CREATING AMERICAN JOBS AND ASSURING THE SAFETY AND SECURITY OF AMERICA'S WATERWAYS: A REVIEW OF THE COAST GUARD'S 5-YEAR CAPITAL IMPROVEMENT PLAN

(112–86)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

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TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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Washington, DC 20515

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May 11, 2012

MEMORANDUM

TO: Members, Subcommittee on Coast Guard and Maritime Transportation

FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation

RE: Hearing on "Creating American Jobs and Assuring the Safety and Security of America's Waterways: A Review of the Coast Guard's 5-year Capital Improvement Plan"

PURPOSE

On Wednesday, May 16, 2012, at 10:00 a.m., in room 2167 of the Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will meet to review the status of the Coast Guard's current acquisition program and examine the program's sustainability. This is the third hearing the Subcommittee has held this Congress to review the Service's acquisition program. The last hearing was held on October 4, 2011.

BACKGROUND

Coast Guard Recapitalization

The Coast Guard began a process of replacing its aging vessels and aircraft in the late 1990's. The program's focus was those assets that carry out missions farther than 50 miles from shore and the modernization of the information technology systems that the Service relies upon to coordinate its operations. The program was known as the Integrated Deepwater Program (Deepwater). To manage the acquisition program, the Coast Guard engaged a Lockheed Martin/Northrop Grumman team, called the Integrated Coast Guard System (ICGS).

Deepwater encountered significant quality and cost issues. It was the subject of several hearings and an investigation by the Committee. It is also the subject of continuing review by the Government Accountability Office (GAO). The Coast Guard has terminated the Deepwater contract with ICGS and is now performing the acquisition functions in-house. The assets scheduled for recapitalization remain the same.

Recent GAO Report: Approved Deepwater Program Remains Unachievable

The latest GAO report on the Coast Guard's acquisition program was released in July 2011 and is entitled "Action Needed As Approved Deepwater Program Remains Unachievable". The title refers to the GAO's finding that it will be impossible for the Coast Guard to complete its major acquisitions without breaching its 2007 baseline of 20 to 25 years for construction and delivery of recapitalized assets at a total cost of $24.2 billion. The GAO estimated it could take an additional 10 years to complete and could cost at least an additional $5 billion. Below is a summary of the GAO's specific findings:

- The 2007 baselines for Deepwater are no longer valid or achievable because the Coast Guard has developed new baselines for some assets; additional cost growth is likely; the reliability of the estimated costs and schedules for selected assets is questionable; and Coast Guard and Department of Homeland Security (DHS) officials agree that the annual funding needed to support all approved Deepwater baselines substantially exceed levels of funding appropriated by Congress or requested by any administration. The FY 2013 budget request of $1.19 billion for Coast Guard acquisitions is 18.5 percent less than the FY 2012 appropriated level.
- The Coast Guard is taking delivery of assets and technological upgrades that have yet to meet promised capabilities.
- The Coast Guard has not successfully completed initial operational test and evaluation (OT&E) on any of its new assets delivered to date. This procedure is a critical step in the acquisition process that indentifies deficiencies in asset design and operation and ensures delivered assets meet required capabilities.
- The Coast Guard has not provided a comprehensive reanalysis of the current program of record for major acquisitions to examine tradeoffs between budget constraints, timelines, capabilities, and asset quantities.
- The Coast Guard is gaining a better understanding of cost, schedule, and technical risks, but does not always fully convey these risks in reports to Congress.

Recommendations:

The GAO recommends DHS identify trade-offs to the approved program of record and ensure the Offshore patrol Cutter (OPC) design is achievable. GAO further recommends the Coast Guard identify priorities, incorporate cost and schedule best practices, increase confidence that assets will meet mission needs, and report complete information on risks to Congress in a timely manner. DHS concurred with the recommendations. Finally, the report recommended Congress consider including a

permanent reporting requirement which ensures timely and complete information on risks. Section 307 of H.R. 2838, the Coast Guard and Maritime Transportation Act of 2011 consolidates several reports on Coast Guard acquisitions and expands the reporting requirements beyond the former Deepwater Program to encompass all major acquisitions projects. A major acquisition is defined as the procurement of assets and other technology with life cycle costs exceeding $300 million.

FY13 Budget Request for Coast Guard Acquisitions

The President requested $1.19 billion for the Acquisitions, Construction, and Improvements (AC&I) account in FY 2013, a reduction of $271.6 million (or -18.5 percent) below the FY 2012 enacted level. The AC&I account funds the acquisition, construction, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids to navigation, information management systems and related equipment.

The budget request includes approximately $1.03 billion for the acquisition of aircraft, vessels, and command, control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR) systems. This represents a reduction of $64.5 million (or -6 percent) below the FY 2012 enacted level. The budget request includes:

- $683 million to complete construction of the sixth National Security Cutter (NSC). No funding is included in the five year Capital Improvement Plan for the acquisition of NSCs #7 or #8;
- $30 million to continue the development of the Offshore Patrol Cutter (OPC);
- $43 million to acquire one HC-144A Marine Patrol Aircraft (MPA);
- $31.5 million for the modernization/sustainment of the HH-65 Dolphin helicopter fleet;
- $76.5 million for C4ISR acquisition, program management, systems engineering and integration, and Nationwide Automatic Identification System;
- $8 million to survey and design a new polar icebreaker.

The Service proposes to eliminate funding for the following acquisition programs in FY 2013:

- Response Boat – Medium (RB-M). The Coast Guard's program of record for this procurement calls for the acquisition of 180 RB-M's to replace the aged, slow, and obsolete 41 foot utility boat. To date, funding has been secured to acquire 166 RB-Ms. Despite proposing to terminate the acquisition early, the Service has not amended the program of record to explain how the reduced buy will meet mission requirements. Terminating the acquisition early could impair small boat readiness which could impact search and rescue mission effectiveness.

- HH-60 Helicopter Conversion. The Coast Guard had planned to make critically needed upgrades to the helicopter's search radar sensor system to improve the

asset's ability to conduct search and rescue. The Service now proposes to put off these upgrades until at least 2017.

- C-130H Conversion/C-130J Acquisition. The Coast Guard's program of record calls for a fleet of 22 C-130's by the mid 2020's. Rather than requesting funding in FY 2013, the Service proposes to use previously appropriated funding to complete the acquisition three C-130J's, bringing the fleet of C-130J's up to nine.

- In Service Vessel Sustainment. This program funds service life extension projects on the 32 year old fleet of 140 foot Icebreaking Tugs and mission effectiveness projects on the 16 year old fleet of 225 foot Seagoing Buoy Tenders. The Service proposes to delay initiation of these projects until FY 2014.

- Unmanned Aircraft System (UAS). The Service proposes to use previously appropriated funds to continue work to test and evaluate existing UAS platforms for potential use aboard cutters.

In addition, the Coast Guard proposes to withhold up to $139 million provided by Congress in FY 2012 to construct six new Fast Response Cutters (FRC), opting instead to construct four FRCs in FY 2012. The Service then proposes to combine the withheld $139 million from the FY 2012 appropriations with an additional $139 million requested in FY 2013 to construct four FRCs in FY 2013. This strategy will delay the acquisition of this asset, which is being acquired to replace the 26 year old fleet of 110 foot Patrol Boats.

The budget requests $186.5 million in other capital costs, 124.4 million (or -40 percent) less than the FY 2012 enacted level. This includes $110 million in personnel costs to execute AC&I programs and $49 million to make improvements to piers and hangers to support newly acquired assets. This also includes $15 million to construct shore facilities and aids to navigation, which is $97.9 million (or -86.7 percent) less than the FY 2012 enacted level. The Coast Guard currently has a backlog of over 35 prioritized shore facility improvement projects with an estimated combined cost of over $540 million.

Finally, no funding is included in the budget request to rehabilitate housing for Coast Guard servicemembers and their dependents. The account received $14 million in FY 2012 funding. Much of the Service-owned housing is decades old and in poor condition. The Service expects to complete a report in May 2012 which includes survey of the condition of its housing and recommendations on how to address the situation.

Recent Coast Guard Acquisitions Developments

Since the Subcommittee's October 2011 hearing, there have been several major developments in the Service's acquisition program which are highlighted below. Other

developments are summarized in the attached "Status of Coast Guard Major Acquisitions".

- *NSC STRATTON* – In April 2012, the Coast Guard discovered several pin hole leaks and hair line cracks in the hull of USCGC STRATTON. The STRATTON is the Service's third and newest NSC, commissioned on March 31, 2012. Temporary repairs were made to ensure the vessel could safely sail back to home port. The Service has convened an internal Engineering Analysis Board and plans to consult with the American Bureau of Shipping to investigate the cause of the hull corrosion. The Service estimates that the STRATTON will be out of service through mid July 2012 and the repairs may cost more than $600,000. The Service will also determine whether the cost to repair the damage is recoverable under the shipbuilder's (Huntington Ingalls) warranty. At this point, the preliminary findings do not indicate a similar corrosion problem on the first two NSCs – USCGCs BERTHOLF and WAESCHE.

- *HC-144A Maritime Patrol Aircraft* – In May 2012, the Coast Guard informed the Subcommittee that due to budget constraints, it does not have a sufficient number of spare parts for its fleet of HC-144A MPAs to support full operational readiness when it initiates operations at Air Station Cape Cod this fall. The Service indicates that it will impose flight hour restrictions on the MPA fleet until sufficient spares can be acquired. It is not clear how flight hours will be restricted, how long the restrictions will last, the cost to acquire sufficient number of spares, or when they will be acquired.

- *Cost Constrained Fleet Mix Analysis* - The Coast Guard released Phase II of its Fleet Mix Analysis (FMA II) in November 2011. FMA II is an independent third-party analysis of the Service's current asset requirements. It served as a cost-benefit analysis to determine the effect on Coast Guard mission effectiveness of varying the capabilities and numbers of vessels and aircraft in the existing acquisition program of record. The authors of the analysis found the current program of record is the best mix to adequately address mission needs in a fiscally constrained environment.

- *DHS Major Cutter Study* – DHS released its Major Cutter Study in December 2011. This study evaluated the anticipated mission effectiveness of the Coast Guard's program of record for both the NSC and OPC against alternative fleet mixes. These mixes included varying numbers of both assets, as well as the possibility of substituting either a modernized 270 foot Medium Endurance Cutter or a Coast Guard variant of the Navy's Littoral Combat Ship for the OPC. DHS found that while some of the alternative mixes provided advantages in some mission areas, no alternative could match the program of record in every mission area. Additionally, those advantages would not be realized for several decades. As such, the study validates the program of record.

WITNESS

Vice Admiral John Currier
Deputy Commandant for Mission Support
United States Coast Guard

Status of Coast Guard Major Acquisitions

New Asset	Legacy Asset	FY 2013 Budget Request	Total Appropriated to Date	Estimated Total Acquisition Cost [1]	Planned Quantity	Delivered Quantity	Estimated Completion Date [1]	Status
Response Boat - Medium (RB-M)	41 ft Utility Boat	$0	$466.4M	$610M	180	88	2016	USCG intends to terminate the program at 166 vessels, 14 short of the approved program of record. USCG is revising the laydown plan and updating the program of record to reflect the revised buy.
National Security Cutter (NSC)	High Endurance Cutter (HEC)	$683M	$3.2B	$4.7B	8	3	2018	NSC 1 & 2 are operational, but will require substantial retrofits to meet expected service life. NSC 3 to undergo emergency repairs. NSC 4 keel laying set for 8/2012. NSC 5 fabrication began 3/2012. NSC 6 Long Lead Materials contract awarded 3/2012. USCG Capital Investment Plan
Offshore Patrol Cutter (OPC)	Medium endurance Cutter (MEC)	$30M	$110.1M	$10.5B	25	0	2031	Program baseline awaiting approval by DHS. Request For Proposals expected to be released in 4th Quarter FY12. Contracts for 3 preliminary designs expected to be issued to 3 contractors in FY13.
Fast Response Cutter (FRC)	110 ft Patrol Boat	$139M	$1.1B	$3.9B	58	1	2022	1st FRC commissioned 4/14/12. FRC 2-4 launched and in builder's trials. Cavitation problems detected at high speeds which may require retrofits.
Cutter Boats	N/A	$4M	$24.8M	$110M	124	0	2026	USCG is currently conducting tests of 4 designs of the smaller Over the Horizon boat. Contract for production expected 4th Quarter FY12. USCG is currently evaluating proposals for larger Long Range Interceptor boat with contract expected 3rd Quarter of FY 2012. Currently operational NSCs will not be fully outfitted with cutter boats until late 2014.
Polar Icebreaker	USCGC POLAR SEA	$8M	$0	TBD	1	0	TBD	USCG intital estimate of total cost to construct a Class 1 heavy icebreaker is $860 million. USCG Capital Investment Plan funds the total cost over the next 5 years even though design and contruction could take 10 years. USCG Capital Investment Plan assumes no other federal agencies with polar missions will contribute to the acquisition cost.
Medium Endurance Cutter Sustainment	N/A	$13M	$279.7M	$297M	27	24	2014	Once the current sustainment program is complete, USCG intends to convene a Ship Structure and Machinery Evaluation Board to begin to determine whether another mission effectiveness project will be required to ensure the service life of the MEC will reach until mid 2030 when the OPC buy is expected to be completed.

New Asset	Legacy Asset	FY 2013 Budget Request	Total Appropriated to Date	Estimated Total Acquisition Cost [1]	Planned Quantity	Delivered Quantity	Estimated Completion Date [1]	Status
In Service Vessel Sustainment	N/A	$0	$14M	N/A	N/A	N/A	N/A	USCG intends to use previously appropriated funds to complete a service life extension on 1 of the 9 140 ft Ice Breaking Tugs. Although no funding is requested in FY13, USCG intends to spend $264M in FY14-FY17 to finish the service life extension on the remaining Ice Breaking Tugs, conduct a mission effectiveness project on 4 of 16 225 ft Seagoing Bouy Tenders and 1 of 14 Coastal Bouy Tenders. No funding is programmed for additional sustainment of the MECs or the Inland Tender fleet.
Maritime Patrol Aircraft (MPA)	HU-27 Falcon	$43M	$969.6M	$2.2B	36	13 aircraft & 12 mission system pallets	2020	Operational Test and Evaluation report expected in June 2012. Currently suffering from a shortage of spares which will result in flight hour restrictions for the fleet.
Long Range Surveillance Aircraft (C-130H/J)	Current C-130H model	$0	$214.1M	TBD	22	23 C-130H 6 C-130J	TBD	Revised baseline awaiting approval by DHS. USAF released a request for porposals for a 9th fully missionized C-130J in 3/2012.
HH-60 Conversion Projects	Current HH-60 model	$0	$331.4M	$451M	42	26 through segment 2	2020	USCG intends to use previously appropriated funds to complete upgrades to avionics and sensors (segment 2) & defer for more than 5 years planned upgrades to the radar and C4ISR system (segments 3 & 4).
HH-65 Conversion/ Sustainment Projects	Current HH-65 model	$31.5M	$548.1M	$1.2B	102	97 through segment 3 28 through segment 4	2020	USCG continues to install upgrades to the navigation system (segment 4) and is developing an upgrade package for the avionics system for future installs (Segment 6).
Unmanned Aircraft System (UAS)	N/A	$0	$121.5M	TBD	TBD	0	TBD	USCG is using previously appropriated RDT&E funding to conduct studies of UAS systems and is pursuing a small UAS system for potential deployment aboard the NSC. The small UAS would not have a large range or advanced sensor capabilities.
C4ISR	Current C4ISR system	$40.5M	$681.4M	$2.3B	8 Segments	1 Segment	2025	USCG continues to build a non-proprietary baseline system that can be improved upon in the future. USCG is working to install system on the MPA, C130J, and NSC. USCG Capital Investment Plan only includes funding to continue to deploy and maintain this baseline system. There is no money programmed to develop improvements.

New Asset	Legacy Asset	FY 2013 Budget Request	Total Appropriated to Date	Estimated Total Acquisition Cost [1]	Planned Quantity	Delivered Quantity	Estimated Completion Date [1]	Status
Nationwide Automatic Identification System (NAIS)	N/A	$6M	$101M	$277M	58 Ports	8 Ports	2014	USCG intends to deploy the system to two more ports in FY12 and conduct site surveys at 6 others.
Rescue 21	National Distress System	$0	$808.9M	$1.1B	37 Sectors	35 Sectors	2017	USCG intends to complete the remaining 2 sectors in FY12 and upgrade legacy equipment at sites along the western rivers and Alaska. However, the western rivers and Alaska will not have the Rescue21 system installed.
Major Shoreside Infrastructure, Military Housing, and Aids to Navigation	N/A	$15M	$39.6M	N/A	N/A		N/A	USCG currently has a backlog of over $540 million in shore infrastructure projects. None of the FY13 requested funds would be used to renovate military housing.
Major Acquisition Systems Infrastructure	N/A	$49.4M	$81.5M	N/A	N/A		N/A	USCG uses this account for upgrades to piers, training facilities, and logistic facilities to support new aircraft and vessels.

Source: USCG Fiscal Year 2013 Congressional Budget Justification

Note (1): Total project costs and estimated completion date are based on individual project DHS Acquisition Program Baselines (APBs) when available, or the 2007 Integrated Deepwater System APB.

CREATING AMERICAN JOBS AND ASSURING THE SAFETY AND SECURITY OF AMERICA'S WATERWAYS: A REVIEW OF THE COAST GUARD'S 5-YEAR CAPITAL IMPROVEMENT PLAN

WEDNESDAY, MAY 16, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:00 a.m. in Room 2167, Rayburn House Office Building, Hon. Frank LoBiondo (Chairman of the subcommittee) presiding.

Mr. LOBIONDO. Good morning. The subcommittee will come to order. The subcommittee is meeting today to review the Coast Guard's major acquisition programs and its 5-year capital improvement plan. The Coast Guard's acquisition programs have suffered through some very, very dark days. And this subcommittee has been vigilant to ensure that the Service has the capability, capacity, and motivation to reform its acquisition process.

I want to applaud the improvements made by both Admiral Papp and his predecessor, Admiral Allen. They both made acquisition reform a priority and focused on the end result: building new assets in a timely, cost-effective manner.

However, I fear—and sometimes it seems, like it does now—that for every two steps forward, we may be taking one step back. I can't tell you how concerned that I am—and I believe I speak for the committee—about the recent discovery that the Coast Guard Cutter *Stratton*, the third newest National Security Cutter, is in need of an emergency drydock to fix a leaky hull plating.

I know there is an investigation into what caused this steel to fail. But again, I can't tell you how extremely troubling it is to see the newest ship in the fleet, and the most expensive cutter in Coast Guard history, needing emergency repairs. I just sort of can't get my brain around this one.

I am also very upset to hear there is a shortage of spares for the Maritime Patrol Aircraft. Due to what appears to be very poor planning and budgetary short-sightedness, the brand new fleet of MPAs will face flight hour restrictions for the foreseeable future, further exasperating the MPA's patrol hour gap. Again, I just hope we can get some answers to this, because nothing is making sense.

The failure to adequately budget for critical spare parts points to larger problems with the budget request and the sustainability of the capital improvement plan. The administration's decision to cut the Service's acquisition budget by 19 percent over the current year has left it scrambling to reprioritize limited funding, forcing the termination of critical acquisition programs and the reduction in vital capabilities for certain assets.

Trying to squeeze a $2.5 billion annual need into a $1.2 billion annual program is just not going to work. Trade-offs will undermine the Service's missions effectiveness, and costs will increase in the outyears. And all this on the heels of what we thought were a number of years of finally making some progress, and we are sliding back down that hill that we pushed so hard to get up very rapidly.

I also continue to be very concerned with the findings by the GAO and others with questions—the Service's assertions that new assets are providing increased capability.

For instance, after 10 years, and nearly $4 billion appropriated by Congress, the National Security Cutter and the C4ISR program still have not met promised capabilities. How much patience are we to have? What else can we do? The three National Security Cutters operating today still lack enhanced small boats, extended aerial surveillance capability, or a crewing plan to increase patrol days. And the C4ISR program has failed to deliver a common operating picture across all aspects—something we were told absolutely would take place.

I look forward to hearing from the admiral on how these acquisitions are a good investment for the taxpayer, and how we are going to get the results that we were promised, and fix some of these problems and keep them from happening again. It seems like it is deja vu, we are getting promises of stuff, that it is going to get fixed, and then we are back here again with even worse news than we had in the prior occasion.

Finally, while it is important to focus on how the Coast Guard intends to recapitalize its assets, we must not forget that the Service faces a half-a-billion dollar backlog in shoreside infrastructure. The administration's decision to slash shoreside infrastructure funding by 86 percent and zero out funds to rehabilitation servicemember housing—extremely disappointing doesn't come close to covering it. It is a total disregard for what priorities ought to be.

We ask a lot of the men and women in the United States Coast Guard. And failing to provide them and their families with adequate housing is just unacceptable. It is totally wrong.

Admiral, I hope you will be able to tell us when we can expect to receive the complete housing survey report, and what the Coast Guard is doing to ensure our servicemembers have the resources and support they need.

Admiral, I thank you for appearing today. I congratulate you on your promotion to vice commandant. Please give our best wishes to Vice Admiral Sally Brice-O'Hara on her retirement. Please extend a thank-you from the committee for her 37 years of outstanding service to our Nation.

And before I turn over to Mr. Larsen, Admiral, we have tried to be your biggest cheerleaders. We have tried over the years to push back on the critics, to explain why and how the Coast Guard needs the programs that they need. You are making it very difficult. Not you, personally, but you are in the seat today. And we have got to get on a positive track here.

Mr. Larsen?

Mr. LARSEN. Thank you, Mr. Chairman, for convening this morning's hearing to continue the subcommittee's oversight of the U.S. Coast Guard's major acquisition programs and policies. Your persistence in keeping the Coast Guard's feet to the fire to ensure that their acquisition activities remain on track and on schedule is admirable, and essential. It is imperative we avoid any future delays and cost overruns if we hope to deliver the Coast Guard with the type of 21st-century surface air and communication assets that the agency needs.

It is no exaggeration to say that when the Coast Guard set out in 1996 to recapitalize its aging fleets of cutters and aircraft, the need for this initiative was unassailable. Despite the past setbacks of the former deepwater program, since discontinued, recent evidence demonstrates the Coast Guard has moved smartly to fully internalize all major acquisition activities, and assume the role as lead system integrator. New and additional acquisition personnel have been hired. Stringent new policies have been adopted to ensure timely and effective oversight, both within the Coast Guard and the Department of Homeland Security.

So, I want to commend Admiral Currier for the many positive actions taken by the Coast Guard to assume all system integrated responsibilities. We all recognize the magnitude of the challenge before you, and realize that this effort remains very much a work in progress.

Notwithstanding this progress, however, significant impediments remain and must be overcome if we hope to maintain the Coast Guard's operational capabilities at sea and in the air. Regrettably, the only conclusion I can reach after an assessment of the current circumstances is that the status of the Coast Guard's major acquisition programs has now risen to nothing short of critical.

Mr. Chairman, you will recall the Government Accountability Office has reported that the absence of baseline estimates for several major assets, especially the Offshore Patrol Cutter, might drive up the overall cost for the major system acquisitions to well over $29 billion. The GAO also asserts that revised cost estimates and delivery schedules developed by the Coast Guard may be unreliable, because the Coast Guard has not adhered consistently with its own best management practices.

The unreliability of the acquisition timetable was made even more acute by significant omissions from the Coast Guard's fiscal year 2013 budget request, most notably the failure to request any funding for the final two National Security Cutters, or to account for future outyear requests to build a new Polar-class icebreaker.

Cumulatively, these omissions will add hundreds of millions of dollars to future acquisition account requests. And nowhere does the budget take into account future outyear operational expenses

that the Coast Guard will assume when it initiates perpetual seasonal activities in the high North.

More troubling within the current context of zero sum or declining Federal budgets, these unbudgeted priorities will almost certainly push out further to the right the timetables for other important acquisition or construction programs, and simultaneously also wrap up maintenance and operating costs for the Coast Guard's legacy assets.

Important initiatives such as the construction of Fast Response Cutters and maritime patrol craft, completion of the approved program of record for response boat, or the renovation of Coast Guard housing and construction of new shore infrastructure will be delayed, prematurely terminated, or left to languish without these funds. Additionally, the GAO has raised concerns about the viability of the Coast Guard ever achieving a system of systems capability. It now appears that the new generation of command and control and communication technologies once promised will not be delivered.

And so, we have reached a critical threshold. Admiral Papp, in his first State of the Coast Guard address, openly acknowledged the Coast Guard does not have the resources to perform 100 percent in every one of its statutory missions on every given day. That is a somber warning, and something that—which every Member of Congress needs to take seriously.

After all, our Nation is, first and foremost, a maritime Nation. Ninety-five percent of our foreign trade arrives or is shipped by sea. The maritime transportation system accounts for nearly $700 billion of the U.S. gross domestic product, and provides roughly 51 million jobs for U.S. workers. Our Nation's economy and its security depend upon safe and reliable maritime commerce, and our Coast Guard is the indispensable tool that protects and facilitates that commerce.

Mr. Chairman, unless we are willing to see the gaps in this capability expressed by Admiral Papp be—unless we are willing to see these gaps become chronic, we need to break from the current deficit-driven mindset. If the Coast Guard could find the means—I am sorry, if Congress could find the means to recapitalize the Coast Guard during the depths of the Great Depression, we could find the resources today to provide the Coast Guard with the type of modern, capable, multimission High Endurance Cutters and aircraft that the Coast Guard deserves. Few things are as important.

With that, I yield back.

Mr. LOBIONDO. Thank you, Mr. Larsen.

Our witness today is Coast Guard Vice Admiral John Currier, deputy commandant for mission support.

Admiral, you are recognized for a statement.

TESTIMONY OF JOHN CURRIER, DEPUTY COMMANDANT FOR MISSION SUPPORT, UNITED STATES COAST GUARD

Admiral CURRIER. Thank you, Chairman LoBiondo, Ranking Member Larsen. Good morning, and thank you for the opportunity to provide an update on the Coast Guard's ongoing recapitalization program. I have submitted a written statement for the record, sir.

On behalf of the commandant and the men and women of the Coast Guard, thank you for your strong support of our Service. Your oversight and advocacy have been essential to the Coast Guard's many successes.

We in the Coast Guard as well as you in the subcommittee are well aware that the Nation is facing a challenging fiscal environment. The Coast Guard understands the pressures faced by our Nation. And I can assure you that we are committed to maintaining a disciplined and effective acquisition process, and to best allocate our resources to address our most urgent operational risks. We are making responsible investments to build capabilities that this Nation needs now and will for the next half-century.

We are mindful of the subcommittee's concerns regarding affordability. We have worked very hard to optimize the balance between investment and recapitalization and current operations within our top line. We have done this in a way that preserves the Coast Guard's viability well into the future, while still responding to today's essential mission demands. Our fiscal year 2013 to 2017 capital investment plan shows that at our projected outyear funding levels, we can achieve our recapitalization goals. We may not be able to reach these as fast as we all would like, particularly with respect to the baselines developed in the expanding budget environments of the past, however we can continue to make intelligent trade-offs to address our most urgent risks.

We are in the process now of updating our plans to reflect the constraints of the current fiscal environment, and we are committed to working with this subcommittee to successfully replace our aging assets. We know this is the right course, because the operational need for our acquisition assets has been validated several times over, notably by our fleet mix analyses one and two, and by the DHS cutter study.

In the past, the Coast Guard briefed the subcommittee regarding our acquisitions. In some cases, not always great stories. Today, I am very proud of the achievement of the Coast Guard acquisition directorate, and the mission support infrastructure that is behind it. I appreciate how effective your oversight in our collective efforts have paid dividends. Today we are delivering capable assets that are serving the Nation, prosecuting missions, and saving lives along our shores this day and every day. Given this transformation, we are able to migrate—or mitigate our highest operational risks while we remain—which remain in our offshore regions.

Our major cutter fleet is obsolete and increasingly less effective. For example, our 43-year-old High Endurance Cutters are achieving 70 percent of their programmed days away from home port, and sailing 50 percent of the time with mission-degrading casualties. This places our crews in an unacceptable position. It jeopardizes our ability to refuse threats, protect mariners, secure our borders, and be ready to mount capable response to any contingency. We need to replace these assets now. We have the ability today to do just that.

We are delivering assets on schedule at a well-negotiated price, introducing tremendous capability to our fleet. We are reaping the benefits of efficient shipyard processes, experienced shipbuilders, and stable production. Last year, the production contract for the

fifth NSC was awarded at a price that was virtually the same as that of the fourth. Recently we awarded the contract for long lead-time materials for the sixth NSC, and that was awarded at a lower price than the long lead material for number five.

The first Fast Response Cutter was delivered, commissioned, and certified ready for sea. We look forward, sir, to showing this cutter off to anyone who is interested, certainly the subcommittee members, while it is here in DC, on the waterfront.

These are the same processes that allowed us to react quickly when a problem was discovered aboard *Stratton* that you mentioned. We were able to rapidly identify the issue, and verify that our other cutters, the first two, are not impacted. I want to be crystal clear that this is not a classwide issue. Most importantly, the close work amongst our acquisition contractor, maintenance, and shipyard personnel ensured that the problem will be permanently fixed, and she will put to sea ready to perform all missions in short order.

These assets are serving the public in a manner that we planned and expected. Even in the face of new threats that were not anticipated during the conception of the deepwater program, our current acquisitions are able to meet those threats.

A recent operational case highlights the effective mix of our assets. Last March, a Medium Endurance Cutter, a 110-foot patrol boat, and a new HC–144 aircraft spotted a self-propelled, semi-submersible drug boat in the Caribbean Basin. The aircraft used its onboard sensors to pinpoint the vessel, while both cutters were able to effectively launch small boats and arrive on scene, preventing tons of cocaine from crossing the southwest border of the United States and reaching our streets. This case involved a new asset with improved sensors, a Medium Endurance Cutter that had undergone a successful MEP, and a legacy asset soon to be replaced by a Fast Response Cutter, but all still operating because of the highly effective maintenance programs that we have in place.

This type of success story the Coast Guard hopes to keep telling, but would not be possible while at the persistent offshore presence in the areas where threats exist. And that is supported by shoreside activities that have been modernized. This is why we must continue to build new assets such as the sixth National Security Cutter as quickly as possible.

Now is the time to deliver these assets cost effectively, and to ensure the Coast Guard is capable of interdicting offshore threats for the next half-century. The Service's future depends on our ability to recapitalize an aging fleet. We do not have the discretion to stop and wait for a more favorable budget environment, if we are to remain semper paratus.

Thank you again for the opportunity to testify today, sir. Thank you for your steadfast support. I look forward to answering your questions.

Mr. LOBIONDO. Thank you, Admiral Currier. On the *Stratton*, I think we have been your biggest cheerleaders for the newer assets and demonstrating the need and the efficiencies to be realized. But we still don't have an answer on the 123s. I know it is a sore subject, but at some point in time there has to be an answer for the taxpayers about how these things get screwed up.

So, *Stratton* is going into drydock when, in June?

Admiral CURRIER. Late May, June, yes. Yes, sir.

Mr. LOBIONDO. Late May, June?

Admiral CURRIER. Mm-hmm.

Mr. LOBIONDO. And I guess right now it just means it is tied up somewhere, right? It can't be doing anything, right?

Admiral CURRIER. Well, it has moved to its home port, and it is able to get underway with operational restrictions. But the repairs have been made.

If I could, sir, I would like to run through this, just to put it into context.

Mr. LOBIONDO. Go ahead.

Admiral CURRIER. About a month ago we started to see—we got a report from the crew that there was a limited amount of seawater in void spaces on *Stratton*, which really surprised everyone. So we did an underwater hull survey, and we found in the aft section of the ship areas of concentrated corrosion that actually had penetrated the hull with small cracks and some pitting. This was confounding to us. We did a comprehensive underwater inspection of the hull. We found what looked like corrosion.

We have started a comprehensive engineering analysis. And I am not prepared to give answers on causal factors at this point. But I can tell you what I know, and I really feel I need to do that.

First of all, this is not a classwide issue. We inspected in detail the other two National Security Cutters and found no evidence of corrosion like this.

Second of all——

Mr. LOBIONDO. Excuse me.

Admiral CURRIER. Yes, sir.

Mr. LOBIONDO. Evidence of corrosion at all, or——

Admiral CURRIER. Yes, sir.

Mr. LOBIONDO. OK.

Admiral CURRIER. Nothing that would not be expected of a ship——

Mr. LOBIONDO. OK, nothing that would not be considered normal.

Admiral CURRIER. That is absolutely correct.

Mr. LOBIONDO. OK, OK.

Admiral CURRIER. We are going back with this engineering analysis on *Stratton* now because we are extremely interested in causal factors on this. There is a spectrum of possibilities on how this could be caused.

On the one end—and this is speculation on my part, but somewhat informed speculation from years of maintenance and engineering experience—on the one end, it could be a quality of steel issue, but we don't have indications to that.

On the other end, there was some local repairs done on this ship through a welding process after there was a bump of the pier. So there was a localized repair done to *Stratton* before it was commissioned by the First Lady. This damage is consistent with what we have seen before in ships when the welding procedure is not performed properly. If it is an electric weld and the welding is not grounded properly, you can see degradation in welds and cracks open in steel structure on ships.

I am not suggesting at this point that is the cause. What I am suggesting is this is—what I am saying, categorically, is this is not a classwide issue. We don't have strong indications that this was a quality issue in the build of the ship. But we won't have a clear answer on the forensics for about another 6 weeks. In the meantime, the ship will go into drydock, will be fully repaired, and put back into service as quickly as we can, likely within 30 to 45 days. That is what we know today on *Stratton*.

This is, in my opinion, sir, not reflective on either the acquisition process or the quality of the shipyard in building the ship.

Mr. LOBIONDO. So, it is way too early to tell whether the rust protection system, the cathodic protection system was—there is something flawed there? I guess we just have to wait to find out?

Admiral CURRIER. We looked at the cathodic protection system on this ship. There was a quality issue in a wiring—in one of the wiring bundles. But that was, in the opinion of our engineers, not sufficient to contribute materially to this problem. It was a quality issue that was corrected. We looked at the cathodic protection systems on the first two National Security Cutters and saw no discrepancies whatsoever.

Mr. LOBIONDO. So I guess whether this is coming under the ship's warranty is something that is just going to have to wait?

Admiral CURRIER. Yes, sir. I am not prepared to discuss warranty issues at this point, because we don't have a solid causal factor.

Mr. LOBIONDO. OK. Let's move on to the shortage of the spare parts for the Maritime Patrol Aircraft. The Coast Guard informed the subcommittee this month that, due to budget constraints, there are not a sufficient number of spare parts for the fleet to support full operational readiness when it initiates operations in Cape Cod this fall.

We have any idea of what it is going to take to correct this, how much money it is going to cost to acquire the needed spare parts?

Admiral CURRIER. First of all, sir, I am not sure I agree with that characterization that your staff was provided. I have gone back through both the operations directorate and the support directorates in the Coast Guard. We had a meeting to discuss this. I am an aviator, so I take this very close to heart.

First of all, this is a longstanding systems acquisition. It is stretched out over years. It is certainly not the way we would want to do it. But we are buying two—one, two, three, sometimes—airframes a year. Along with that, we are buying, to a model, sparing for these aircraft. We are also buying mission pallets, as you are aware of. So there are three main pieces in the acquisition.

As we progress these airframes, we are incrementally buying spares. The characterization that we are going to limit flight hours or stand up Cape Cod with inadequate spares is not today true. That is not true. In fiscal year 2012 we plan to buy 2 airframes, 16 and 17. We plan to buy five mission pallets. These will be the first mission pallets that are bought by the Coast Guard, not under the aegis of ICGS. And spares in the fiscal year 2012 funding profile.

When we definitize the cost of the mission pallets, we will know how much money we have left for spares. That decision needs to

be made. But we will stand up Cape Cod late this year and early the year after. They will be adequately spared to fly 1,200 flight hours. There are no current plans to reduce flight hours or to slow down the deployment of these aircraft.

Mr. LOBIONDO. Do you anticipate the shortage in funds that we are experiencing in some of these issues to affect the scheduled acquisitions for 2013?

Admiral CURRIER. 2013, our current plan—and it is a solid plan—is to buy airframe number 18 with the funds that are available. I would say that, in an ideal situation—we are in a fiscal environment where tough choices are required, and we are making those tough choices. What we will do is buy airframe 18, and with fiscal year 2012 money ensure that we have spares adequate to run those aircraft out to 1,200 flight hours. That is the way it looks today, sir. And if this changes, I will get back through my staff to your committee staff. But at the current time we have no plans to reduce flight hours.

Mr. LOBIONDO. Well, that is really good news, Admiral, because somehow there was a miscommunication or misunderstanding. After the hearing, we will make an attempt to find out where the gap in information was. And I am absolutely thrilled with your assessment that operational readiness is not affected, and whatever is happening is relatively minor compared to what we thought that it would be.

So, I am going to hold for now and go to Mr. Larsen.

Mr. LARSEN. Admiral Currier, I noted a story this morning that the—it is possible that the House Appropriations Defense Subcommittee will ask the Air Force to continue the purchase of C–27s. However, there has been some discussion about the Coast Guard's interest in acquiring the C–27. Has the Coast Guard completed its business case analysis for that proposal?

Mr. LOBIONDO. Yes, sir, we have. We have instituted or conducted a business case analysis, and I received a pre-brief on it the other day. We are waiting to brief the commandant, who, as you probably know, has recently had a health issue.

Mr. LARSEN. Right.

Admiral CURRIER. So we are a little bit behind in catching him up. But it is teed up for him to be briefed. I can tell you that my interpretation of it is that if we were—if these planes were made available to us—and I want to be clear they have not as yet been made available——

Mr. LARSEN. Right.

Admiral CURRIER [continuing]. But were they to be made available, we feel there is significant capitalization cost avoidance likely available to us, were we to get 21 of these airframes from DOD at no cost.

Now, there will be—we will have to come back to Congress and this subcommittee if that is made available to us and talk about upfront funds that might be required to integrate those aircraft. Because, rather than the C–144 program, which would be stretched out over many years——

Mr. LARSEN. Right.

Admiral CURRIER [continuing]. We conceivably could receive 21 airframes in very short order.

Mr. LARSEN. Right.

Admiral CURRIER. So that would require an adjustment on our OE money and potential AC&I money.

This plane, interestingly enough, was actually looked at as a candidate for our MRS asset, the HC–144. But at that time the 144 was chosen. It was chosen by ICGS. We think if the planes are made available, that there is a likely potential that we would be able to achieve significant cost avoidance by bringing them on board.

Mr. LARSEN. Thank you. So the current baseline $24.2 billion for the former deepwater program was adopted in 2007. And since assuming full control as the lead system integrator, the Coast Guard has made progress in approving APBs for each acquisition project on an asset-by-asset basis. Yet the GAO reports that the overall baseline is now estimated to be $29 billion. What factors have contributed to this increased—16 percent estimated cost increase in just 5 years?

Admiral CURRIER. Sir, I think—I need to take you back just a second and talk about deepwater. With ICGS, we had a system of systems. They made some projections on total program cost that were very immature and very early in the program. As this program was stretched out, the fidelity of our cost estimates have increased.

We disaggregated deepwater, as you know. We broke it down into component acquisition buys. So to compare the original cost figure and estimate to today's potential cost estimate for the aggregate program is almost an apples-to-oranges comparison.

The truth of the matter is, with an organization as asset-intense as the Coast Guard, we are never going to get out of the acquisition business. So to try to put a deadline on the end of our major systems acquisition probably is unrealistic.

Our aircraft—our helicopters, in particular, which are a major component of the Coast Guard—will come to service life end in the 2025 to 2027 range. So we can't really say we are going to stop systems acquisition there. This is an ongoing process.

I can provide to you specifics on cost estimates for the disaggregated component pieces. But I really don't think there is great utility, or can I produce a figure with great fidelity for what used to be deepwater but now is the way we are buying these systems.

Mr. LARSEN. So last year the GAO emphasized that the Coast Guard's 17 major acquisition programs, though, continued to experience challenges and in program execution, schedule, and resources. Further, the GAO said that the Coast Guard's own estimates contained in its capital investment plan recommends funding levels through the fiscal year 2016 that are unrealistic—that is GAO's words—given the historical pattern of appropriations for the AC&I.

Has the Coast Guard done anything to adjust cost estimates contained in the CIP to reflect the present fiscal climate in DC?

Admiral CURRIER. Yes, sir. We are mindful of resources available and, as I said in the opening statement, the pressures that the country and Congress are under. We take every opportunity to control costs. I would cite the OPC, the upcoming OPC, as an example.

We have taken a year where Admiral Salerno, the DC of—deputy commandant for operations and myself have had our staffs in a room, scrubbing the requirements to get to thresholds that are the least expensive that will do the mission.

We have entered in, as we have released specifications to industry—preliminarily, draft specifications—we have been in a robust dialogue with industry specifically to find out how we can accomplish our operational requirements at a reduced cost. We are—cost is a true variable in the OPC. We have tried to reflect that back through others.

For instance, NSC 4, National Security Cutter four, between four and five there was virtually no price difference in the construction contracts. That is a success story. We just contracted long lead material for number five at less money than we contracted long lead material for four. So this is kind of emblematic of what we are able to do with these acquisition processes if we receive stable funding. So hopefully that answers your question, sir.

Mr. LARSEN. Well, it doesn't, but introduces the OPC into the discussion further. What is the lineup on the calendar of the OPC's operational—initial operating capability, or as the DOD term—whatever term Coast Guard uses——

Admiral CURRIER. Right.

Mr. LARSEN [continuing]. What is that timeline versus the completion of your MEPs and the potential additional MEPs on the 210s and the 270s?

Admiral CURRIER. OK, sir. The 210s have completed the MEP process. They are 40-year-old ships, but they have—and the MEP, as you know, is not a SLEP, it is not a service life extension. It is a—basically a treatment of the hull, mechanical engineering at the highest readiness degraders. The 210s have been completed. fiscal year 2013 we have requested funds to complete the last two 270s, 270-foot cutters. That puts us in a fairly good position for them to have about 7 to 10—maybe more—years' service life.

Now, that doesn't mean that these are pushed out and forgotten about. The modernized maintenance practices that we are doing, the computerized maintenance, the preventative maintenance, we are going to watch these ships carefully. But I don't at this time, nor does the commandant, anticipate that we are going to have a service life extension or an additional MEP program in the MEC fleet. We deliver the first—notionally, we deliver the first OPC in the 2020 timeframe, and then we will deliver one per year, and it will hopefully pick up to a two-per-year delivery construction.

We feel that we can get our MEP fleet into that timeframe, as long as we don't have further delays in the OPC, and only treat on a case-by-case basis the maintenance that the ships need. So we don't anticipate another major mid-life program for these ships. We think that we can get them to the point where they will be replaced by the OPC. And as we are doing with the HECs, there will be reduced spending on these ships near the end of their service life, but we will keep them in service.

Mr. LARSEN. So who in the Coast Guard, then, over the next several years is responsible for tracking the success of the MEP on the 210s and 270s, to ensure that they live that long?

Admiral CURRIER. The 270 MEP was funded and managed by our acquisition directorate. But now the ships are in service they come under our engineering directorate. They have modernized practices. Quite frankly, many of them were based on our successful aviation maintenance programs that now applied to the ships. CG4 it is called, our engineering directorate, will have direct authority and responsibility for overseeing the material condition and operational availability on those ships.

Mr. LARSEN. Of all of them?

Admiral CURRIER. Yes, sir.

Mr. LARSEN. So it won't be ship by ship, it will—they are responsible for all of them?

Admiral CURRIER. Well, they have—they are responsible for all of them, but they view it on a ship-by-ship basis.

Mr. LARSEN. Right, yes, I got it. I understand.

Admiral CURRIER. They have a product line that does that.

Mr. LARSEN. Yes. Right, right. Thank you, Mr. Chairman. I yield back.

Mr. LOBIONDO. Admiral Currier, I appreciate your explanations, I think we have some information gaps here, but I have to tell you that I am still terribly troubled by how these decisions are being made, and the priorities. And I can't help but come back to some things that the Coast Guard is making decisions on. And this may be a sore subject, but there is going to be about $25 million that it is going to cost to move to St. Elizabeths. The promise that the Coast Guard would not be moving out there alone appears to be forgotten.

I don't know how we look Coast Guard men and women in the eye with housing problems and some of these other things, and we apparently have not done everything we can, or we don't have all the answers. The administration proposed budget cuts here and what they mean to the Coast Guard overall, which is not your fault, and I understand that you somehow have to carry the water, toe the line, whatever we are going to see. But I just want to let you know to pass to headquarters that I am so concerned about this and that I intend on having a conversation with Peter King.

Since the Department of Homeland Security does not appear to be concerned with this subcommittee because of our lack of jurisdiction over certain of their aspects, and they have sort of made that clear to us, I am going to have a conversation with Peter King and we will pass on to you, if I can convince Peter to take up this gauntlet. Because I just have a serious concern about what this means for our overall posture of the Coast Guard in the future. So just sort of an idea of where my head is on this, because I think we have got big problems here that aren't being answered.

I have a couple more questions. When can we expect to receive the Coast Guard report on the condition of Coast Guard housing?

Admiral CURRIER. OK, sir. That—first of all, we commissioned a national housing survey. We have three types of housing. And if you—by your leave, sir, I would like to give you a little bit of an explanation of where we are.

We have leased housing, we have public-private venture housing that is handled in conjunction with DOD, we have Coast Guard-owned housing. Quite frankly, we didn't have—we had a regime

where it was managed locally by the districts. Under modernization we have pulled it under central control. But what we found is we didn't have a good service-level view of either what we had, what our footprint was, or what our true requirements were. So we initiated this national housing survey that you are referring to.

The national housing survey, I just received a brief on it, the commandant will be receiving a brief very shortly. After he sees it, I think we will—we should be able to make it available to your staff. What this does is it surveys all of our housing, all types we have. It cites the requirements, looks at where we need more, where we need enhanced because of material condition, where we need to divest, and it brings it all home to our central adjudications, so we can take these precious dollars that we have and best apply them to the benefit of our people.

I guarantee you, sir, nobody is more impassioned with getting housing right than I am, or the commandant of the Coast Guard is. We are—we spent $20 million last year and it zeroed out in 2013. We are bringing in the national housing survey, and we plan on focusing on housing in the next several fiscal years.

Mr. LOBIONDO. OK. Admiral, I just want to come back to this spare shortage that we are talking about that is—apparently some kind of miscommunication. Conferring with staff, they are quite certain of what they were told about this.

Admiral CURRIER. OK.

Mr. LOBIONDO. So I will need from you in some rapid response fashion whether you are disagreeing with what they have apparently conveyed to our subcommittee staff. Because this really goes right at the heart of operational readiness and some other things that we are going to need to get settled as soon as possible. If I could have your assurance that you will work with us on that——

Admiral CURRIER. Absolutely, sir. The last thing I want is misinformation here.

Mr. LOBIONDO. OK.

Admiral CURRIER. And I will back through my staff to ensure you get an accurate read on this thing.

Mr. LOBIONDO. OK. Anything else, Rick?

Mr. LARSEN. Yes.

Mr. LOBIONDO. Mr. Larsen?

Mr. LARSEN. Admiral, the fiscal year 2013 budget includes $8 million to start a survey and design process for acquiring a new Polar icebreaker. And I understand that that acquisition program certainly extends beyond the 5-year capital investment plan. First off, is that correct, that it extends past the 5-year acquisition plan?

Admiral CURRIER. The—I'm sorry?

Mr. LARSEN. The whole program, the acquisition program?

Admiral CURRIER. Oh, yes, sir.

Mr. LARSEN. Is it?

Admiral CURRIER. Yes, sir.

Mr. LARSEN. OK, good. Yes, right.

Admiral CURRIER. Yes.

Mr. LARSEN. So, when does the Coast Guard intend to complete the development of the mission requirements for this particular new vessel?

Admiral CURRIER. Sir, we have $8 million for survey and design. Basically, that will include the definition of requirements. We feel that—this is a national asset. We have a set of requirements. Obviously, NSF likely has a set of requirements. And there are other interagency governmental entities that have an interest in this, as—particularly as the Arctic opens up.

So, we will start our definition of requirements. But I think I need to be clear that this is a major acquisition. This is not a minor ship acquisition. We really need to get this right. And we talk all the time about our modernized acquisition process. We need to take a disciplined approach to this.

The $8 million is sufficient for us to come out of the chocks and start defining requirements and looking at designs. And we are talking with the Canadians, we are doing all the proper things. But this ship is likely an 8- to 10-year project. The first thing we need to do is establish a mission need and establish requirements. Unless we do that, we fall prey to all the bad things that happen in an acquisition process downstream.

So, the long answer—I apologize—to a short question, but that $8 million was sufficient for us to start with a mission need, to survey the interagency for requirements, and then start to put together a clear requirements document for this ship.

Mr. LARSEN. Thank you. Thank you, Mr. Chairman.

Mr. LOBIONDO. OK. Admiral Currier, I would like to thank you very much. We will obviously have some ongoing dialogue about where we go with all this.

And the committee stands adjourned.

[Whereupon, at 10:45 a.m., the subcommittee was adjourned.]

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TESTIMONY OF
VICE ADMIRAL JOHN P. CURRIER
DEPUTY COMMANDANT FOR MISSION SUPPORT
ON THE
"COAST GUARD ACQUISITION PROGRAM"

BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

MAY 16, 2012

INTRODUCTION

Good morning Mr. Chairman and distinguished members of the Subcommittee. It is an honor to appear before you today to provide an update on the U.S. Coast Guard's efforts to recapitalize our aging legacy fleet of cutters, small boats, and aircraft. The Coast Guard's ability to save lives, interdict drug and alien smugglers, and protect our ports, waterways, and natural resources depends on providing our highly trained people with a modern, reliable fleet of vessels and aircraft equipped with effective command, control and communications systems. On behalf of the men and women of the Coast Guard, I want to thank you for your continuing support of our ongoing acquisition efforts and our Service.

We are committed to sound stewardship of the taxpayers' investment in the Coast Guard and to the efficient management of our acquisition program. We are working to strike the optimal balance between current operations and investment in future capability to sustain the Coast Guard's ability to execute our missions, and address the most pressing operational requirements. Our continuing improvements in the acquisition process reflect our commitment to the smart, responsible investment of taxpayer resources.

We have shifted to fixed-price contracts, where appropriate, for most of our major acquisition projects due to the maturation of our acquisition processes and to better allocate programmatic risk between the government and contractor. We are also concentrating on acquiring market-proven designs and technologies and leveraging collaborative efforts with industry and other government agencies to seek commonality and interoperability where it makes best sense. The Service has also enhanced its oversight of contractor activities to hold them fully accountable for providing quality products and services on cost and on schedule. These improvements have resulted in the establishment of stable, repeatable processes and requirements and have enabled the Coast Guard to award the production contract for the fifth National Security Cutter (NSC) for nearly the same price as the fourth NSC, and to achieve a price for Long Lead Time Materials for the sixth NSC less than the cost of the same materials for the fifth cutter. We also recently delivered our newest surface asset, the Fast Response Cutter, to the operational fleet.

The Coast Guard is well aware of the challenges associated with carrying out a comprehensive recapitalization program in the current and projected fiscal environment; however, the need to replace our aged cutter fleet is more urgent than ever.

Demand for our services continues, and our ability to continue providing them requires dependable assets and systems. This is why we continue to make informed adjustments amongst acquisition projects and within our budget as a whole to advance our highest priorities. The Coast Guard remains committed to achieving a force structure that will assure the future viability and effectiveness of our Service. We are also working closely with other components of the Department of Homeland Security (DHS) to ensure our plans address the most pressing acquisition needs, particularly in the current fiscal climate.

The nation expects the Coast Guard to be true to our motto – *Semper Paratus* – "Always Ready" – to ensure our nation's maritime safety, security, and stewardship. They also expect us to respond promptly and effectively to disasters and other major incidents such as the Haitian Earthquake, the BP Deepwater Horizon Oil Spill, and Hurricane Irene. In order for our Coast Guard men and women to perform these missions, we must have the tools to do the job. The array of assets being delivered through our acquisition programs provides the necessary capabilities to support mission success across the entire scope of the Coast Guard's area of responsibility.

COAST GUARD ACQUISITIONS – WHERE WE ARE TODAY

For the past six years, the Acquisition Directorate has served as the systems integrator for all of our acquisition programs, and, in July, the Coast Guard will celebrate the fifth anniversary of the establishment of a consolidated Acquisition Directorate. During that time, we have strengthened our processes and governance, identified gaps and inefficiencies in management and oversight, built and maintained a highly capable and trained acquisition workforce, while making the requisite changes to both the foundation of our acquisition enterprise and the processes we use to govern each step in an asset lifecycle.

In alignment with requirements and recommendations made by Congress, the Administration, and the Government Accountability Office, we are instituting reforms that lower risk and cost. As individual projects have matured, so too has our ability to more precisely estimate costs for individual assets. Furthermore, our shift to fixed-price contracts as projects mature has further improved our ability to accurately estimate costs and assess out-year resource requirements.

The Coast Guard is committed to the continued improvement of our acquisition processes and program management. A detailed update on the status of our major acquisition projects follows.

National Security Cutter (NSC)

The Legend-class NSC replaces and improves upon the capabilities of our legacy 378-foot High Endurance Cutter fleet – which was built from 1967 - 1972. The NSC provides the Coast Guard with the necessary capabilities to maintain an extended presence to execute Coast Guard missions in critical offshore environments, including the North and East Pacific Oceans, drug transit zones, and the Arctic.

Our acquisition project has matured to the stage where we are achieving stability in cost and schedule through the experience gained during the construction of the first three hulls.

These factors have led to the Coast Guard successfully meeting 14 consecutive scheduled shipbuilding milestones since July 2010 and the continued improvement in the quality and finish of each asset delivered under this project.

The Coast Guard recently commissioned the third NSC, STRATTON, to join the BERTHOLF (NSC # 1) and WAESCHE (NSC # 2) which have already attained "Ready for Operations" status and have displayed the enhanced capabilities of the vessel during recent patrols in the Eastern Pacific and the Bering Sea. STRATTON was delivered on schedule following notably successful builder and acceptance trials where she received the fewest number of deficiencies of this class from U.S. Navy and Coast Guard evaluators. Fabrication of the HAMILTON (NSC # 4) began last summer with the keel-laying scheduled this August. Fabrication for the JAMES (NSC # 5) also started earlier this month, and a fixed price contract for partial Long Lead Time Materials for NSC # 6 was awarded March 30, 2012. Additionally, the FY 2013 President's Budget Request includes full funding for NSC # 6.

These NSCs are providing our men and women in the field the requisite capabilities needed to perform the full range of Coast Guard missions in the offshore environment. Last year, BERTHOLF completed its initial patrol off the coast of Alaska, including participation in joint training exercises with Department of Defense forces as part of Operation Northern Edge 2011, joint operations with Army H-60 Blackhawk helicopters, and prosecution of fisheries and law enforcement missions in the Bering Sea. The NSC is equipped with a Sensitive Compartmented Information Facility (SCIF), which is proving integral to Coast Guard operations, providing real-time tactical intelligence and classified information-sharing to entities we collaborate operationally with, and to Coast Guard's shoreside intelligence centers. During separate patrols in 2011, the BERTHOLF and WAESCHE were responsible for disrupting and seizing an approximate total of 2,200 kilograms of illegal drugs with a street value of approximately $85 million.

Offshore Patrol Cutter (OPC)

The OPC, combined with the NSC and the Fast Response Cutter (FRC), rounds out the recapitalization of the Service's major surface cutters. The OPC will typically conduct the majority of its missions beyond 50 nautical miles from shore to meet specific mission demands which require the Service's unique blend of authorities and capabilities. The OPC will replace and improve the capabilities of our current fleet of 28 Medium Endurance Cutters (WMECs), most of which are between 25 and 40 years old. In March, the Coast Guard released the draft OPC Technical Package and Statement of Work to industry to receive further feedback on the newly released requirements and to provide an update on the results of the industry feedback on the draft System Specification released in 2011. The Coast Guard plans to issue a Request for Proposal later this fiscal year leading to an award of three Preliminary and Contract Design contracts in fiscal year 2013.

The OPC project will comply with the Major Systems Acquisition Manual and DHS acquisition policies. This will ensure the OPC program follows a disciplined pathway based on best practices.

We are employing a very deliberate process to ensure the OPC is not only affordable but also provides the capabilities we need to meet our demanding operational requirements. We are committed to getting the OPC right from the onset of the acquisition process.

Fast Response Cutter (FRC)

The 154-foot Sentinel-class FRC project is providing critically needed assets to close our existing patrol boat gap and replace the aging 110-foot Island-class fleet. The FRCs, which are named after enlisted heroes, offer a far wider range of capabilities over the 110-foot patrol boats they are replacing including increased sea-keeping and better habitability. These enhanced capabilities improve crew effectiveness, communications, and on-scene operational endurance.

The lead FRC, BERNARD C. WEBBER, was delivered to its new homeport of Miami, FL, and was commissioned into service April 14, 2012. Production of FRCs #3-12 are currently underway, with the delivery of FRC # 2 (RICHARD ETHERIDGE) anticipated in the coming days. In February, the Coast Guard exercised a contract option to obtain the Reprocurement Data and Licensing Package necessary to re-compete the FRC production contract in the future. The Coast Guard plans to exercise a fixed-price option for production of additional hulls later this fiscal year following the receipt of the final Operational Assessment report which incorporates the results of a battery of tests that were performed earlier this year on the WEBBER.

Cutter Boats

We are in the process of acquiring two classes of cutter boats to operate aboard and in conjunction with the NSCs. Each NSC will be equipped with one Long Range Interceptor II (LRI-II) and two Over the Horizon IV (OTH-IV) boats. The Coast Guard is currently evaluating industry responses to the LRI-II Request for Proposal released in September 2011. A contract award is planned for later this fiscal year. We also have awarded four Indefinite Delivery, Indefinite Quantity contracts for the production of OTH-IV test boats and are in the process of reviewing results from tests conducted as part of a "boat-off" this spring. A down-select decision of the final OTH-IV design will be made later this year leading to follow-on production. While designed for operations from the NSC, our cutter boats are planned for interoperability among our surface assets, providing commonality and life-cycle cost benefits.

Mission Effectiveness Project

Under the Mission Effectiveness Project (MEP), 210-foot and 270-foot WMECs as well as 110-foot Island-class patrol boats are undergoing extended refurbishment at the Coast Guard Yard in Curtis Bay, MD. The MEP is designed to maintain and enhance legacy Coast Guard cutters until they are scheduled to be replaced with recapitalized assets. The MEP provides selected equipment upgrades and enhancements to sustain performance and stabilize future maintenance costs. The 14th and final 210-foot WMEC completed MEP availability in September 2010. Ten of 19 270-foot WMEC availabilities have also been completed. Additionally, 16 of the 17 110-foot, Island class patrol boats have been completed under MEP, and the last patrol boat is scheduled to depart the Yard by the end of the fiscal year.

HC-144A Maritime Patrol Aircraft

The HC-144A Maritime Patrol Aircraft (MPA) is an effective and efficient complement to the Coast Guard fleet of heavy-lift, long-range surveillance (LRS) HC-130 series aircraft. Its high-efficiency turbo prop design provides crews more endurance to remain on scene to prosecute missions with an endurance nearly three times that of its predecessor, the HU-25 Falcon. MPAs are equipped with a Mission Systems Pallet (MSP) that provides new command-and-control, surveillance and intelligence technologies to enhance maritime domain awareness. The HC-144A is a multi-mission aircraft that will perform maritime patrol, law enforcement, search and rescue, disaster response, and cargo and personnel transport. MPAs are currently standing the watch at two air stations; a third air station will be fully operational by next year. We are also making major infrastructure improvements, including the construction of a new hangar at Air Station Cape Cod, to support future operation of the HC-144A.

The MPA has provided critical support to a number of recent interdictions, including the identification and tracking of a self-propelled, semi-submersible in March as part of the HC-144A's first deployment in support of Joint Interagency Task Force - South (JIATF-S) operations. The MPA was able to provide location information to the USCGCs DECISIVE and PEA ISLAND which, with the assistance of the Honduran Navy, were able to interdict the vessel and take multiple suspects into custody. This follows numerous other cases where the HC-144As increased endurance has allowed aircrews to maintain contact with suspicious vessels until they could be interdicted by Coast Guard surface assets. The HC-144A was also instrumental in clean up operations and wildlife evacuations during the BP Deepwater Horizon oil spill.

In April, the Coast Guard exercised a contract option for procurement of two additional HC-144As to EADS-North America, with 17 ordered and 13 delivered to date. This award was made under the second of four annual options available in the current contract; the two remaining options will provide the Coast Guard the opportunity to acquire up to four additional aircraft. The Coast Guard has already accepted two MPAs under the base contract, each on cost and several months ahead of schedule.

Long Range Surveillance Aircraft

Our Long Range Surveillance (LRS) aircraft fleet currently consists of six HC-130J and twenty-three HC-130H Hercules models.

The HC-130J is based on the robust and long-serving C-130 airframe design but with advanced engines, propellers, avionics and cargo-handling equipment and is the model currently in production. The Coast Guard-unique HC-130J is configured for our mission set through a nine-month refit to install a suite of sensor and communications systems. This is the first C-130 aircraft in the world to feature a 360-degree, belly-mounted surface search radar giving our operators more than one chance to see a person in the water—a capability that can truly mean the difference between life and death. We are working with our Air Force and Navy partners to acquire and missionize three additional HC-130J aircraft using funding appropriated in fiscal years 2010 and 2012. We are simultaneously revising our base and support plans for these aircraft to make best use of their advanced capabilities when they are delivered.

The Coast Guard is also making critical upgrades to the legacy HC-130H fleet. All HC-130Hs have been modified to operate a state-of-the-market Active Electronically Scanned Array (AESA) surface search radar, which has already proven its value in search and rescue missions. Earlier this year, we inducted our first HC-130H into the Air Force's maintenance depot to extend its airframe service-life by replacing life-limiting center wing-boxes and began the process to upgrade the HC-130H's avionics suite to improve interoperability, comply with increasingly stringent global air traffic management requirements, and replace obsolete systems.

MH-60 Helicopter Conversion

Our legacy H-60J helicopters are being upgraded to MH-60Ts for use as medium-range responders for offshore operations, shore-based aviation surveillance and transport. These conversions are being performed organically at our Aviation Logistics Center (ALC). To date, 27 out of 40 in-service MH-60Ts have been delivered with upgraded avionics in the first discrete segment of this project, and 25 aircraft have been converted with enhanced electro-optic/infrared sensor systems (EOIR) which have proved especially useful in locating people in cold surroundings such as water or snow where survival time is fleeting. Five air stations—Air Station Elizabeth City, Air Station San Diego, Air Station Sitka, Air Station Kodiak and Air Station Astoria—are operational with MH-60Ts, and a sixth, Air Station Clearwater, has received its first upgraded airframe. To date, 185 Coast Guard pilots have been fully qualified to operate the MH-60T model.

MH-65 Helicopter Conversions

Our MH-65 multi-mission cutter helicopters perform search and rescue, law enforcement and homeland security missions; this project will extend their service lives through 2027. We have replaced the engines on all 95 original in-service aircraft and also procured seven additional aircraft to conduct the National Capital Region Air Defense mission. Additionally, 98 aircraft have been upgraded to MH-65C models with Airborne Use of Force capability. Since August of 2010, we have been conducting obsolete component modernization as part of the transition to the MH-65D construct. These upgrades are being conducted entirely at the ALC. To date we have delivered 29 modified aircraft, which feature a new dual-digital embedded Global Positioning System /inertial navigation system used by the Department of Defense (DoD) that improves interoperability, mission planning, reliability and reduces aircraft weight resulting in better performance.

Unmanned Aircraft Systems (UAS)

We continue to work with the U.S. Navy and U.S. Customs and Border Protection to leverage cutter and land-based UAS development. We are in the process of demonstrating and evaluating a cutter-based small UAS, ScanEagle that has successfully operated from U.S. Navy assets. We are envisioning that this sUAS will expand the surveillance capabilities of the NSC as we continue to develop a concept of operations to leverage emerging UAS technology for final land-based and cutter-based solutions.

C4ISR

Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) systems are important for interoperability among our many resources and missions. C4ISR equipment and software provide situational awareness, data processing and information exchange tools required to modernize and recapitalize our shore sites, surface and aviation assets. Accomplishments include 42 class-wide system improvements and capability upgrades for surface and aviation assets. The C4ISR project has provided an updated training facility in Petaluma, CA, with a new NSC C4ISR Suite. The project also established a Coast Guard Independent Validation and Verification capability in Moorestown, NJ, for software testing and delivered a new NSC C4ISR design baseline to The Command, Control, and Communications Engineering Center (C3CEN) in Portsmouth, VA, which includes new hardware and hardening against emerging information assurance threats. Finally, the C4ISR project has allowed us to shift to open architecture to sustain interoperability with DHS and the U.S. Navy and to increase information assurance and security.

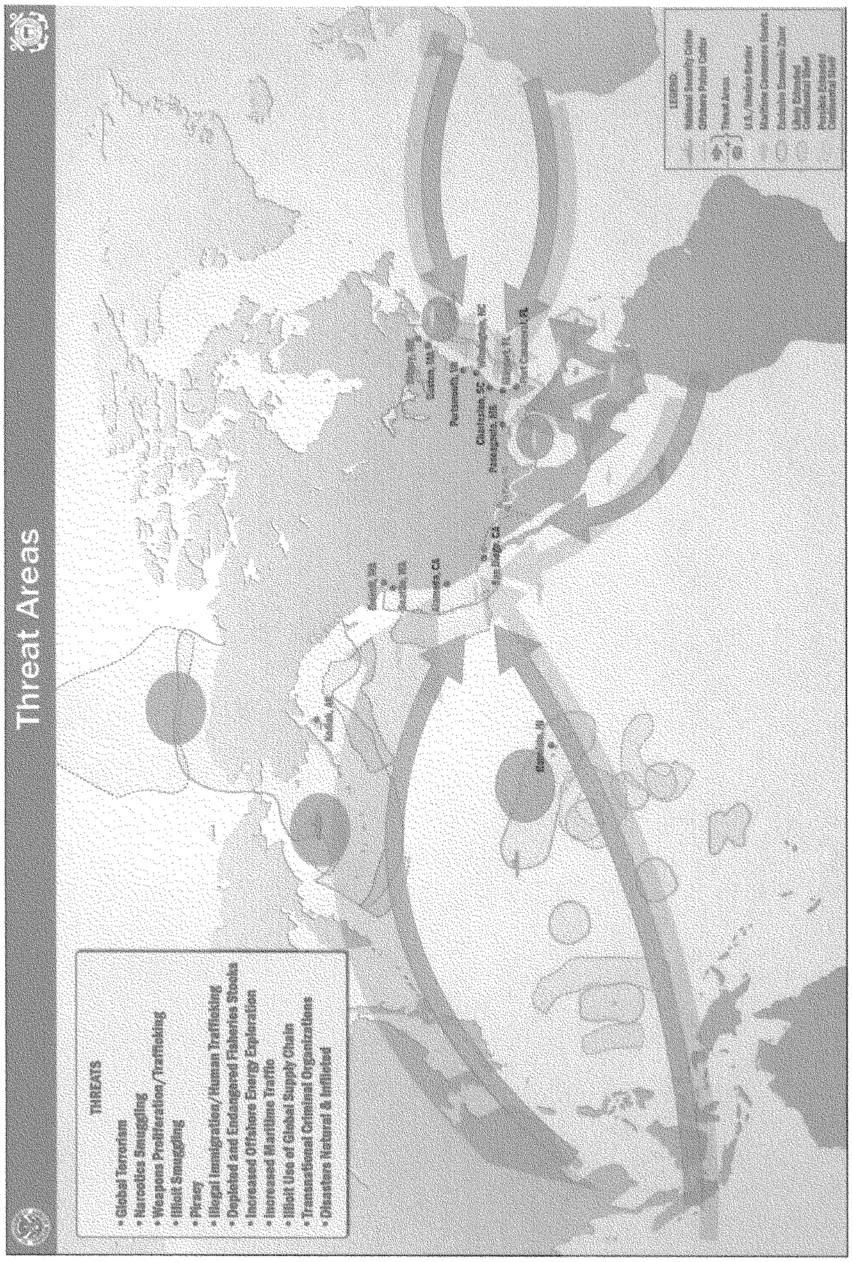
CONCLUSION

It is of vital importance that we recapitalize the fleet so that the Coast Guard is able to perform the missions that the Nation expects us of now and well into the future. Each day Coast Guardsmen and women get underway on cutters, boats and aircraft and are dependent upon the capability and reliability of these assets to carry out the Service's full range of missions that are vital to our security and our economy.

Our recapitalization program is on the right path – one of continuous improvement. We are routinely fielding new assets, and they are already saving lives, protecting our fish stocks, and keeping dangerous drugs from reaching our shores and streets. The next several years are critical in prudently addressing the Coast Guard's recapitalization priorities.

We are mindful that we will continue to face significant challenges as we work to recapitalize the fleet in our current fiscal environment. Our dedicated and outstanding acquisition professionals have made great strides in identifying and correcting shortfalls in our processes and procedures. They have been greatly assisted by the oversight of this Subcommittee and the Congress, as they continue the work to provide our Coast Guard with the assets it needs to remain always ready.

Thank you for the opportunity to testify before you today and for all you do for men and women of the Coast Guard. I look forward to answering your questions.


Threat Areas
THREATS
• Global Terrorism
• Narcotics Smuggling
• Weapons Proliferation/Trafficking
• Illicit Smuggling
• Piracy
• Illegal Immigration/Human Trafficking
• Depleted and Endangered Fisheries Stocks
• Increased Offshore Energy Exploration
• Increased Maritime Traffic
• Illicit Use of Global Supply Chain
• Transnational Criminal Organizations
• Disasters Natural & Inflicted

Question#:	1
Topic:	Buoy Tender
Hearing:	Creating American Jobs and Assuring the Safety and Security of America's Waterways: A Review of the Coast Guard's 5-year Capital Improvement Plan
Primary:	The Honorable Rick Larsen
Committee:	TRANSPORTATION (HOUSE)
Name:	VADM John Currier – USCG Deputy Commandant for Mission Support
Organization:	U.S. Department of Homeland Security

Question: Admiral Currier, the Coast Guard's Fiscal Year 2013 budget request includes $2.5 million for survey and design of a mid-life availability program for the 175-foot buoy tenders. I understand that a similar survey and design project is already being developed for the 225-foot buoy tenders.

Where does the Coast Guard intend to conduct this work? Does the Coast Guard intend to utilize the Coast Guard Yard, commercial shipyards, or a combination of both? Has the Coast Guard completed any cost analysis to determine which path both maximizes cost savings and minimizes operational constraints?

Response: The Coast Guard Yard is the preferred facility to be considered in the execution of all In Service Vessel Sustainment (ISVS) projects. The Coast Guard Yard has proven, in multiple projects, to be an ideal facility for conducting Life Cycle Event ship repair availabilities. Its history of success includes the 180' Seagoing Buoy Tender (WLB) Major Renovation program, the 210' WMEC Midlife Maintenance Availabilities, the 210'/270' Medium Endurance Cutter (WMEC) Mission Effectiveness Project and the 110' Patrol Boat (WPB) Mission Effectiveness Project. All these projects demonstrate the Coast Guard Yard's ability to efficiently plan and execute major ship overhaul projects. The first ISVS project (140' Icebreaking Tug Boat (WTGB) Service Life Extension Program) is planned to be executed at the Coast Guard Yard.

Commercial facilities will be considered when mitigating operational impacts and cost factors associated with extended transits to the Coast Guard Yard or when the project work exceeds the Coast Guard Yard's capacity.

Question#:	2
Topic:	OPC
Hearing:	Creating American Jobs and Assuring the Safety and Security of America's Waterways: A Review of the Coast Guard's 5-year Capital Improvement Plan
Primary:	The Honorable Rick Larsen
Committee:	TRANSPORTATION (HOUSE)

Question: I understand that the Coast Guard intends to replace the ten High Endurance Cutters (HECs) in the Pacific with four to six National Security Cutters (depending on whether six or eight NSCs are built). This would seem to require stationing several new OPCs in the Pacific to perform missions currently performed by HECs, including Bering Sea and Arctic Ocean operations.

How will the soon-to-be-released OPC requirements document ensure the OPC design includes the sea-keeping, endurance, and hull strength needed to operate in these areas over competing design criteria such as speed?

Response: As per the DHS-approved Operational Requirements Document, the Offshore Patrol Cutters' (OPC) Key Performance Parameters include specific Seakeeping and Endurance requirements, which will allow the OPC to operate in the Northern Pacific and ice-free portions of the Arctic and Bering Sea year-round, and be capable of launching boats and helicopters in seas up to 13 feet (Sea State 5). The hull will be designed for year-round operations in ice-free waters in accordance with the American Bureau of Shipping Naval Vessel Rules. Analysis of the OPC's requirements indicates the seakeeping, endurance and speed requirements can be met without impact to one another.

Question#:	3
Topic:	Affordability
Hearing:	Creating American Jobs and Assuring the Safety and Security of America's Waterways: A Review of the Coast Guard's 5-year Capital Improvement Plan
Primary:	The Honorable Rick Larsen
Committee:	TRANSPORTATION (HOUSE)

Question: You stated during the hearing that the OPC requirements document has been scrubbed extensively to ensure affordability. The OPC's draft RFP's objective speed (25 knots), helicopter hanger (HH-60) requirements, and threshold armament requirements (two deck guns) significantly exceed the capabilities of the existing medium endurance cutters it will replace, and the armament requirement even exceeds that of the NSC.

Considering the fact that the NSC's high end requirements drove NSC acquisition costs significantly above budget estimates, how will the preliminary design competition ensure that affordability is prioritized over such high-end, optional requirements when this process does not include a binding OPC production price?

Response: The initial competition will emphasize affordability for production of future Offshore Patrol Cutters (OPC). The Coast Guard intends to structure the final Request for Proposals (RFP) to communicate to potential offerors initially, and again to the three Phase I contractors, that we are focused on an affordable, low risk solution that meets the Coast Guard's requirements.

In this two phase acquisition, the Coast Guard is releasing one RFP with the evaluation factors for both Phase I and Phase II. Therefore, all offerors will be aware of the emphasis on affordability and the elevated importance of the price in the Phase II evaluation and selection before they submit their Phase I proposals. The Coast Guard is planning additional market research in the form of a pre-solicitation conference after the release of draft RFP information that will provide further opportunity to convey to industry the necessity of an affordable solution.

In order to ensure that the ships delivered under the OPC contract are affordable, the Coast Guard intends to include an affordability requirement in the RFP. In addition, we intend to evaluate each offeror in the Phase I competition on how well they have controlled cost in previous shipbuilding procurements and how they plan to implement and meet the affordability requirement. In the Phase II competition, we intend to evaluate whether the offeror has met the affordability requirement and will reserve the right to reject any proposal that does not meet this requirement. This approach will ensure that the prices proposed by the Contractor will be within the affordability constraints imposed by the Coast Guard.

Finally, the Phase II competition will continue the emphasis on affordability through appropriate balance of evaluation criteria. It is important to note that the parameters listed in

Question#:	3
Topic:	Affordability
Hearing:	Creating American Jobs and Assuring the Safety and Security of America's Waterways: A Review of the Coast Guard's 5-year Capital Improvement Plan
Primary:	The Honorable Rick Larsen
Committee:	TRANSPORTATION (HOUSE)

the questions are objective and not the threshold requirements, which represent the Coast Guard's minimal accepted level of performance in an offer. The Coast Guard believes that offerors will attempt to meet the objective requirements only if they can do so in a manner that does not increase their price in the competitive environment.

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