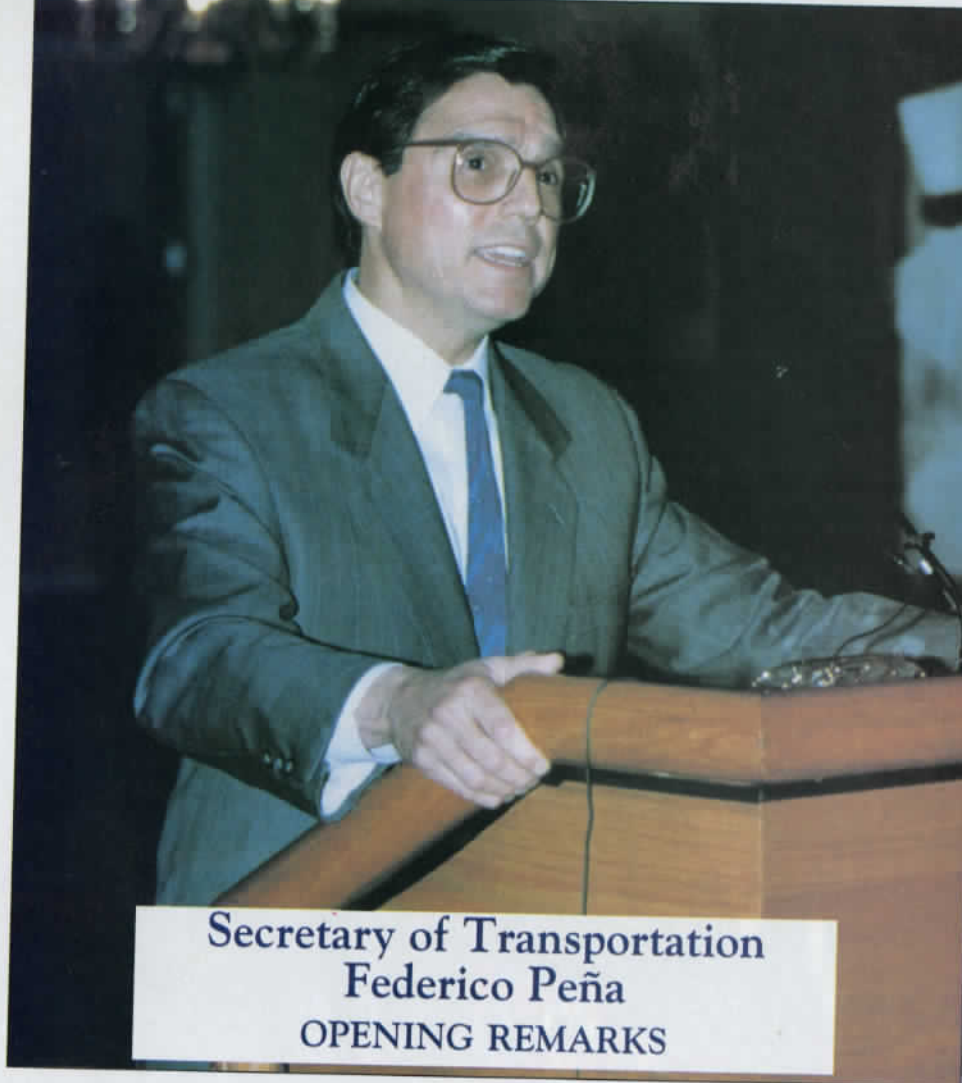




**Secretary of Transportation
Federico Peña
OPENING REMARKS**

"Thank you very much and good afternoon everybody. Maybe I should give this speech here; there's a very big book here on the podium.

I am told that every year for the last three years we have had this weather. That's a good sign. It is a good sign because every year when we've had the commandant come and present his State of the Coast Guard address and we've had this weather, the next year was a great year!

So this is a good omen for the months to come. I wanted to be here today, very briefly, to make two points. Number one, to say to each and every one of you what a delight it has been to work with you in a partnership as we have since I took office a little over a year ago. I must confess that when I came to this position, other than perhaps some long lasting memories of a small child when I was being raised in Brownsville, Texas, and the Coast Guard had a presence there, I didn't know a lot about the complexity of

your missions and certainly was not aware of the incredible work that you do day in and day out.

I am much wiser today, and want to say to each and every one of you what a great job you are doing for the country. And I want you to know that the president is very much aware of your work because I talk to him about so much of what you do.

He follows my activities whenever I'm working with you, and he is extremely pleased with the dedication and professionalism that each and every one of you and the thousands of people in the Coast Guard demonstrate every day. So I particularly want to first say to all of you, thank you for that, and I will certainly continue to work with you in the next several years.

But, more importantly, I am here to introduce the commandant. And, I'm not going to give you the traditional introduction where I pick up his bio and talk about what he did when he was in the fifth grade, although that might be interesting to learn. I'm really here to

be very personal about this and say that, ADM Kime, I met you before I officially took office.

It was in your building and I had not yet been sworn in, had not yet come on board, and yet you were thoughtful enough to bring me in so that you could brief me on the Haitian-interdiction issue, which was very much in the forefront in January of last year. And, right from the start, I knew that we were going to have a very good relationship.

Since then it has been addressing things like oil spills in Puerto Rico, the floods in the Midwest, even the earthquake in Los Angeles, issues that affect the country day in and day out, and admiral, I just want you to know, on a personal note, what a delight it has been to work with you.

You are a superb leader. The Coast Guard, like any organization, often-times measures its success, clearly on the qualities of the men and women in the organization, but also on its leadership. And I strongly believe that anyone who has followed the career of this gentleman, particularly in the last four years, will say that he has been an outstanding commandant for the United States Coast Guard.

So, Mr. Commandant, let me say to you that you've got some more months to go, you're not out yet, I was joking with him earlier that he still has time for another major oil spill, he said 'don't even mention that!'

Let me just say again to all of you, the men and women of the Coast Guard, how fortunate we have been, we as a nation, to have the commandant be our leader, and here he is today giving his fourth State of the Coast Guard address.

Admiral, I will not be able to stay here and hear the address, and I have a sense of what you are going to say because you and I have spoken a number of times. But on behalf of the president, and everybody in the Department of Transportation, we want to congratulate you and thank you for the outstanding job you have done and for the outstanding career you have had in the Coast Guard.

So without any further ado let me introduce to you the Commandant of the United States Coast Guard, ADM J. William Kime."

Editor's note: ADM Kime delivered this address at the Bolling Air Force Base Officer's Club in Washington.



ADM KIME

"Thank you Mr. Secretary, and before you go let me just say that it's a great honor to have you make those remarks. This is my fourth time giving the State of the Coast Guard address and I've been out in the audience many, many times to hear it, and this is the first time that this old sailor can remember the secretary of transportation being there. If they ever have been there before it's been an awful long time ago and very few and far between since then, so all of our people appreciate the honor that you have bestowed on them by being here, and the kind words you've said about our very great organization and I appreciate that very much, and I thank you.

I want to welcome all of you, and give a special thanks to RADM John Shkor and the Washington Officers Association for providing me with this forum this afternoon, but I'm also glad to see so many enlisted people, civilians, auxiliaries, retirees and others here today, because this really is the State of the Coast Guard message, it is for everyone, it's being taped, and will be printed in the *Commandant's Bulletin* again.

Now before I begin, I want to talk a little bit about science and relativity. Everything in this world is relative, so I want you to grasp that word "relative" before you listen to what I'm going to say next. I'm going to tell you that each year my speech has gotten shorter and shorter. When I walked in here this morning my two immediate bosses, Secretary Peña, and Val (Kime), wanted to know how long I was going to talk. One, who is very wise, has left. But let me tell you that I am going to

try to be a bit shorter than in the past, but there is no lack of good things and important things to say.

Leading up to this address, I asked the staff to talk to the offices and staffs in the building to see what are the key issues you would like to have me address. This is the book I got. It's single-spaced, it's on both sides in some cases. We're not going to cover all of those things, but I just wanted you to know all of the good things that are going on.

I want to take this opportunity today to do two things. First, I want to thank you, and all your people. You are the heart and the soul of all the accomplishments of the Coast Guard in the last four years. You've made "People, Balance, and Excellence" work. I'm going to get to some of those accomplishments in just a minute. The second point I want to make is to discuss the challenges facing the Coast Guard in the future. For now, let me just say, things are a changin'.

I want to welcome our friends from the Office of the Secretary of Transportation who've been introduced already, Mort (Downey), you and all of them, we appreciate very much, Ann (Bormolini), you all being here with us. Our friends, the congressional staffers, for being here and joining us, we appreciate this very much, and it gives me an opportunity to once again thank you all for your cooperation, the help you've been to us, we couldn't achieve the things that we do without your help, your guidance, your counsel, and your support.

And specifically, I'm talking, this year, about the FY95 Coast Guard Budget and the FY95 Authorization Act. I've been very pleased with the relationship with the department and OMB (Office of Management and Budget) in putting this together, and we look forward to working with the hill on this as we begin next week the first of a series of four hearings. I mentioned to some staffers as we walked in, since so many are here, this probably will take the place of the hearings. No, no, no it's not!

Let me mention one more group that's here. I want to give a special welcome to Richard Stent and Ed Burke, the president and secretary respectively, of the Coast Guard Combat Veterans Association. Rich came here, all the way from Columbus, Ohio; Rich, welcome. They're going to be heading a Coast Guard contingent to Poole,

England, where the 83-footers operated in World War II, and also to Normandy where the Coast Guard played such an important role. I wish I could join you, but unfortunately VADM Bob Kramek's a spoil-sport and he's going to go himself, and won't let me go. And he still doesn't look guilty over there.

Let me begin by talking about our accomplishments. I think we've indeed become a premier maritime humanitarian and safety organization. Our embrace of continuous improvement has paid off. It's become our way of doing business. Many individual efforts have been combined to make the Coast Guard the outstanding organization that it is today. I continue to be impressed by our achievements and by our image among other federal agencies and industry. We're in the vanguard on Total Quality Management, on strategic planning, on reengineering, and on acquisition. We're in the passing lane in work-life, and diversity. We've got a reputation as an honest broker in all the missions that we do. And as I said before, please realize that what I'm trying to say is thanks to all of you for all of the individual efforts that have been involved in this.

We're an operating agency, so let me turn to operations now. I think we've managed some great strides in the last 3 3/4 years. Not just individual responses, but our infrastructure. We've shown that we've got the versatility and the balance to fight a war, and we're still doing our job in the north Red Sea and the Adriatic. To respond to devastating natural disasters, to protect our America and our marine environment from a variety of threats, to make great strides in maritime safety, and to keep our men and women motivated, and proud to be members of the Coast Guard team. We've set the stage for the evolution in Coast Guard law enforcement. I hope we've weathered the change in the national drug-control policy, as we shift to increased emphasis on the demand side but maintaining a significant effort on the supply side, looking in that area also on more in-country activity. I was distressed by the \$9 million cut that was taken preemptorily by the Congress in the FY94 budget for our drug-interdiction effort. Some of the members now are expressing concerns about that and even using that hated word "supplemental," to restore it. We hope that we have reached the bottom in the cuts



of resources in this area because this is very very vital in the president's policy on drug control in this country. And I want to emphasize that because I have recently been given a new position, by the president, and by Dr. Lee Brown who is the head of the Office of National Drug Control Policy. I've been designated the U.S. Interdiction Coordinator. This does not give any new responsibilities or powers to the Coast Guard. What it does is it gives me another job to act as a coordinator in implementing the soon-to-be-published International Drug Control Policy and Presidential Decision Directive 14 that talk about some of the specifics. My tasks are going to be to ensure ade-

quate resources, to integrate the location and scheduling of these resources, to provide for their optimal utilization, and to work the budget process where resources are not adequate, and to do this in concert with the Interagency Working Group that is chaired by Ambassador Bob Gelbard, who is the assistant secretary of state for international narcotics matters. We'll be working together on this very closely in a strategic way. I'll have the responsibility of dealing with all of the departments and agencies involved in the drug-interdiction effort, and the ambassadors in the source countries. Ambassador Gelbard, and VADM Kramek and I hope to be making a swing through Central

and South America in the next few weeks. This is a position that goes with the job of commandant, and I fully expect that VADM Kramek will also be taking over this task from me when we have our change of command on the first of June.

In another area of law enforcement, we have been honing our expertise in fisheries. I've talked about that in some detail in past State of the Coast Guard addresses. Let me just say it's a real success story. A cooperative effort between the Coast Guard, National Marine Fisheries Services, the states, the fishing industry, and we expect this to continue. We've also responded to the most volatile of migrant-interdiction situations, from the Caribbean and elsewhere involving Cubans, Chinese, Haitians, people from the Dominican Republic, and we've done this in a humanitarian, compassionate, noble and very able manner.

We've taken decisive action, also, to enhance maritime safety. Our Commercial Fishing Vessel Safety Program has made great strides in protecting the lives of fishermen and the vessels they sail, but there is still work to be done. People are still losing their lives needlessly. We hope that the Congress this year will act on the legislation that we're putting forward to give the Coast Guard the authority to inspect fishing vessels and to license their operators.

We recognize the sensitivity of this industry; the economic straits they are in. We believe it can be had both ways, that by working progressively together, my staff, and the staffs of the committee, that we can come up with a regime that will enable us to save lives and not do harm to either the individual livelihood of fishermen or to the fishing industry itself. We've made some significant strides in enhancing the fire safety of passenger vessels where U.S. citizens provide about 85 percent of the passengers. We've done this through a very great effort with the International Maritime Organization. We've also recently published new supplemental rules to regulate the safety of small passenger vessels, over 5,000 in this country. And I have to salute the Congress for the effort they put forward in the passage of

the Passenger Vessel Safety Act which redefines the definition of "passengers," puts some sense into the charter vessel and small passenger vessel industry and also enhances safety.

But you know you can't discuss safety achievements without talking about the Coast Guard Auxiliary. At their annual conference this year I presented the Unit Commendation to all the members of the Coast Guard Auxiliary. It was, let me tell you, very well deserved. In a study that we did, the services provided to the Coast Guard, by the auxiliary, would cost us \$42 million if they were done by Coast Guard personnel. That's aside from last year, the 488 lives they saved, the 25,000 other people they assisted, and the saving and assisting of over \$225 million in property. But you know what they do is not just boating, it's much broader in scope, specifically the new initiatives they are taking in the areas of aids to navigation and environmental protection. So members of the auxiliary, we are very pleased to have you as part of the Coast Guard team, and we look forward for continued good things from you all in the future. We're going to need you more than ever.

This has also been a winter for ice. Our domestic ice fleet has met, is meeting, and will continue to meet the challenge to keep the waterways from Connecticut down through southern

Maryland open for industry, and up on the Great Lakes. Also proud that we've turned around customer attitudes in our area of polar ice operations. The CGCs *Polar Sea* and *Polar Star* are now the vessels of choice of the world's scientific community, when either going north, or going south.

We're addressing improvements in the wake of the Amtrak disaster, looking at our requirements for the licensing of uninspected towing-vessel operators, looking at the requirements for carriage of navigational equipment, requirements for reporting incidents, and the penalties resulting from the lack of reporting. We're also doing a survey of bridge conditions, specifically lighting and fendering. We're very pleased that RADM Gene Henn and the secretary were able to testify last week before Chairman Billy Tauzin on this issue. We heartily endorse his initiative to introduce legislation, and we look forward to working with him in the early passage of this legislation and the early promulgation of regulations, and as the secretary said, before the first anniversary of this very tragic incident.

We're looking ahead to improved navigation systems, Differential Global Positioning and ECDIS — Electronic Chart, Display and Information Systems. We want to make our ports safer, and we're doing that through the upgrading and expansion of our

vessel traffic services. I've been to New York three times to look at the new Vessel Traffic Center within the last two months up there. I'm impressed with what we're doing. We're not quite there yet, but once we're complete, this is going to be the finest vessel traffic system in the world. We're putting forward a new generation of maritime information systems, with the Maritime Safety Network, and a new initiative that we began at IMO last October. There is a great deal of talk about substandard ships around the world causing a tremendous number of incidents, whether it be loss of life, loss of vessel, or damage to the environment. And why aren't these substandard vessels getting off the ocean? It's because flag states are not doing the job they should do. Port states, like the United States, are being called in to do this, but it's difficult to track these vessels. I put forward an initiative, at IMO in October, to develop an international database of all vessels that ply the oceans of the world, giving their inspection histories, the incidents they have had, the violations they've been cited for. This is moving, but it is moving extremely slowly. To give the international community, the IMO, a bit of an incentive, we have put together the PSIX system — Port Safety Information Exchange. You dial (202) 267-4333, anywhere in the world, and if



you've got a Lloyd's number or an IMO number for a vessel, and it's registered in the United States, or has ever visited the United States, at no cost, you can get its inspection history in the United States. We're expanding that. We don't, certainly, want to do something unilaterally, but we think it's important that we move forward to let the international community know the importance of what we're doing. And, this is a very cost-effective thing. We're talking about a very few thousands of dollars to be able to do this.

We're involved in new technologies in search and rescue, enhanced computer search planning for our CASP (computer-aided search planning) system and the development of retrieval systems for multiple people in the water, inflatable floating staircases to get people who are overcome by hypothermia out of the water and into vessels.

In the area of environmental protection, we issued an environmental poli-

cy statement just recently, and it clearly sets out our leadership role in this area, and we will be issuing an implementation plan very shortly. I think it's a good example of a real Coast Guard team effort with cooperation between our environmental protection people and our intelligence and security people in the Office of Operations. We've seen a dramatic increase in the environmental-crime cases that we are able to prosecute. The Coast Guard organized an environmental summit last July and in attendance was the leadership of the various environmental agencies, the non-government organizations such as Greenpeace, the Sierra Club, the Oceanic Society, from around the country. We're going to follow that up with another one next month. The secretary has indicated his interest in participating. We're inviting the other government agencies and the organizations to also participate at that time.

We're also moving out very smartly in the implementation of the Oil Pollution Act of 1990. Twelve of 19 pre-position sites have had their equipment installed, and I think the presence of that equipment in the recent oil spill in Puerto Rico made a significant difference. Seventeen of the 39 required final rules are in place. And, 24 additional notices of proposed rulemaking, or advance notices, are also on the street. We've completed seven studies and other efforts are underway. I'm very pleased that now we have, and have preliminarily approved, and will give final approval, to over 6,000 response plans for ships visiting this country, by the first of January. The required area-response plans, put together by teams led by the Coast Guard, are now in place and have been approved. And this week I will be signing an instruction that implements a Spills Of National Significance organization. We all learned as a result of the *Exxon*

Valdez, that in the first critical days of a major spill like that, the normal organization that is in place can be overcome, and we can't take care of it. The Spills Of National Significance organization will have a Coast Guard three-star admiral in charge, a predetermined staff of Coast Guard, state, and other federal agencies in place to respond to a spill. Hopefully we won't see the confusion that existed at the time of the *Exxon Valdez*.

We've also carved our niche out in national security. There I think jointness is the keystone. We've worked very, very closely with our friends over in Department of Defense, at all levels. I've been accepted as one of the service chiefs over there. I attend all the CinC's conferences, all the meetings in the tank that impact the Coast Guard. Very recently a CinC's conference was held and all the service chiefs and the CinCs were invited into town where we met with Secretary (William) Perry,

Deputy Secretary (John) Deutch, and talked about the national-security situation as it impacts all the armed forces including the Coast Guard. At 10 a.m. that day we got on a bus, went to the White House, and spent about an hour and 15 minutes with the president of the United States, the vice president, the secretary of state, National Security Advisor to the President Tony Lake, and his deputy, Mr. (Sandy) Berger. And there we discussed international situations that impact the military of this country, and also the role that the U.S. Coast Guard would be playing. Our NAVGARD Board has been working, The Navy-Coast Guard Board, on carving out a niche for the Coast Guard in the defense of this country as the threat changes. We now have a leadership role in the Maritime Interdiction Operations, and we're proving that by being in charge of the effort in the north Red Sea. We have concurrence to have deployed foreign-port control/port-safety units, and the lead in environmental defense operations, and the NAVGARD board is currently meeting with RADM Dick Appelbaum as our member, working on additional ini-

tiatives for the Coast Guard.

I think this is a good time to say some words of praise for the dedicated members of the Coast Guard Reserve. I know that the cuts that you have had to take in the face of a changing world situation, a changing threat, have been very difficult. I think now that we are on the right track to fix that program, and we are going to be working very hard both in-house and with the DOD to try to do something about it.

Internationally, we've developed a strategic international plan. We're

promoting international cooperation for the benefit of the world maritime community, and our own citizens following the policy of the president to project to the new developing countries, the institutions and the values that we have in this country. We're changing the complexion of FESEC, our Far Eastern Section, and Activities Europe in London now that Ioran is being phased out, and is no longer needed by DOD. We're picking up the slack there with efforts in maritime safety and also international affairs.





slack there with efforts in maritime safety and also international affairs. This year we expect to host over 200 students from 56 countries in the United States for training. That's in addition to the 21 international cadets at the Coast Guard Academy (in New London, Conn.) including the first Russian cadet to attend a U.S. military academy. At the same time our training teams have gone to all corners of the world. The vice commandant recently returned from China, where he went with Ambassador Gelbard to discuss the problems with illegal Chinese migrants coming to this country. As a result of that very successful meeting we will be sending a senior level Coast Guard delegation to China sometime this spring. As the U.S. interdiction coordinator, I've been asked to visit South America shortly, as I've indicated, and operationally I think we're enjoying some unprecedented levels of combined and coincidental operations with Canada, Mexico, Russia and other

countries. Internationally we're also working through the IMO as I mentioned, and IALA, the International Association of Lighthouse Authorities, where the United States just recently hosted their international meeting. I feel we've maintained our leadership role internationally. The big challenge I see internationally, at the IMO, is the upcoming conference to modify the Convention on Standards of Training, Certification and Watchkeeping, because personnel error is responsible for over 85 percent of marine incidents that occur worldwide. We've also been very instrumental in the ratification of six treaties impacting maritime safety and environmental protection these last few years.

But you can't do any of this without a capital plant. Let me talk about that a little bit. I mentioned in my opening remarks about the caliber of our acquisition process. I believe we've learned how to buy things, and I'm proud to say we did this in conjunction with the

DOT. We've also learned how to determine what to buy and how many things to buy. And we're improving the quality of what we do, quality assurance, by adopting the principles of ISO 9000 (a worldwide commercial standard for quality assurance). The Coast Guard Yard is involved now in a certification program to be qualified under ISO 9000. Only two shipyards in the country, that I know of, are so qualified, Ingalls, and Newport News Shipbuilding and Drydock. It's no surprise to me that the Coast Guard Yard is taking the lead in that area. They were the winner of both the Coast Guard Quality Award and the Secretary of Transportation Quality Award this year.

Our aircraft play an extremely vital role in what the Coast Guard does. Our HH-65s are operating better than ever. We still have a step to go to upgrade the gearboxes so that we can take advantage of the full power that they develop. The HH-60's operations

continue to validate the quality of the kind of aircraft that we have acquired for search and rescue, medium-range recovery, and also for Operations Bahamas, Turks & Caicos. We've just completed the installation of the APS-137 radar in the C-130s. The operational commanders say that increases our search efficiency in drug-interdiction cases, and most importantly in fisheries cases by at least 300 percent. The TALON program, that secures and retains helicopters aboard ship is on schedule and in budget. The TCAS system. The contract was awarded for that in January. That's the Traffic Alert and Collision Avoidance System that is going to make Coast Guard aviation even safer than it is right now. Our surface fleet is composed of revitalized high-endurance cutters which should be in service past the year 2000 because of the very successful fleet renovation and maintenance. Our medium endurance cutters will also serve us well until that time. The 210s, which

are completing midlife maintenance availability, and also the 270s, the very last one of which was delivered early on in my watch. The new polar icebreaker, the *Healy*, is on track. The detailed design and construction contract has been awarded to Avondale Shipyard and we expect delivery of that about September of 1997. The replacements for the 50-year-old buoy tenders are also on track. The ocean-going WLBs, (are) well along. If we get the president's budget in FY95 we will have money for the first three of 16. I'll be going to Marinette, Wisconsin, the end of this month, with the governor of Wisconsin and the elected congressional officials from both Michigan and Wis., for the keel-laying ceremony of the first. The WLM contract, the coastal buoy tenders, has been let for the first, and again, if we get the president's budget in FY95, we will have funding for the first four of the 14 that we need. Coastal patrol boats to replace the aging 30-year-old 82-footers,

we've released a draft Request For Proposals in January of this year. We expect to release the final RFP in June for the lead ship with an option of from 30 to 50 vessels, and money for that first vessel is in the FY95 budget.

The 47-foot motor lifeboat also is a success story in the making. We've received the prototype vessel, and the first five pre-production vessels. They are in the process of final test and evaluation out at our field units after a very extensive evaluation at Cape Disappointment, Wash. Now we want the sailors who are going to do the job, day-to-day, to tell us what are the things that we need to do to make this the most user-friendly and capable motor lifeboat in the world. The Canadians are already looking to get a license to manufacture this boat. There is funding for 20 of these in the president's budget.

And, of course, the shore plant is equally important, the support. Because without the support in all of our

operating missions we would not be able to do the things we do. We've relocated the Supply Center from Brooklyn, New York, to Baltimore, and we did that with a minimal loss of our highly qualified Coast Guard civilian employees. I believe over 80 percent relocated to Baltimore. We've let contracts in the last year for \$21 million in construction for 164 new housing units in Oregon, New Jersey, Michigan, Hawaii and Puerto Rico. All of our 22 Vessels of Opportunity Skimming Systems have been procured, are in place with about 60 transfer pumps and over 16 miles of containment boom.

In doing these things we are trying to take advantage of technology. We have received proposals for our Standard Workstation III, which will involve an open architecture. We're very close to having an approved allowance list for this. We hope to award a contract for procurement by January of 1995. There have been two great management initiatives that have occurred in the last several decades, and one of these has been the power of communication. The ability to collect, manage, and utilize communications through information management, and I think we've taken the lead with our SIRMP (Strategic Information Resource Management Plan) program and Jumbo SIRMP program, which should be completed this year to get us well on the way to a Coast Guard-wide information database. In this, one of the most powerful tools is the E-mail (electronic mail) system that we have. This enables us to communicate with our other Coast Guard people almost anywhere in the world, just sitting at our terminal. But with that ability goes responsibility. We have to recognize that this is official correspondence just as if you were taking a franked envelope and mailing a letter to somebody. It's also official in that anything that you put into E-mail is official correspondence. So, I ask all of you to show responsibility in your utilization of this very valuable tool. We're moving ahead with a replacement surface-search radar for our high-endurance (and) medium-endurance cutters and our 110s. And we expect to award that contract by the end of this year. It's a joint project with the U.S. Navy. We will take advantage of economies of scale, the Navy will buy a considerable number, and that will drop the per-unit cost down significantly.

Now let me shift to something that



Hazardous Duty Incentive Pay and Aviation Career Incentive Pay. And, at the same time, recognizing that we are beginning to be in the same mode as DOD and that's a reduction of people. We want to ensure that our people, whether they are regulars or reserves, get the same benefits that DOD personnel do when they are separated from the service sooner than they would like to be. We're talking about voluntary separation initiatives, a special separation-benefits program, a 15-year retirement, and a buy-out for our civilian employees. We hope that by doing this, that in the future we will be able to avoid reduction in forces and when mandatory separation is required, that our people will be suitably compensated.

We have seen the retention rate in the Coast Guard reach an all-time high. In the past our loss rate has been about 14.5 percent as recently as 1991; now it's about 10.4 percent. That means that we have about 1,200 people in the Coast Guard that we would not have under normal circumstances. We have tried to attack this problem by reducing recruiting to the absolute minimum level we can; this year it is going to be about 2,400 people. We have had several voluntary outs, and we have implemented High-Year Tenure to put us on a par, for our enlisted work force, with the other four services. Even those initiatives are not going to get us to where we must be to meet the prescribed FTE (Full-time Equivalency System) levels and the funding levels given to us by the Congress. That has caused us to have to have a RIF, something that we have done on the basis of performance, as we did in 1987. It's not something that we wanted to do, it's not something that we entered into

lightly, and we labored very hard on that, myself, RADM James M. Loy, the chief of (the Office of) Personnel, and Master Chief Petty Officer of the Coast Guard Jay Lloyd. We regret this but we are putting forth every effort we can to be equitable in what we are doing.

I mentioned MCPO Jay Lloyd, and this is a good time I think, for me to thank him for his service to me for the last 3 3/4 years. His service to all of you, and especially to the enlisted members of the Coast Guard, and with him, the command enlisted advisors that work with him on a day-to-day basis out at our major commands and in our districts. He's been very instrumental in forwarding the initiatives at the (CPO) Chief Petty Officer Academy, working with MCPO Marshall, and advising me on many, many issues that are of concern to our people, trying to find solutions. As I've said before, he always has access to my office and it's not surprising to look up and see, standing there, this gentleman right here to my left.

But let me read something to you that is indicative of some of the things that he has done. It's a letter that I got this morning. It's addressed to him, and it's from a Coast Guard enlisted wife. It says: 'Dear Master Chief Lloyd, I thought it was necessary to express a special thank you from our family in the decision of retaining the military housing in Nahant, Mass., and other favorable locations in the Boston area. You probably could imagine how tight we kept our fingers crossed in hopes of the Coast Guard purchasing these homes. Our 9 1/2-year-old son is thrilled knowing we can stay here for the duration of his father's tour. He can continue to play soccer and the Little League he has been growing up with. He also won't have to change schools ... you know how that can turn out. As for me, well, I get to keep my job — which is important to us as it offers a great health and dental plan. And yes, I continue to gain more experience in the banking profession. See, master chief, we're only one family.'

There are 55 more who are affected by this decision. Your input has really put the sense the Coast Guard can work for its own. We are all proud to belong to such a *people* service! This proves the work-life philosophy can work for the Coast Guard and their families! Next time you are in the Boston area, I am hoping you will accept a personal invitation to our *Coast Guard* home. I'd like to show you what a great community we live in! Thank you, Jay.

I'd also like to take this time to thank, very publicly, someone who has been a very great assistance and help to me, that's VADM Bob Nelson who has served with great honor and distinction, putting forth a major effort, wise counsel, great energy as, first, chief of staff of the Coast Guard, and in the last 1 3/4 years, as vice commandant. Bob, I don't see how the Coast Guard could have done the things that it did without you. I certainly know that I couldn't have done the things that I have done without you. Please stand up and be recognized.

With the letter to MCPO Lloyd it gives me a chance to talk about work-life, which is one of my greatest sources of satisfaction. And I think the decisions that evolved from work-life are being validated by others realizing their value, including DOT which is in the process of developing a work-life statement for the secretary. And most important, for the reaction throughout the Coast Guard, the young people that I see out there who express their thanks as I travel about, whether it's in the engine compartment of a 41-foot utility boat or whether it's at an air station or whatever, for what the Coast Guard has been doing in work-life.

Nearly all of our initiatives in work-life are on-line. The regional staffs are up and running. The employee-assistance program has had a huge response and is a huge success. The Headquarters Career Development Resource Center is now on-line also, next to the child-development center, and, let me tell you, if you're on the ground floor of Coast Guard Headquarters,

you may want to go down and look at that. I've got a pamphlet here that talks about it, provides some great guidance to our people, in some changing and trying times. I think work-life is now part of the organizational fabric of the Coast Guard. We're going to be doing a needs assessment and a program evaluation this spring to make sure we're on track. Do we need a mid-course correction? Are there things we aren't doing? Are there things we don't need to do? Are there things we can do better? And that will be underway shortly. Kind of a 'How goes it.' And, in taking care of our people, I have to talk about what Coast Guard Mutual Assistance does.

In 1992, and that's the last year that I have data for, we provided over \$5.5 million dollars to our people. That's over 6,000 Coast Guard people and their families that benefited from it, and in the last five years, we've provided over \$21 million of assistance. That's almost \$15,000 a day. In our family programs, another major, much-



needed effort, we've had some considerable success. But I'm also concerned over the tragedy of family violence. I think the Coast Guard can't sit back on the sidelines. We had a very tragic case recently of a young child being killed and the parents being charged. And the state agency that was supposed to act, and didn't, being indicted by a grand jury. I have gotten together with our investigations people, and with our family-services people. Looked at cases that we have outstanding, and we're going to be extremely proactive. And we do have to rely on state and local agencies, but if we find those who are not being proactive, I'm prepared, both by letter, and very publicly, to discuss this issue with the mayors and the governors of the cities and the states involved.

Our Military Personnel Command is on-line. Before we set up the Military Personnel Command, the chief of the Office of Personnel had 14 divisions and staffs reporting to him. A span of control that someone even as capable as RADM Jim Loy can't handle. We're very pleased that we set that up, and I think it's already proving itself in customer service.

The president has begun a major initiative for health care. This is extremely important to the Coast Guard because, while we are one of the military services, many of the things that he is talking about will have a significant positive impact on the men and women of the Coast Guard, active-duty and retired and their families. We're following this very closely and in a very supportive way. In the meantime, the Office of Health and Safety is moving forward with wellness initiatives. We just sent, by direct mail, a family health-care guide to all our active-duty members. It will be distributed to our civilians shortly, and it comes from the American Medical Association. It will be available for purchase by our reservists and our auxiliaries at Coast Guard exchanges shortly. We've also changed our physical-training program at boot camp. No longer is it push-ups. It's an effort, through prop-

er exercise, discipline, proper equipment, proper training, to begin to develop a wellness consciousness of our young people that will not end when they walk out the door at boot camp or Yorktown, Va., or at the Coast Guard

17th District in Alaska, at Charleston, S.C., and at Yorktown.

I'm also very pleased with the number of diversity initiatives. Four years ago, diversity was a new word in the vocabulary of most of us. Now it's a



Academy. While we're taking care of the body, we also need to take care of the soul, and the chaplains are doing an outstanding job in that area. It's grown tremendously to fill a very real need out there in the field. I get positive feedback from individual Coast Guard members, their families, and also from the commands. They provide a very invaluable resource for our needs, and especially in operations such as Able Manner. We added six billets last year, and we've got four more that we're adding this year at the Coast Guard Yard, Baltimore, at the

strategic issue for the Coast Guard, with top-level attention. We have a special team underway right now headed by RADM Jim Card to look at diversity. Not just what is diversity, but what is diversity management, and developing a plan for diversity management. Working with the DOT, we will soon implement a pilot program for a cultural audit, and if that's successful it will serve as, hopefully, the basis, not only for a cultural audit of the entire Coast Guard, but of all the agencies within the DOT. We made some real progress in civilian equal employment

also. We still have a way to go, but we've made steady progress, and we're continuing to do that. Our Partnership-in-Education program is something that I'm very proud of. It now reaches 22,000 students in 219 schools

the Israeli government for possible use by them. We're working now on an even better one that considers our civilian work force and some of the subtleties that perhaps the first didn't have. Last fall, as a result of an inci-

ment that is hard to quantify, but I think it relates to a real step forward in leadership. That's that we have the strength to address our problems and our concerns, to talk about such things as gender issues, issues of harassment

and discrimination, actual or perceived, for any reason. I think that would be a bit unthinkable just a few years ago. But you know, you can't manage or lead in a vacuum. I feel we are still feeling our way. I'm asking for greater involvement of the chain of command. It's nice to have staffs and special committees and networks but the cornerstone of this will be the chain of command. Let me read to you a short statement that in my final action on a discrimination case recently that I wrote.

It says: 'The Coast Guard is committed to ensuring equality of opportunity for all members of its work force. We must all work diligently to provide a level playing field for all of our employees without regard to personal differences such as race or gender that may distinguish us. Simultaneously, we must work together to prevent situations that properly should be handled as routine individual-performance matters from becoming emotionally charged discrimination issues as a result of an insensitive or inconsistent application of personnel policies.'

Let me close now by talking about the challenges that face us. First is the budget for FY95. Again I want to thank the Department of Trans-

portation, the Office of the Secretary, and the budget shop for their support. Also the Office of Management and Budget, in putting forth a budget, that in these times, I think is good. Now I'm asking for the support of the Congress in passing the president's budget and giving the Coast Guard the management flexibility to implement necessary changes if we are going to meet the budget demands set out both by the Congress and by the president. Our total budget was about \$3.74 billion, that's up 4 percent. Our operating expense budget was \$2.63 billion,

with thousands of Coast Guard people participating, and again, it's you out there that made it work. We've developed a strong relationship with the Historically Black Colleges and Universities, and the Hispanic Association of Colleges and Universities. Utilizing them for assistance in our M.O.R.E. program, our Minority Officer Recruiting Effort, which also is a major success.

Turning to sexual harassment, let me begin by saying that the video that we produced several years ago, is still being used by us, by the U.S. Navy, and we were approached just recently by

ident, I mandated that our flags and senior executive service people get out into the field and talk to all the commands and all the staffs about the importance of gender equality, and they did that. I'm very pleased with the results of that. I've received reports from all of them, I believe that we've opened a dialogue, that's phase one. Our people have raised questions as a result of this and we have now kicked off phase two. To our people who had comments, let me tell you I have heard you, we're going to do something about it.

I want to mention one accomplish-

up 1.5 percent. But let me put that in perspective. For an increase of only \$39 million in what we're doing new, we discontinued \$43 million worth of effort. When you annualize that over a full fiscal year, that's going to be a \$100 million reduction, and we can expect that in the next several years. That's what it means in real terms. And let me say that we are working to manage that in the best possible way. I will give you some specifics in a minute.

We sent out a message so there would be no surprises indicating what units are impacted. When budgets are cut people leave, units change, units disappear. That is a fact of life. Let us all work together to make sure that

that's done so that we continue to deliver the maximum level of service to the public and to our people. We need to recapitalize our plant. We have, I think, an outstanding 15-year capital-investment plan for maintenance and renewal of the plant. It's important. After the year 2000 we're going to have to renew that HEC/MEC fleet, the patrol boats, the aircraft and the shore plant. That's why I'm pleased that this year's Acquisition, Construction & Improvements budget, at \$439 million, is a 43 percent increase over last year. That sounds good, but when you consider that last year's was less than \$310 million, it's not so good. We need between \$500 and \$600 million if we are going to

continue to recapitalize the plant so we can perform the services that are being asked of us. Let me say that we, across government now, are seeing the impact of what is a very proper initiative to bring some fiscal responsibility to government. The president has said he's going to do it. The Congress, by passing the Reconsolidation Act, has said we are going to do it. We in the Coast Guard are taking a multi-year approach to that and I think it's extremely important that we do. Shrinking government, lower budgets, is a reality. But I hope everyone remembers that the Coast Guard's responsibilities, unlike DOD's, are not shrinking, that they are in fact growing.

I think we are going to have to learn

to adapt, and I'm very pleased that some charters were set on my watch. One, a study for streamlining the Coast Guard's field organization. It's going to be headed up by RADM Jerry Woolever, to look at the way we do business. Do we need a headquarters, two areas, two maintenance and logistics commands, 10 districts? Do we need separate groups and marine safety offices? Are there things we can do differently while maintaining the same number of patrol boats, the same number of helicopters, the same number of ships, the same number of strike teams, the things that we have been charged to do, and the things for which the demand is not just staying constant, it's increasing?

I'm also pleased about the training infrastructure study that RADM Doug Tee-son is heading up. Training is very important. As technology increases, training is going to be even more important than it is now, though now and for a long time it has been extremely important. We have got to see that we are making the best use of the technology available to our people, to provide the proper training in the most cost-effective way.

You know, we've got to keep up the momentum to attract and retain the high-quality work force that we have. Work-life has got to be our way of life. We won't and can't cut the benefits to our people. We've got to continue to focus on diversity and diversity management. We've got to be sensitive to the

dignity of our people. Sensitivity and dignity have to be the standing orders, they have to be all-hands evolutions. Leadership is an ongoing concern. Under the direction of RADM Jim Loy we're putting together a fully integrated leadership-training program, cradle to grave, and that should be completed by June of this year.

And finally, looking toward the horizon, I think the Coast Guard is well postured for the future. I believe we're ahead of the power-curve. I think we're ahead of the National Performance Review. And, I think we're ahead of the Government Performance and Results Act of 1993. We've changed our culture to face the future. Total Quality Management continues to develop and spread. It's an integral part of almost everything I've mentioned. Continuous improvement is going to serve us well. Strategic planning has taught us to look beyond today.

There is a strong leadership team waiting in the wings to lead the Coast Guard for the next few years headed by the Commandant-select,

VADM Bob Kramek. Bob Kramek is an extremely capable, intelligent, energetic, caring individual. I can't endorse his selection any more highly. He brings unique advantages to this job, over and above his personal traits. That is he has been involved, day to day, for the last two years, in the running of the Coast Guard. He knows the issues, he knows the problems. And with your help, your help out there and with the help of those Coast Guard men and women that hear or see what I'm saying today, Bob is going to be the best commandant that the Coast Guard has ever had. Bob.

And you know he's got the highest caliber of Coast Guard to lead that we've ever had, the active, the reserve, the auxiliary, the civilians and, of course, the families. And I'm very confident in the years ahead we're going to continue to be Semper Paratus, and for that, as I began this message, I want to say thank you, I salute you, and may God bless the Coast Guard."

Q: "What do you see for us as individuals, or what should we be doing to meet the challenges of the future?"

A: "I think you need to adhere to the principles that the Coast Guard has always adhered to. Be an honest broker. Work hard. Listen to your customers. Be intellectually honest. Deal with those that work for you, and those that you work for in a straightforward, honest, forthright manner. Take care of your people. Don't compromise where compromise is not called for. Maintain your principles. I think those are the things I would address to you all. I think you provide a very great service to this country. One that is much needed, and I think if you adhere to the things that you've adhered to in the past, you're going to continue to be as successful as you have been in the past."

Q: "Admiral, if you were to look 10 years into the future, what kind of Coast Guard would you see?"

A: "I'm hesitant to make that kind of prediction. This day, 10 years from now, will probably be raining. Let me say that I think the change that the Coast Guard is going through is one that parallels society. And it's not one that is focusing just on the Coast Guard. I think that the missions that we are doing now will be, for the most part, the missions we'll be doing 10 years from now. We'll be doing them differently. There will be different emphasis placed on them. I think if we recognize what those differences are in





the future, as we have in the past, we'll do well. One of the things that Bob Kramek is doing now and will continue to do until the first of June when he puts his plan together, is to focus on what the Coast Guard ought to be doing. I put together a vision and a strategic plan four years ago. If I put together a plan today it would be a different plan because the world is different. His plan will be different, and the way he executes it will be different from how any other past commandant would have executed it. I think that if you provide the support to him and his top leadership team for the future, that the Coast Guard will be doing very well in meeting these short, medium and long-term challenges for this service, that Bob is trying to address in the days between now and the first of June."

Q: "I understand the funds for support of boating safety at the state and local level are proposed to be cut back. If that occurs, would you foresee this cut being taken up by the regulars or by the auxiliary, or by the local jurisdictions by themselves?"

A: "Except for your last one I'd say all of the above. The boating safety program has been a very significant success. It was put together by then CDR Jack Hayes who later became commandant. This was an effort to get the states involved in boating safety, to do something about the 20-plus deaths for every 100,000 boats that we saw in recreational boating. And to that extent it has been a very great success. The Coast Guard boating-safety program, as such, is going to remain intact, with the exception of factory visits. We'll be covering that by other means, boating recalls, field surveys, etc. The only part that is changing is the \$35 million a year from the Boating Safety Fund that will be going to the states.

Right now, for the every dollar of money contributed by the federal government, the states contribute \$4. We've seen that 20 deaths per 100,000 boats drop to four, and is still going down. That's with the advent of more boats, larger boats, faster boats. We believe the program has done an outstanding job. All the money will not go away. This year \$7 million of mandatory appropriation will go to the states. For the two years after that, \$10 million will go to the states. And after that, \$20 million will go to the states. We recognize that these are difficult times, but if the Coast Guard were to take another \$35 million cut we would not only go into the bone, we would go into the marrow of this organization. We believe that the infrastructure is out there in this program for the states, the auxiliary and the boating-safety program that continues, to pick up the slack.

Let me thank you all very much. I lied, I wasn't shorter, I never will be shorter. I want to hear a report next year if Bob Kramek is any shorter. Thank you very much."