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United States Government Accountability Office
Washington, DC 20548

May 13, 2013

Congressional Committees

Subject: Defense Logistics: The Department of Defense's Report on Strategic Seaports Addressed All Congressionally Directed Elements

Sealift is the primary means of deploying and sustaining the combat power required in major ground operations, typically accounting for upwards of 90 percent of all military cargo, and U.S. strategic seaports play an important role in ensuring that the U.S. military is able to quickly and efficiently deploy to address the country's overseas interests. The strategic seaport program—administered jointly by the Department of Defense (DOD) and the Department of Transportation (DOT)—facilitates the movement of deploying military forces through the 17 commercial and 5 military seaports designated as strategic seaports. These ports serve as significant transportation hubs and are important to DOD's readiness and cargo handling capacity.

Over the past several years Congress has directed that a number of studies be conducted to ensure the readiness of the strategic seaports. Most recently, in the conference report accompanying the National Defense Authorization Act for Fiscal Year 2012, Congress directed DOD to provide an updated report on strategic seaport facilities used for military purposes, specifying that DOD must include (1) an assessment of the structural integrity and deficiencies of the port facilities and determination of the infrastructure improvements needed to directly or indirectly meet national security and readiness requirements; (2) an assessment of the impact on operational readiness if the improvements are not undertaken; (3) an identification of potential funding sources for the needed improvements from existing authorities; and (4) an opinion as to whether DOD has the necessary authority to support section 50302 of Title 46 of the United States Code.¹ DOD issued that report in January 2013.

Both the National Defense Authorization Act for Fiscal Year 2013² and the Coast Guard and Maritime Transportation Act of 2012³ required us to conduct a sufficiency review of DOD's report, and to report our findings to Congress within 90 days of receiving DOD's strategic seaports report. DOD's report was provided to Congress on January 7, 2013, and GAO received the report on January 9, 2013. To conduct our review, we assessed the extent to

¹ Section 50302 of Title 46 of the U.S. Code states that the Secretary of Transportation, in cooperation with the Secretary of the Army, shall take a number of actions with regard to ports with the objective of promoting, encouraging, and developing ports and transportation facilities in connection with water commerce.

² Pub. L. No. 112-239, § 333 (2013).

³ Pub. L. No. 112-213, § 413 (2012).

Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE 13 MAY 2013		2. REPORT TYPE		3. DATES COVERED 00-00-2013 to 00-00-2013	
4. TITLE AND SUBTITLE Defense Logistics: The Department of Defense's Report on Strategic Seaports Addressed All Congressionally Directed Elements				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 25	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

which DOD's report included each of the four elements directed by Congress. To fulfill the mandate, in April 2013 we provided a briefing and the draft report to the congressional defense committees on the results of our work. This report transmits the information provided at that time. See enclosure I for the briefing slides that contain information on the results of our work.

To conduct this work, two GAO analysts independently assessed DOD's report to determine whether it contained the four congressionally directed elements. The analysts agreed on all four elements, and therefore it was not necessary for a third analyst to resolve any differences. Additionally, we reviewed previous DOD reports on strategic seaports and other documents relevant to the strategic seaports program. We also interviewed officials from DOD's Transportation Command as well as officials from the Department of Transportation, including officials from the Maritime Administration, the Federal Railroad Administration, and the Federal Highway Administration, to obtain further information about the program and clarify aspects of the report. We conducted this performance audit from February 2013 through May 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, we found that DOD addressed all four of the elements directed by Congress, as follows:

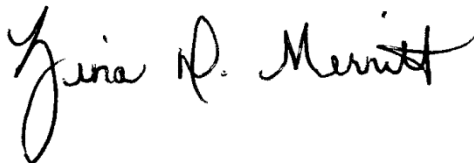
- First, DOD provided a detailed assessment of the structural integrity and deficiencies of the port facilities and the infrastructure improvements needed to meet national security requirements, providing both an explanation of its assessment and supporting data in its response. The report rated 15 of the 22 strategic seaports as having minor deficiencies, with negligible impact; 4 as having some deficiencies, with limited impact; 1 as having significant deficiencies that impair the capability to support required missions; and 2 as having major deficiencies presenting significant obstacles to mission accomplishment. We found some areas where the report could have been more explicit, such as citing the sources of cost estimates for port improvement projects and defining "national security and readiness requirements." We also note that the report relied on self-reported information from the ports. DOD officials told us that they believe the information is reliable because it is in the ports' interests to correct any deficiencies in order to support their commercial activities, and because DOD conducts periodic visits that serve as a visual check of port infrastructure conditions.
- Second, DOD included an assessment of the impact on operational readiness if the improvements were not undertaken. The report noted that available alternatives to strategic ports include alternate seaports.
- Third, DOD included an identification of potential funding sources for the needed improvements from existing authorities. The report identified and discussed six primary sources of capital for U.S. commercial ports, and noted that military ports rely on military construction appropriations for large projects.
- Finally, the report included an opinion as to whether DOD has the necessary authority to support section 50302 of Title 46 of the United States Code. The report stated that DOD has the necessary authority, but also recommended that Congress consider amending the law to allow U.S. Transportation Command to coordinate directly with the Secretary of Transportation on port development issues.

Agency Comments and Our Evaluation

We provided a copy of a draft of this report, including the briefing slides, to DOD and DOT for comment. DOD concurred with our report; DOD's comments are reproduced in enclosure II. DOT had no comment.

We are sending copies of this report to the appropriate congressional committees and to the Secretary of Defense; the Secretary of Transportation; the Commander, United States Transportation Command; the Secretary of the Army; and the Administrator, Maritime Administration. The report is also available at no charge on the GAO website at <http://www.gao.gov>.

Should you or your staff have questions concerning this report, please contact me at (202) 512-5257 or merrittz@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are Marilyn Wasleski, Assistant Director; Simon Hirschfeld; Kevin Keith; Michael Silver; Cheryl Weissman; Michael Willems; and Edwin Yuen.



Zina D. Merritt
Director
Defense Capabilities and Management

Enclosures – 2

List of Committees

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United States Senate

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Defense Logistics: The Department of Defense's Report on Strategic Seaports Addressed All Congressionally Directed Elements

Briefing for Congressional Committees

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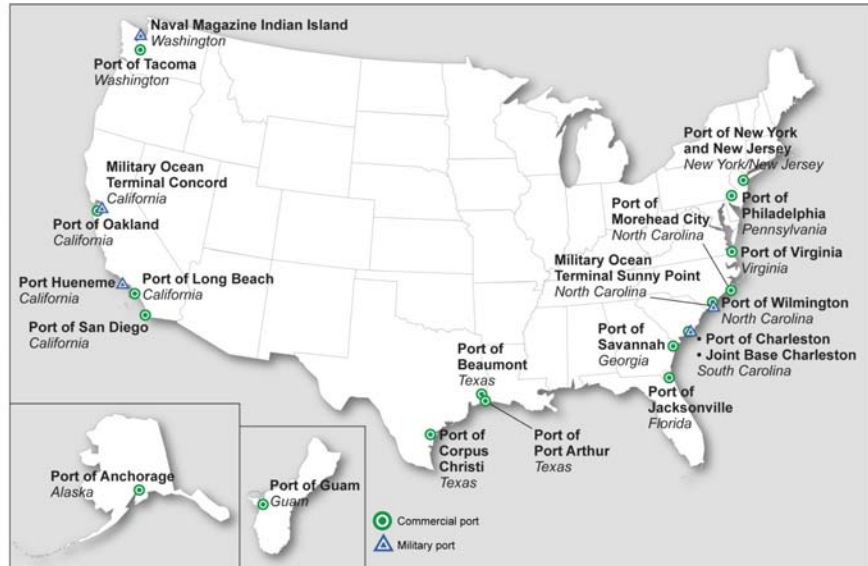
Background

- The strategic seaport program was established to facilitate the movement of deploying military forces through designated U.S. commercial and military seaports while minimizing disruption to commercial activities. For the purposes of this briefing, the strategic seaports are ports designated by the Secretary of Defense as significant transportation hubs important to the readiness and cargo handling capacity of the Department of Defense (DOD).¹
- U.S. forces in the United States often deploy through seaports to respond to conflicts overseas. Also, in major ground operations more than 90 percent of U.S. warfighters' equipment and supplies (tanks, helicopters, trucks, etc.) travels by sea. Currently 22 strategic seaports (17 commercial and 5 military) are designated to handle these deployments.

¹ According to a letter of instruction from the Military Surface Deployment and Distribution Command (SDDC) of U.S. Transportation Command, in practice the commanding general of SDDC designates the strategic seaports.

Background (cont.)

Figure 1: Strategic Seaport Locations



Source: GAO analysis of DOD data; Map Resources (map).



Background (cont.)

- The Maritime Administration (MARAD) of the Department of Transportation (DOT), in partnership with DOD, administers the strategic seaport program. Within DOD, the Military Surface Deployment and Distribution Command (SDDC) serves as the surface transportation component to United States Transportation Command (USTRANSCOM) and executes the strategic seaport program for DOD.
- MARAD and DOD use Port Planning Orders (PPOs) to identify and coordinate DOD's needs in advance with each commercial strategic port. These orders specify which port facilities, staging areas, and berthing space DOD will require in the event of a deployment, and they establish timelines for access. MARAD also coordinates with the commercial ports to maintain operational readiness reports that outline each port's ability to meet the PPO requirements.
- The National Port Readiness Network, chaired by MARAD, provides for the establishment of port readiness committees at each commercial strategic port to, among other things, provide training and conduct exercises at the ports to facilitate handling DOD cargo movement requirements.



Background (cont.)

- Over the past several years SDDC has produced a series of reports on the strategic ports program:
 - The conference report accompanying the National Defense Authorization Act (NDAA) for fiscal year (FY) 2008 directed SDDC to develop a plan to optimize the use of strategic ports. In response, SDDC conducted and issued the *Port Look 2008 Strategic Seaports Study*, which reviewed DOD requirements for the number and location of strategic seaports.
 - In June 2010 SDDC produced the *Port Look Rereview Study* (classified secret), which focused on the movement of cargo through the commercial seaports in the event of a deployment.
 - The NDAA for FY 2011 required DOD to update the *Port Look 2008 Strategic Seaports Study* and specifically directed DOD to review the infrastructure in the vicinity of each seaport, including bridges, roads, and railroads. In January 2012, SDDC completed the *Update to Port Look 2008 Strategic Seaports Study*, which focused on the overall capacity of strategic seaports and their surrounding access infrastructure to meet DOD's deployment needs. This report also contains a classified annex related to the military ammunition ports.



Background (cont.)

- The December 2011 conference report accompanying the NDAA for FY 2012 directed the issuance of another report on the strategic seaports and specified four elements that the report should address.
- Both section 333 of the NDAA for FY 2013 and section 413 of the Coast Guard and Maritime Transportation Act of 2012 required GAO to conduct a sufficiency review of DOD's report and submit the results of our review to Congress within 90 days of receiving the report.
- DOD submitted its report, entitled *Update to Port Look 2008: Strategic Seaport Assessment and Report*, to Congress on January 7, 2013, and we received it on January 9, 2013.



Objective

We assessed the extent to which DOD's report addressed the four elements directed by Congress. These elements were:

- to assess the structural integrity and deficiencies of the port facilities and determine what infrastructure improvements are needed to meet national security and readiness requirements;
- to assess the potential impact on operational readiness if the infrastructure improvements are not undertaken;
- to identify potential funding sources from existing authorities for the infrastructure improvements; and
- to provide an opinion as to whether DOD has the necessary authority to support section 50302 of Title 46 of the U.S. Code.¹

¹ Section 50302 of Title 46 of the U.S. Code, states that the Secretary of Transportation, in cooperation with the Secretary of the Army, shall take a number of actions with regard to ports with the objective of promoting, encouraging, and developing ports and transportation facilities in connection with water commerce.



Scope and Methodology

To determine the extent to which DOD's most recent report on strategic seaports included the four directed elements:

- Two GAO analysts independently reviewed the report to determine whether each directed element had been addressed. They agreed on all four elements. Each analyst also documented additional observations about the report.
- We interviewed officials at SDDC and MARAD who oversee the strategic seaports program and who produced and reviewed the report, respectively, to obtain further information about the program and clarify aspects of the report.
- We obtained and reviewed documents pertaining to the strategic seaports program in order to better understand the report's conclusions.
- We discussed our preliminary analyses with SDDC and MARAD officials to obtain their perspectives. We also shared the information in this briefing with DOD and DOT officials, and incorporated their technical comments as appropriate.



Summary

Report Elements Directed by Congress	GAO Assessment
To assess the structural integrity and deficiencies of the port facilities and determine what infrastructure improvements are needed to meet national security and readiness requirements.	Addressed
To assess the potential impact on operational readiness if the infrastructure improvements are not undertaken.	Addressed
To identify potential funding sources from existing authorities for the infrastructure improvements.	Addressed
To provide an opinion as to whether DOD has the necessary authority to support section 50302 of Title 46 of the U.S. Code.	Addressed



Element 1: Structural Integrity of Seaports and Needed Improvements - Addressed

- The report provided an assessment of the condition of the landside port infrastructure for each of the 22 strategic seaports.
- For the report, DOD defined the port infrastructure as roads, bridges, staging areas, rail infrastructure, and berths within port boundaries.
- The report also provided an overall rating of the capability of each seaport's landside infrastructure to support DOD's required missions.
- Of the 22 strategic seaports, 15 were rated as having minor deficiencies, with negligible impact; 4 as having some deficiencies, with limited impact; 1 as having significant deficiencies that impair capability to support required missions; and 2 as having major deficiencies presenting significant obstacles to mission accomplishment.



Element 1: Structural Integrity of Seaports and Needed Improvements - Addressed (cont.)

We found some areas where DOD's report could have been more explicit. For example,

- The report included a listing of infrastructure improvement projects identified by either the port authority or DOD. The projects ranged from requiring the replacement of wharves to routine maintenance. The report also provided cost estimates for the projects, where available.
- However, the report did not cite the source of these estimates or identify how they were prepared. SDDC officials said these estimates were provided by the port authorities and DOD, but SDDC did not independently validate the cost estimates.



Element 1: Structural Integrity of Seaports and Needed Improvements - Addressed (cont.)

The report did not explicitly define “national security and readiness requirements.”

- However, a key assumption of the report was that the PPO facilities at the strategic seaports provide sufficient capacity to meet the DOD cargo requirements identified in the Mobility Capabilities and Requirements Study-2016 and operations plans, as determined in the 2010 *Port Look Relook Study*.
- SDDC officials told us that these cargo shipping requirements constitute the “national security and readiness requirements” for the purposes of the January 2013 report.



Element 1: Structural Integrity of Seaports and Needed Improvements - Addressed (cont.)

Finally, we note that the report relied on self-reported information from the ports.

- For the piers and wharves, DOD relied primarily on engineering assessments provided by the ports. SDDC officials told us they believe the information provided by the reports is reliable because it is in the ports' interest to correct any structural deficiencies in order to support their commercial activities.
- Two of the assessments were based on inspections conducted in 2000 and 2003—12 and 9 years, respectively, before the report was prepared. SDDC officials said these intervals are not significant because it is in ports' interests to avoid infrastructure failures and thus to keep infrastructure inspections up to date.
- An assessment performed in 2006 of the pilings and piers at one port estimated that they had a remaining service life of 5 years. Thus, the service life should have expired in 2011—2 years ago. SDDC officials told us they were following up with the port officials to determine if the service life had truly expired. The officials also said that their periodic port visits, while not structural integrity assessments, serve as a visual check of port infrastructure condition. DOD officials last visited this port in 2010; the next visit is scheduled for FY 2013.



Element 2: Readiness Impact if Needed Improvements Are Not Made - Addressed

- The report included an assessment of the potential impact on operational readiness if needed seaport infrastructure improvements were not made. This assessment was provided by area (West coast, East coast, Gulf coast, Alaska, and Guam) and by individual seaport.
- The report stated that in general, in the event that PPO berths at a particular strategic seaport were unusable, available alternatives would include the use of non-PPO berths, PPO facilities at other strategic seaports, or alternate seaports.
- SDDC identifies alternate seaports; however, these ports do not receive PPOs and do not have port readiness committees. According to the report, use of alternate seaports could result in a moderate delay to DOD's cargo movement.
- The report stated that the military can use commercial rail to redirect deployment cargo to other strategic or alternate seaports anywhere in the United States, with the exception of geographically isolated ports.

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Element 3: Potential Funding Sources for Needed Improvements - Addressed

- The report identified and discussed six primary sources of capital for U.S. commercial ports: port revenues, general obligation bonds, revenue bonds, loans, grants, and other miscellaneous sources.
- The report did not identify specific funding sources for each infrastructure project identified for a given port. SDDC officials told us it is the ports' responsibility to identify project funding.
- The report stated that military ports rely on military construction authorities and appropriations for large projects. The report did not discuss funding sources for anything less than large project undertakings. For example, operation and maintenance funds can be used to perform minor construction when the cost of the complete project is under \$750,000.

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Element 4: DOD's Authority to Support Section 50302 of Title 46 USC - Addressed

- The report addressed DOD's authority regarding 46 U.S.C. § 50302, which states that the Secretary of Transportation, in coordination with the Secretary of the Army, shall take a number of actions with regard to ports—such as investigating the practicability and advantages of certain port improvements—with the objective of developing ports and transportation facilities in connection with water commerce.
- The report concluded that the department has the necessary authority to support the law based on its involvement with MARAD in managing the strategic seaport program and its use of other authorities and programs, such as the Defense Critical Infrastructure Program, a risk management program designed to secure critical assets and infrastructure.



Element 4: DOD's Authority to Support Section 50302 of Title 46 USC – Addressed (cont.)

- Although the report concluded that DOD has the necessary authority, it also stated that Congress may wish to consider modifying the language of 46 U.S.C. § 50302(a) to provide authority and responsibilities over port development to the Secretary of Transportation in cooperation with the Secretary of the Army (through the U.S. Army Corps of Engineers' civil works program) and USTRANSCOM (through the strategic seaport program and ports for national defense program). Both the Army and USTRANSCOM would thus be able to coordinate directly with DOT on port development issues.
- The report stated that with this revision, both the Army and USTRANSCOM would have equal legal authority to coordinate directly with the DOT on port development issues. The report noted that the U.S. Army Corps of Engineers has responsibility for waterborne transportation but does not focus on landside seaport infrastructure, and that SDDC acting on behalf of USTRANSCOM is the "single port manager" under DOD policy.
- According to SDDC officials, the current language assigning those responsibilities in 46 U.S.C. § 50302 predates USTRANSCOM's establishment in 1987. At that time, SDDC (then called Military Traffic Management Command) was a direct reporting unit under the Department of the Army. Today, SDDC operates under USTRANSCOM.



UNITED STATES TRANSPORTATION COMMAND

508 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5357

29 April 2013

Ms. Zina D. Merritt
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Ms. Merritt

This is the Department of Defense (DoD) response to the Government Accountability Office Draft Report, GAO-13-511 RSU, "DEFENSE LOGISTICS: The Department of Defense's Report on Strategic Seaports Addressed all Congressionally Directed Elements," dated May, 2013 (GAO Code 351777).

The United States Transportation Command reviewed subject report and concurs with the GAO Report with the recommendation that appropriate dissemination controls be applied to areas of the report that list individual port names. The DoD is committed to proactively and transparently supporting GAO's assessment process to provide Congress the needed program insight to fulfill their oversight role, and appreciates the opportunity to provide comments to this report.

We will continue to provide our best effort to support GAO's continued assessment of the Strategic Seaports program. If you need any additional information or assistance, please contact Ms. Deborah Anthony, TCIG, at 618-220-6631 (DSN) or email: deborah.anthony@ustranscom.mil.


KATHLEEN M. GAANEY
Lieutenant General, U. S. Army
Deputy Commander

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