unthinkable just a few years ago. Indeed, a 1,000 passenger cruise ship is planning an Arctic voyage in the summer of 2016.

Beyond exploration and eco-tourism, there is interest in natural resources that are becoming more exploitable by changing ice patterns. It is predicted that 30 percent of the world’s undiscovered gas, 13 percent of the world’s undiscovered oil and \$1 trillion in minerals, are beneath the Arctic seafloor. Two weeks ago, Shell Oil announced its intent to drill later this year.

Consider this; while the United States has two oceangoing icebreakers, the Russians have a fleet of 27. That’s 27 ice breakers in a nation with one-eighth of our gross domestic product. Clearly the Arctic is a priority for Russia.

Unimpeded access and sustained presence while operating in the Arctic are vital to meet the United States Arctic Strategy. There is a new ocean opening and Coast Guard authorities mandate our presence wherever U.S. national interests require people and ships to operate.

This is not a Coast Guard unique challenge. It is a global access challenge that requires a national solution.

The funding to recapitalize our icebreakers must be in addition to our overall acquisition budget while preserving our acquisition program of record to the offshore patrol cutter and our fleet of fast response cutters. The safety and security of U.S. maritime interests depend on it.

Again, I look forward to working with the administration and Congress to find a solution across government to meet national objectives in the Polar Regions; therefore the Coast Guard will do the following:

- (1) Continue to advocate for national icebreaking capability to ensure access to polar regions.
- (2) Continue to support and advocate for United States accession to the Law of the Sea Convention.
- (3) I will invest in partnerships to include all Arctic nations to ensure effective governance, and to support chairmanship of the Arctic Council. In March, we will host our Arctic Nation partners, including Russia, for the next round of discussions to establish a Coast Guard Arctic Forum.

I especially want to congratulate our former commandant, Adm. Bob Papp, in his new role as special representative for the Arctic, and I look forward to working with him in support of his efforts over the next two years.

I began this address by talking about our people, and I want to close today by talking about our Duty to People.

Coast Guard operations today are intelligence-based, high-tech and fast moving.

Marine safety inspectors, cyber professionals, intelligence analysts, financial managers, product line engineers and the high-tech operators we need to maximize the advantages of our newest platforms require specialized expertise.

So we must invest in a 21<sup>st</sup> century workforce.

What is a 21<sup>st</sup> century workforce? It's one that is comprised of diverse ideas, perspectives, talents and cultures. It reflects the population that we serve and draws upon the best talent wherever it may be. It's comprised of well-trained, proficient leaders who serve the Coast Guard and the communities in which we live.

Yes, it's an all-star team.

Our greatest allies in this important effort are the many affinity groups already working to bring and retain talented people to our team. I look forward to continuing my relationship with the National Naval Officers Association, the Association of Naval Service Officers and the Sea Service Leadership Association who are at the forefront of diversity leadership.

To invest in a 21<sup>st</sup> century workforce the Coast Guard will do the following:

- (1) Complete a human capital plan that will provide guiding principles to enable our human resource directorate to build an adaptive, specialized and diverse 21<sup>st</sup> century workforce.
- (2) We will revise and refresh our diversity and inclusion strategic plan.
- (3) We will review our civilian career management process to eliminate barriers and improve upward mobility.
- (4) We will build proficiency by continuing to specialize within our officer and enlisted communities and extend tour lengths where it makes sense.

The Coast Guard's 21<sup>st</sup> century workforce requires a human resource system that attracts, includes and retains diverse people who can lead and operate in an uncertain and complex environment against sophisticated adversaries and, with this all-star team, we will win.

While the thought of an icebreaker beset in ice concerns me, the issue that causes me greatest concern and unrest as Commandant is sexual assault in the Coast Guard.

When I interviewed with Sec. Johnson, and later with the President as part of the selection process for Commandant, I was asked to articulate my top priorities. I have stated from the start that the Coast Guard must inspire public trust. That begins with eliminating the scourge of sexual assault from our ranks.

All 88,000 Coast Guard men and women must stand together with me and collectively say “not in my Coast Guard.”

Regrettably, in 2014, 254 Coast Guard members reported a sexual assault. These are 254 members of our force, our all-star team and our family. Many of those reports involved a fellow Coast Guard member.

Make no mistake: the crime of sexual assault is abhorrent to our core values of honor, respect and devotion to duty.

I commend the 254 members who reported those crimes – who had the courage to stand tall and push back -who said “Not in my Coast Guard.”

If you have been sexually assaulted you can be assured that you will be treated with utmost respect and you will be offered the help you need.

Our core values demand it. The law directs it.

We will rid our service of sexual assault by:

- (1) Reinforcing a culture of respect that is inhospitable to sexual assault, and the behaviors that enable it – such as hazing, harassment and other predatory conduct.
- (2) We will update our plan of actions and milestones based on a year-long analysis of our organizational culture and the detailed results of the RAND Military Workplace Survey data.
- (3) We will continue to encourage and support sexual assault reporting and provide timely, coordinated resources to victims.

And, most importantly, together we will all say “Not in my Coast Guard.”

Finally, for nearly 225 years, Coast Guard men and women – our extraordinary people – have been the model for efficient, affordable and accountable government. It is how we earn public trust.

It is our people who were the first among all military branches to achieve a clean, unqualified, financial audit opinion. They’ve done it for two years in a row.

It is our people, like those in our directorate of operational logistics, the 5th Coast Guard District, Base Portsmouth and Sector Hampton Roads who are conducting a field-level evaluation of our core business practices that will provide us an even better return on investment.

It is our people who are tackling these emerging 21<sup>st</sup> century challenges, while continuing to perform our day-to-day missions as we have for nearly 225 years.

It is our people who are operating 40, 50 and even 60-year-old ships. These platforms – designed with 1960s technology – are underway today piecing together intelligence, acting on tactical data and launching our helicopter interdiction squadrons from ships designed to conduct coastal search and rescue.

Trust me – narco-traffickers do not want to be found!

It is our people who have won five federal acquisition awards in 2014 – a remarkable achievement that indicates the strength of our acquisition workforce!

It is our people who are applying strategy to budget to best inform our congressional oversight and partners of our plans to best use limited resources.

Investing in 21<sup>st</sup> century Coast Guard platforms and people is a smart choice. No one will return more operational value on every dollar than the 88,000 men and women of the United States Coast Guard – just as Commodore Bertholf proved 100 years ago.

I have been blessed to lead a forward leaning, bias for action, service before self and proficient workforce – active, reserve, civilian and auxiliary. Yet I do so at a time when our current budget – if enacted, takes the Coast Guard below our post-sequestration level of 2013.

It is a path back to the dull knife that is already apparent in the gradual decay of our legacy assets – despite the heroic efforts of our mission support professionals to squeeze every milligram of operational effectiveness out of a capital plant serving well beyond its lifetime.

With strategy-driven budget; a global array of unique maritime authorities; and a gold-standard acquisition program, we have the navigation tools at-hand to chart an investment strategy for the 21<sup>st</sup> century Coast Guard. And I am confident that the next generation of Coast Guard men and women as well as the Commandant 100 years from now will look back upon today's strategic focus and say – always ready, because our predecessors got it right in 2015!

God bless the Coast Guard men and women standing the watch on all seven continents, and God bless the United States of America.

Thank you and Semper Paratus.