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COAST GUARD READINESS: EXAMINING CUTTER, AIRCRAFT, AND COMMUNICATIONS NEEDS

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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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† Task Force on a Unified Security Budget, Center for American Progress, Rebalancing Our National Security: The Benefits of Implementing a Unified Security Budget (October 2012) can be found online at: http://www.americanprogress.org/wp-content/uploads/2012/10/UnifiedSecurityBudget.pdf.

†† Lawrence J. Korb et al., Building a U.S. Coast Guard for the 21st Century (June 2010) can be found online at: http://www.americanprogress.org/wp-content/uploads/issues/2010/06/pdf/coast_guard.pdf.

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June 21, 2013

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Hearing on "Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs"

PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will meet on Wednesday, June 26, 2013, at 10:00 a.m., in 2167 Rayburn House Office Building to receive testimony regarding the status of the Coast Guard's current acquisition program and examine the program's sustainability. The Subcommittee will hear from the United States Coast Guard, the Congressional Research Service, The Heritage Foundation, and the Center for American Progress.

BACKGROUND

Coast Guard Recapitalization

The Coast Guard began a process of recapitalizing its aging vessels and aircraft in the late 1990's. The program's focus was to replace those assets that carry out missions farther than 50 miles from shore and to modernize information technology systems that the Service relies upon to coordinate its operations. The program was known as the Integrated Deepwater Systems (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). Although the ICGS accomplished some goals, such as delivering a reengined HH-65 helicopter, the Coast Guard terminated the contract with the ICGS in 2007 and is now performing the

acquisition functions in-house. The assets scheduled for recapitalization remain the same.

Fiscal Year 2014 Budget Request for Coast Guard Acquisitions

The President requests $909 million for the Acquisitions, Construction, and Improvements (AC&I) account in fiscal year (FY) 2014, $634.2 million (or 41 percent) less than the FY 2013 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 $830.9 million for the acquisition of aircraft, vessels, and command, control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR) systems. This represents a reduction of $506.4 million (or 38 percent) below the FY 2013 enacted level. The budget request includes:

- $616 million to complete construction of the seventh National Security Cutter (NSC). No funding is included for Long Lead Time Materials for NSC #8, which will delay the production line and increase costs;
- $75 million to acquire two Fast Response Cutters (FRC). The FRC is replacing the Coast Guard's nearly 30 year-old 110-foot Patrol Boats. The current contract requires the Coast Guard to acquire at least four FRCs each year. Acquiring two will delay the production of FRCs and increase costs;
- $25 million to continue the development of the Offshore Patrol Cutter (OPC). The OPC program, the largest cost-driver in the current recapitalization program, is supposed to replace the Service's aging 210-foot and 270-foot Medium Endurance Cutters (MEC);
- $16 million for modernization and sustainment of the HC-130H Long Range Surveillance Aircraft fleet;
- $12 million for the continued modernization and sustainment of the HH-65 Dolphin helicopter fleet;
- $59.9 million for C4ISR acquisition, program management, systems engineering and integration, and the Nationwide Automatic Identification System; and
- $2 million to survey and design a new polar icebreaker.

The Administration proposes to eliminate funding for the following acquisition programs in FY 2014:

- HC-144A Maritime Patrol Aircraft: The Coast Guard's program of record for this procurement calls for the acquisition of 36 MPA to replace the obsolete HU-25 Falcon aircraft and some HC-130H aircraft. To date, funding has been secured to acquire 18 MPA and 17 Mission System Pallets, which provide the MPA with the necessary avionics to support Coast Guard missions. Though the Service has not yet submitted a plan to make up lost patrol hours that come as a result of not

fulfilling this acquisition, the Secretary of Homeland Security has requested at least 14, and as many as 21, C-27 Spartan aircraft being excessed by the Air Force be transferred to the Coast Guard.

- Response Boat – Medium: The Coast Guard's program of record for this procurement calls for the acquisition of 180 Response Boat – Mediums (RB-M) to replace the aged, slow, and obsolete 41 foot utility boat. To date, funding has been secured to acquire 170 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 upgrade the helicopter's radar sensor system to improve the asset's ability to conduct search and rescue. The Service now proposes to delay these upgrades.

The budget requests $120.2 million in other capital costs, 87.9 million (or 42 percent) less than the FY 2013 enacted level. This includes $115 million in personnel costs to execute AC&I programs and $5 million to construct shore facilities and aids to navigation. The Coast Guard currently has a backlog of 28 prioritized shore facility improvement projects with an estimated combined cost of nearly $500 million.

Finally, no funding is included in the budget request to rehabilitate housing for Coast Guard servicemembers and their dependents. The account received $10 million in FY 2013 funding. Much of the Service-owned housing is decades old and in poor condition. The Coast Guard recently completed a survey of the condition of its servicemember housing to help the Service better direct investments.

Issues

Mission Need Statement

In 1996, the Coast Guard developed a Mission Need Statement (MNS) to identify how Deepwater would fill capability gaps in its missions and establish a baseline for the numbers, types, and capabilities of new and recapitalized assets that would be needed to meet the Service's mission requirements. In 2005, The Coast Guard revised the 1996 MNS to accommodate additional capabilities needed to meet post-September 11 mission requirements. The 2005 MNS guided the creation of a new program of record approved in 2007 with a baseline of 20 to 25 years for construction and delivery of recapitalized assets at a total cost of $24.2 billion.

In July 2011, the GAO released a report entitled "Action Needed As Approved Deepwater Program Remains Unachievable" (GAO-11-743). 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. Among other reasons for the breach, the GAO found that funding requested by current and past administrations has not been sufficient to meet acquisition timelines, and the Service has not conducted a comprehensive reanalysis of the current recapitalization program to examine tradeoffs between budget constraints, timelines, capabilities, and asset quantities. As a result, the GAO estimated it could take an additional 10 years to complete the current recapitalization program and the cost could increase by at least $5 billion.

Since the publication of the GAO's report, the Coast Guard and the Department of Homeland Security (DHS) have released two studies that reassessed the large cutters being acquired under the current recapitalization program: the Fleet Mix Analysis Phase II (FMA II) and the Major Cutter Study. The purpose of the studies was to assess the current acquisition program and alternatives to determine the best mix of cutters to meet Coast Guard mission requirements laid out in the 2005 MNS.

- Fleet Mix Analysis Phase II - The 2007 baseline calls for acquiring a mix 91 new cutters (8 NSCs, 25 OPCs, 58 FRCs). However, the Coast Guard estimates that after completing the acquisition of 91 new cutters, the Service would still experience mission capability gaps in 6 of its 11 statutory missions. To examine the issue, the Coast Guard conducted its Fleet Mix Analysis Phase I (FMA I) which determined the number of cutters that would be needed to completely fill the Service's mission capability gaps. The objective fleet mix included in FMA I calls for a mix of 157 new cutters (9 NSCs, 57 OPCs, 91 FRCs). In November 2011, the Coast Guard released its FMA II which applied budget constraints on the FMA I analysis. FMA II calls for the acquisition of 149 new cutters (9 NSCs, 49 OPCs, 91 FRCs).

- 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 current acquisition 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, DHS concluded that the study validates the 2007 program of record.

In April 2013, DHS announced it would conduct a "comprehensive portfolio review" that will revise the programs of record and operational requirements for assets to be acquired under the recapitalization program to better meet projections of future years funding.

Acquisition Delays

Problems with Deepwater led to considerable delays in the delivery of new and refurbished assets. The Service does not expect to complete the current recapitalization program until the mid-2030's, approximately ten years behind schedule. In the meantime, the Service's legacy vessels and aircraft are either approaching, or have exceeded, their intended service lives. The age of the legacy assets, coupled with increased operations tempos, have led to increased rates of failure among the assets' parts and major systems. This, in turn, has increased scheduled and unscheduled maintenance costs and reduced patrol hours which have negatively impacted operational readiness and mission performance.

In its August 2012 report entitled "Legacy Vessels' Declining Conditions Reinforce Need for More Realistic Operational Targets" (GAO-12-741), the GAO found that scheduled maintenance costs for legacy assets increased 32 percent from fiscal years 2008 to 2011. The GAO also found that the Service's legacy fleet of vessels was not able to achieve operational targets for percent time free of casualty or operational hours. As a result of the failure of its legacy assets to operate at target levels, the Service reported that from fiscal years 2007 through 2010, it reduced the hours spent conducting drug interdiction activities by 65 percent and the number of operational hours spent conducting alien interdiction activities declined by 40 percent.

Unplanned Capital Needs

Delays in the acquisition program have exacerbated existing capability gaps and created new ones. In addition, as the years have gone by, the new acquisition needs have been identified that the Service has yet to plan or budget for. For instance:

- Medium Endurance Cutters - Under the Coast Guard's current recapitalization program, the 210 and 270 foot MECs will be in service into the mid-2030's before the fleet will be fully replaced by the new OPC. However, the recently completed Mission Effectiveness Project for the MECs will not extend the service life of the MECs until that time. The Coast Guard has informed staff it is convening a Ship Structure Machinery Engineering Board to begin the process of evaluating the current condition of the MEC fleet and examine ways to extend the fleet's service life.

- HH-60 and HH-65 Helicopter Fleet - Under the Coast Guard's current recapitalization program, the Service's fleet of medium range HH-60 and short range HH-65 helicopters have undergone a series of upgrades to extend their service lives. However, both aircraft are expected to reach the end of their service lives in 10 to 15 years. The Service has not begun the process of planning for their replacements.

WITNESSES

Panel I

Vice Admiral John Currier
Vice Commandant
United States Coast Guard

Panel II

Ronald O'Rouke
Specialist in Naval Affairs
Congressional Research Service

Dr. Steven Bucci
Director, Douglas and Sarah Allison Center for Foreign Policy
The Heritage Foundation

Dr. Lawrence Korb
Senior Fellow
Center for American Progress

COAST GUARD READINESS: EXAMINING CUTTER, AIRCRAFT, AND COMMUNICATIONS NEEDS

WEDNESDAY, JUNE 26, 2013

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

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

Mr. HUNTER. The subcommittee will come to order.

The subcommittee is meeting today to review the Coast Guard's major acquisitions programs. The Coast Guard's effort to recapitalize its aircraft, vessels, and communications systems has suffered through some dark days. Fortunately, under the leadership of Admiral Papp and his predecessor, Admiral Allen, the program has turned the corner and the Service is finally taking delivery of new and improved assets in a cost-effective manner.

Unfortunately, just as the men and women of the Coast Guard are finally getting the new and improved assets promised to them nearly 20 years ago, the President is proposing a budget that will set the program back another 15 to 20 years. The President guts the Coast Guard's acquisition budget, cutting it by 42 percent below the current level. The President's request proposes to terminate or delay the acquisition of critically needed replacement assets. This will increase acquisition costs for taxpayers, place further strain on the Service's aging and failing legacy assets, exacerbate growing capability gaps, and seriously degrade mission effectiveness.

As this subcommittee has continually highlighted, the Coast Guard currently operates tens and, in some cases, hundreds of thousands of hours short of its operational targets. This means assets are not there for the Service to conduct drug and migrant interdiction, protect our environment, secure our ports, or ensure the safety of our waterways.

For instance, the Coast Guard reported that due largely to its failing legacy assets, it was forced to reduce hours spent conducting drug interdiction activities by 65 percent in recent fiscal years. The only way to reverse the decline in the Coast Guard's mission performance is to make the necessary investments to acquire new and improved assets.

Unfortunately, based on the last couple of budget requests, it appears this administration refuses to make those investments. If that is the case, then it is time for the President to tell Congress what missions the Coast Guard will no longer conduct. It is simply irresponsible to continue to send our service men and women out on failing legacy assets commissioned over 50 years ago and expect them to succeed in their missions.

I thank the witness for appearing today and look forward to your testimony.

With that, I yield to Ranking Member Garamendi.

Mr. GARAMENDI. Thank you, Chairman Hunter.

And to all the witnesses that are appearing today, thank you very much for the testimony that you will soon be giving us.

As we turn our attention this morning to focus once again on the status of the Coast Guard's long-range program to recapitalize its aging fleets of surface ships and aircraft and to improve its communications and intelligence technology for the 21st century, we are keeping in mind the extraordinary budget challenges that we are facing—"we" are facing. It is not just the administration. It is this Congress as well.

As we discovered during the subcommittee's April 16 hearing concerning the administration's fiscal year 2014 budget request for the Coast Guard, we are simply not providing the Coast Guard with the resources it needs to fulfill its many missions. Failing that, it is folly for us to believe the Coast Guard will be able to adequately maintain operations and, importantly, sustain the progress in its $29 billion recapitalization strategy, the largest such initiative in the Coast Guard's storied history.

So the predicament we find ourselves in is not entirely the Coast Guard's making, nor can it be attributed to any one factor. And as you, Admiral Currier, will soon be testifying, at least from your written testimony, the Coast Guard is doing its utmost to wisely utilize the resources that are appropriated by this Congress to address the most pressing problems and priorities that you have.

But the fact remains, if we continue on the same course we will accomplish little but to hollow out the capabilities of our guardians of the sea. And the warning signals are there. We are approaching that tipping point, and it is abundantly clear. The fiscal year 2014 budget requests for the acquisition construction improvement account is only $909 million. This is $600 million less than the funding levels authorized in last year's Coast Guard Maritime Transportation Act and $1.1 billion less than the $2 billion funding level recommended for the ACI account by the Navy League of the United States in the 2013 maritime policy statement.

Additionally, we are seeing certain acquisition programs prematurely terminated and the timetables for other programs pushed further into the future. Moreover, the Coast Guard now faces an imminent gap in operational capability as its aging legacy assets are pressed far beyond their service life. The new assets are going to be very late in arrival.

Mr. Chairman, this is a very important hearing. I thank you for calling it. We have a lot of work to do. I look forward to the testimony. And I look forward to avoiding the hollowing out of the Coast Guard. Thank you. Yield back.

Mr. HUNTER. I thank the ranking member.

Our first panel is one witness, Vice Admiral John Currier, Vice Commandant of the United States Coast Guard.

Admiral, you are recognized for your statement.

TESTIMONY OF VICE ADMIRAL JOHN P. CURRIER, VICE COMMANDANT, UNITED STATES COAST GUARD

Admiral CURRIER. Thank you, Mr. Chairman, Mr. Garamendi, other members of the panel. I ask that my written testimony be entered into the record.

Chairman Hunter, Ranking Member Garamendi, members of the subcommittee, good morning, and thank you for the opportunity to speak today.

In our mission set, our men and women are amongst the most dedicated, well trained, and highly skilled in the world, and we owe them our very best efforts to continue to provide the support and the tools they need to execute maritime governance and sovereignty for our Nation. Not only do we owe the men and women of the Coast Guard the tools they need to do their job, we owe them an environment of trust. And I would like to take 1 minute just to talk about that.

We have respect. We have core values. But most importantly, we have trust in our workforce. In our business, trust is a priceless attribute. I can tell you from years past, being a helicopter pilot, that the trust that the crew holds when you are out on a hazardous mission is absolutely priceless, and it is essential to the accomplishment of the mission.

When it comes to sexual assault, an issue that has received a lot of attention of late, we have been working this issue for a long time. It is a matter of trust in our workforce. I want to take the opportunity to assure you that the Commandant and I are wholeheartedly committed to eliminating the crime of sexual assault from the Coast Guard. It is our number one priority.

But I know we are here today to talk about acquisition. Let me start by thanking you for the stalwart support of this subcommittee for our service and the accomplishments of our mission. The oversight and advocacy from this subcommittee has been essential to the remarkable progress we have made in our recapitalization efforts to date. The Coast Guard remains committed to sustaining our most critical frontline operations while funding our most needed acquisition projects.

In the current fiscal environment, this requires difficult choices. With that in mind, we are balancing funding for our acquisition projects and operating budgets to address our highest strategic priorities in the areas we see as greatest risk.

Our motivated men and women are already seeing the tangible benefits of our capabilities that have been introduced to the fleet through our recapitalization programs. A case in point, recently the crew of the Coast Guard cutter *Bertholf* employed a ship-based unmanned aerial vehicle to support the interdiction of a go-fast smuggling vessel. The *Bertholf*'s crew orchestrated a seamless aerial surveillance that involved MPA fixed-wing aircraft, a ScanEagle UAS that was undergoing prototype testing, handed off to an armed helicopter, who handed off to a Long Range Interceptor who actually

did the stop, the arrest, and the interdiction. Ended up yielding 600 kilos of virgin cocaine. This is exactly how the system should work, and we are very gratified to see this.

The level of interoperability was simply not available with our legacy assets. It demonstrates how we apply these updated capabilities to defeat the threats in the offshore environment. And I would underscore the offshore environment is our area of greatest risk.

A key element to our layered security regime is persistent presence in the offshore to deter, detect, to interdict, and to neutralize threats before they reach our shorelines.

Completing acquisition of the National Security Cutters and development of an affordable Offshore Patrol Cutter fleet are critical to the Coast Guard's continued ability to address threats and protect national interests in the offshore maritime environment. Our mission set can be particularly challenging in some of the harsh environmental conditions in which we operate. Often the question can be asked, if not the Coast Guard, then who?

We continue to enhance efficiency across the acquisition portfolio, building on our previous experience and incorporating lessons learned to minimize risk and maximize the affordability in our projects. We have achieved stability in cost and schedule across our largest programs, as evidenced by the recent fixed-price production contract on the sixth National Security Cutter, which was awarded at near the same price as NSCs four and five. This underscores the benefits of predictable funding and timely contract award. The on-time delivery of our six Fast Response Cutters, which are already successfully in service in the 7th District, the Miami/Caribbean AOR, is further testament to our focus on implementing best practices across the acquisition portfolio.

In the aviation fleet, we have recently accepted the 15th Maritime Patrol Aircraft, the HC–144, on budget and on schedule. We continue to sustain and upgrade the legacy rotary-wing fleet with critical system enhancements that will equip aircrews with the capabilities necessary to execute our missions for the next decade-plus. Should they become available, we are very excited and poised to accept up to 21 C–27J aircraft from the Air Force. The business case for assimilating these aircraft in the Coast Guard inventory is strong, with a potential of $500 million to $800 million in cost avoidance depending on how many airframes are made available.

We recently completed the rollout of the Rescue 21 communications system along our Atlantic, Pacific, and Gulf Coasts, as well as the Great Lakes, Hawaii and Puerto Rico. This provides digital selective calling and a digitally based communication system that includes radio signal location information for over 41,000 miles of our U.S. coastline. We are leveraging Rescue 21 capabilities to develop a system specifically tailored to the unique requirements of Alaska and our inland Western River System. The Coast Guard recently reached a milestone of 50,000 search and rescue cases using the Rescue 21 capability.

We continue to improve and standardize our small boat fleet through the delivery of the Response Boat-Medium and Response Boat-Small and delivery of our new standard Over-the-Horizon-IV, or OTH class IV cutter boat as a common boat deployed on all our

cutters larger than the 110-foot patrol boat. Our strategy is to limit our ship-borne small boat assets to two, a 7-meter and an 11-meter RB for standardization and universal use across the cutter classes.

I am very proud of the work of our acquisition professionals. They perform hard work and thankless work often on each day to efficiently acquire the assets and capabilities we need to serve the Nation.

We continue to work hard to make necessary reforms and realize efficiencies within the acquisition programs. Despite the significant challenges, we must continue the work we started on acquisition and mission support reform and keep our eyes fixed on the horizon.

Our goal, which was set in 2006, was to become a model midsized Federal agency for acquisition process and results, and I truly believe we have achieved that goal. I believe that with predictable funding we can acquire these needed capabilities efficiently. Your support and predictable funding of these projects is absolutely critical.

Clearly, we have to make difficult decisions moving forward in this environment. We will continue to make the best use of our resources and abilities to provide safe and effective conduct of our operations in the areas that we see of greatest risk to the Nation. To the best of our ability, we will recapitalize our cutters, boats, and aircraft to address current and emerging threats, particularly in the area of greatest risk capabilities-wise, as I said, in the offshore environment.

Thank you again, sir, for the opportunity to testify today. And thank you for your steadfast support of our Coast Guard. I look forward to answering your questions.

Mr. HUNTER. Thank you, Admiral, for your testimony. I am now going to recognize Members for questions, starting with myself.

This subcommittee, I know before I came here, the previous chairman, Chairman LoBiondo, had hearings about Deepwater and about the acquisition system for years now, about the deplorable state of Coast Guard legacy assets, the negative impact that those old assets and the inability to recapitalize them has had on performance. The Inspector General, the GAO, and the Coast Guard have all testified over the last few years that the continued reliance on aging and failing legacy assets is robbing the Coast Guard of its ability to conduct its 11 statutory missions.

The Commandant has testified that the Service needs over $2 billion annually to rebuild its assets, to recapitalize. Over the last decade, Congress has worked closely with each administration to increase annual funding for the acquisition program in an effort to reach that goal, even working through the problems after Deepwater, getting those straightened out, and saying, OK, now we have a good way ahead.

Unfortunately now this year, as we are finally, I would say, on a nice flat plain, making progress, the administration sends us a budget and capital investment plan that cuts our knees out from under us, that cuts the Coast Guard's knees out from under it. If the administration is prepared to underfund and delay the recapitalization of the Coast Guard's assets by another decade, then it needs to tell us, Congress, and it needs to tell you, the Coast Guard, which missions you will no longer be asked to do.

My question is, out of your 11 statutory missions, which ones will the Service no longer be able to accomplish if funding remains the way it was this year? Without Congress' help, where you lose half of your recapitalization budget, and if your funding stays at $900 million a year going forward, and we are unable to put that money back in there, which missions are you not going to do?

I am sure the Coast Guard has looked at this because over the last few years every report that I have read, the end of it says, the Coast Guard needs to reexamine which missions it chooses to do based on the real life—and not the Coast Guard's strategy but the real life and the reality of the lack of funding, things like the OPC. Do we need to look at the OPC? What does it really need to do? Does it need to be in sea state 5? Does it need to be a smaller NSC? Or can we get by with having it be less capable? So things like that. What has the Coast Guard determined that its missions can be with the lack of funding that it is going to receive over the next decade based on funding this year?

Admiral CURRIER. Thank you for that question, Mr. Chairman. I would say this: The Coast Guard is statutorily charged with 11 missions, 11 core missions. They aggregate into maritime safety, maritime security, protection of the environment. We site our requirements to perform to a level of capacity across that 11-mission set. Depending on the resources that we receive, from an operational perspective in the near term, we can adjust capacity around the 11 mission capabilities that we have.

But there are two issues here: One is what we do today and the other one is what we do tomorrow. Because there is a long-term investment requirement to maintain the capacity to do capabilities in those 11 missions. So the two issues are: What are we doing today and how are we going to invest to ensure that we can do it tomorrow?

I acknowledge the fact that there have been numerous reports, many of which have been oriented toward validation of the program of record that exists, and universally they have come out to date in support of the program of record as a reasonable approach. Given the economic times, the fiscal state of the economy, all the challenges that we are facing as a Nation, of which we fully recognize, we are not tone-deaf to that, we think that the current budget demands of us tough choices, tough choices on where we apply critical funds to the area we see as the highest level of risk.

The highest level of risk has been identified in our portfolio as the offshore segment of our layered defense strategy. So we are driven to, we are required to make tough choices going into the future on what investments can we afford to and what will we make to maintain a capacity across our 11 missions into the future?

Quite frankly, were the recapitalization funding level to remain as it is into the future or be decremented, then that would require tough choices that put us in a situation where we will have to go back and say, there are areas that we can't perform in. And over multiple years, we will end up being a Coast Guard that looks different from today.

Mr. HUNTER. Where are those areas? The ones that you just mentioned, your last sentence.

Admiral CURRIER. The administration and the Department this year—and the Department and Secretary Napolitano has been particularly supportive of us through this in our cutter recapitalization in particular—but what we have been asked to do is to accomplish a portfolio review which basically is to take what you described as the GAO findings and reassess where we are with our acquisition portfolio, apply it to our missions, and find out what we can do and what we can't do.

Because each one of those mission areas are statutorily mandated, I don't feel that it is incumbent on us to say what we cannot do specifically capabilities-wise. Capacity-wise we can say we can only do so much. But this portfolio review is going to be designed to look at what we do mission-wise and look at how we are postured to provide that capacity both today and into the future. And I think the results of that portfolio review will start to answer the questions that you are asking.

So it won't be the Coast Guard saying, we won't do this or we can't do this. It will be a combination of the administration and the Department and the Coast Guard coming to a rigorous analysis of, given the realities of funding into the future, what can and what can't we do?

Mr. HUNTER. When is that about portfolio review going to be completed?

Admiral CURRIER. It has started. We have had meetings with OMB and the Department. So the effort started. We haven't totally agreed to when the product will come out. Part of it is dependent on the rigor that I described. We have models that we use that were the same models basically that set the force structure for Deepwater and our acquisition strategies to date. And we need to run the data through those models to come up with the effect on mission and the acquisition portfolio.

So it is not just an arbitrary scan and cuts based on less than a rigorous analysis that is statistically based. It kind of goes back to what you were saying about, what do we really need for sea state 5? How many cutters do we need there? Show me the empirical case for that. And that is what we will be generating.

Mr. HUNTER. Great. Would you come back after you have completed that rigorous analysis?

Admiral CURRIER. Absolutely. Yes, sir.

Mr. HUNTER. Thank you, Admiral.

Mr. Garamendi is recognized.

Mr. GARAMENDI. Mr. Chairman, following on your line of questions, if this budget scenario continues—this is, I think, the second year or maybe even the third year in which we have seen these kind of stresses placed on the budget, the acquisition budget, and now with sequestration on the operational budgets—we are going, this committee is going to have to seriously consider modifying the mission of the Coast Guard. And that is where this is headed.

And you have raised that question, Mr. Chairman. And we really need to get into this in detail. The last question that you raised or the last few questions you have raised is imperative. I would hope it comes soon so that we can spend a good portion of our time in the remaining session this year to really get at that.

And we need to understand the implications of it. Just this week, the Senate is dealing with border security in the immigration bill. And they have approved or are about to approve an amendment—I think they did approve an amendment that would add $46.3 billion to border security on the Mexican border. We have a lot more border than Mexico. We have all of the maritime border, which is increasingly being used for immigrants. I think there are many cases that the Coast Guard can talk about.

It seems to me that as we go through this immigration issue, and if, in fact, we are going to spend $46 billion on border security on the land, we need to think seriously about the rest of the border. And we also need to think seriously about threats to, let's just call it nuclear threats. We are projected to spend some $5 billion on an east coast missile defense site which assumes that Iran is going to send a missile our way, which would then assume that Iran disappears from the map.

However, the more likely event is to use the ports. If we are going to have a nuclear threat, it is not likely to come from a missile. It is likely to come from a container. So that brings us back to the role of the Coast Guard.

Where I am headed here, Mr. Chairman, is that we, as the deciders—to use a word from the previous administration—as the people that are going to make these decisions, we need to think about this in a holistic way. The National Defense Authorization Act that passed off the floor of the House added $2.6 billion for unknown airplanes, materials, and supplies for the Afghan National Army. We would never let the Coast Guard have $2.6 billion without explaining to us in detail how they are going to spend it down to the last pencil and bolt. But we have allocated $2.6 billion to the Afghan National Army in unspecified use.

The problem is here. The problem is among the 535 of us that are making, frankly, some very irrational decisions. And we need to really think seriously about how we are going to deal with this.

Admiral, I think, to go back to you, beside my pontification here, you and the Coast Guard are going to have to explain to us how you are going to carry out the missions, the statutory missions that you are faced with given the fact that the Congress of the United States, together with the administration, is downsizing the Coast Guard. So what can be done? And we need to understand completely the implications of that. So when will you have that done?

Admiral CURRIER. Sir, I think, as I said to the chairman, the portfolio review is going to reveal those answers. It is going to establish a position from the administration, the Department, and the Coast Guard on, given levels of funding, what we will be able to do and what we will not be able to do.

I think a basic, if you don't mind, just a very brief understanding of how we operate, especially in the context of the threat that you described, is probably important. We have developed post-9/11 a very sophisticated layered strategy for the defense of our coastline and ports. It doesn't start 5 miles off the beach. It starts in foreign ports. It starts with IMO-type agreements on security regimes in foreign ports and our inspection of those ports. It depends on intelligence from all-source throughout the U.S. Government and international partners on what are the anomalies on a container? What

are the anomalies on a ship? And then it depends on a layered strategy for defense that starts offshore, because our goal would be to hold the threat away from our coast, to near shore, and to in the port.

And I would tell you, in that layered strategy, which has proved to be quite effective, the weak link at this point is our offshore capability, and that translates to the NSC and OPC. So what we are saying is, we have laid out an acquisition strategy that has recapitalized successfully, and our in-the-port, to a large extent, our in-the-port capability, our near-shore coastal, and our overseas capability in partnership with other Government agencies and other nations is strong. It is the offshore capability that our ships present that are having the greatest decline in capacity and capability.

Mr. GARAMENDI. So the bottom line of that is that the entire strategy has a serious flaw. That is, you are missing one of the key assets.

Admiral CURRIER. Well, what it will show you, sir, is that as we are under fiscal duress like everyone else is in the Federal Government, we are going to make triage-like choices to go to that area of highest risk and spend the critical capital that we receive. And right now, that is why we are emphasizing the procurement of the NSCs and then the OPC follow-on. And we are fully, fully aware that the OPC program needs to be affordable.

Mr. GARAMENDI. If I am not mistaken, for the National Security Cutters, the next one out is going to get delayed. Is that correct?

Admiral CURRIER. We have long-lead funding for seven, and I have no information that there will be delays in follow-on cutters.

Mr. GARAMENDI. So seven. How about eight?

Admiral CURRIER. Eight? We don't have long-lead funding identified for eight, which would, if that were to be the case, result in about a year's delay and some cost increase.

Mr. GARAMENDI. Given the way in which the budget is going, and without a significant change on our part and the administration's, you are headed into a long-term budget that is headed down. Will you be able to in that budget provide for the eighth cutter?

Admiral CURRIER. Yes, sir, I believe we will. But it is going to be at great cost. And it is, as I said, it is a triage exercise.

Mr. GARAMENDI. Well, this goes back to what the chairman was saying in his statement, is that we need to fully understand what the future is going to be here, and we need to have that in detail.

Admiral CURRIER. Yes, sir.

Mr. GARAMENDI. Because we are basically operating on yesterday's plan, which is not consistent with the current reality. And my point to us, the 535 of us, is that we are making choices here about where to allocate the resources available for the United States Government. And, frankly, in my view, some of those choices are nonsense. And I made two points, $2.6 billion this coming year for the Afghan National Army to buy something. Mostly, I think it is probably to open another account in Qatar for the Karzai government.

Let's move on. I yield back.

Mr. HUNTER. Thank the ranking member.

I would like to recognize the former chairman of the subcommittee, Mr. LoBiondo.

Mr. LOBIONDO. Thank you, Mr. Chairman.

I have a couple of questions, Admiral, but before I do that I want to just say, after having the opportunity to chair this subcommittee for 12 years, the budget that was sent to us is so separated from reality.

I am a little bit concerned. I am agreeing with Mr. Garamendi here. I don't know how much we agree on. But this is so short-sighted. And this is out of your lane. You have got to take what comes down from the top. But for the record, do we not remember what happened on September 11? Do we not remember on September 10 the Coast Guard had no homeland security really to deal with? And on September 11, everything was ramped up and we knew that we had to have the Coast Guard prepared? And yet we are spending money in areas, as Mr. Garamendi said, that nobody can keep track of. And the few dollars extra that we could use for the Coast Guard to be prepared, the most underrecognized and underappreciated Service that there is, this is absurd. It is totally absurd. Almost a 50-percent cut in acquisitions, takes us back to the 1990s? What are we doing? When will we wake up? I had to get that off.

Admiral, in the last session, Mr. Larsen and I teamed up together and saw reform of the Coast Guard acquisition, and we worked with the Service to really get things back on track. I think we have made a great deal of progress. But I remain concerned that a few of the assets delivered to date are still not performing anywhere close to expectations. For example, one of the reasons Deepwater proposed to replace 12 High Endurance Cutters with the National Security Cutters was that the Service would be able to get significantly more days away from the port with the NCS. Central to doing so was a crew rotation concept which the Service has yet to formalize.

The Coast Guard and Maritime Transportation Act of 2012—Mr. Garamendi, this may answer one of your questions—prevents the sixth National Security Cutter from becoming ready for operations until the Service submits to Congress how the first three National Security Cutters will achieve the goal of 225 days away from home port. What is the plan for achieving 225 days away from home port? And when will you implement that plan?

Admiral CURRIER. Thank you, Mr. LoBiondo, for that question. And also, thank you for your support over the years for our acquisition processes. You have been a great champion of our cause, and we truly appreciate that.

To get to the crew rotation concept, which is what you are describing, the baseline of the legacy assets, the 378-foot cutter, was 185 days away from home port. The goal of the new program, the National Security Cutter, was 225 in some documents, 230 in other documents for the goal of days away from home port.

We bring new cutters on, a new class of cutters. We have had a few growing pains, but not anything that is out of the norm for the Navy's experience or our previous experience. So where we are today is we will home port three cutters or we have home ported the first three cutters in Alameda, California. Those cutters are scheduled for dry dock availabilities over the next couple of years to do some configuration enhancements that were identified later in the class that need to be retrofitted, to do some maintenance,

and basically we will be in dry dock for a period of time. Those are the three cutters.

Once those cutters are out of dry dock, we will have them in Alameda. We will marry up the extra crew. We will have the shore plant facility to run a full-scale evaluation on CRC. The goal of CRC is 230 days away from home port. In the interim, until then, the cutters that exist, the National Security Cutters will average across the fleet 210 days away from home port. So we are 20 days short of the eventual goal now.

In the interim, until 2017, late 2017, which is when we will be able to fully implement the evaluation of CRC, we will be 210 days until then and then 230 days following. So the end of 2017 is when we will fully implement the 230-day crew or cutter requirement.

Mr. LOBIONDO. Well, 2017 is a long ways off.

Mr. Chairman, I have another related question from the Inspector General. But recognizing my time, I will wait for round two.

Mr. HUNTER. Thank the gentleman.

Mr. Larsen is recognized for 5 minutes.

Mr. LARSEN. Thank you.

Admiral, section 220 of the Coast Guard Maritime Transportation Act of 2012 requires the Commandant to maintain the approved program of record for the acquisition of 180 RB–Ms unless the Commandant transmits to the committee documentation justifying a smaller acquisition. And as you know, the budget outlines a smaller acquisition, but we haven't received the justification for that smaller acquisition, the one that we specifically asked for.

So have we missed that? Has the Coast Guard submitted the justification as it requires? And if we have not, when will we receive that written justification?

Admiral CURRIER. Thank you, Mr. Larsen, for that question, and also for your support over the years as well.

As you know, the RB–M program is fantastically successful for us. It had a long developmental——

Mr. LARSEN. I would argue right now it is only 17/18 successful.

Admiral CURRIER. Say again? I am sorry.

Mr. LARSEN. It is only 17/18 successful. That is, you have stopped acquisition at 170 when we told you 180.

Admiral CURRIER. Yes, sir. I will be happy to answer that.

Mr. LARSEN. Yeah.

Admiral CURRIER. We have gone back and we have revalidated, because of the capabilities of this small boat, against our in-shore threats and vulnerabilities. And we feel that due to the capabilities and capacities of this boat, which far exceed what we expected, that we feel, given the tough choices we are forced to make in this budget environment, that 170 is the proper number. That has been agreed to by our Assistant Commandant for operations, who sets the requirements for the Service. That will be coming forth in the acquisition program baseline review for the RB–M, which is in process now.

Mr. LARSEN. When do we expect to see that, though?

Admiral CURRIER. I will have to get back to you for the record on that, sir.

[The information follows:]

> The revised Response Boat-Medium (RB–M) Acquisition Program Baseline Review is in internal routing/clearance within the Coast Guard with approval and forwarding expected during the fourth quarter of 2013.

Mr. LARSEN. And I appreciate it. You and your team, it has been great working with the subcommittee here over the last several years to get things in order. And I do appreciate that. It just seems to me that if we don't get that justification report that we had asked for in the 2012 act until after you have fully completed the acquisition of 170 and terminated the program, that starting the program over again to get the additional 10—or more if the committee so decides—we will have all the startup costs, again, adding more to the program. So it can be seen in my eyes that you are terminating a program before we get the justification report, and then it is too late to go to 180. Do you see how I can see that?

Admiral CURRIER. Yes, sir. I see that. And I could do two things. First of all, get back for the record, and you in particular, on the projected delivery of the acquisition program baseline change. And then I will get you preliminary documentation from our operations directorate that states the clear justification for 170. So you can review that in advance.

Mr. LARSEN. The sooner the better.

Admiral CURRIER. Yes, sir.

[The information follows:]

> The Coast Guard has reanalyzed the Response Boat-Medium (RB–M) fleet size and determined that 170 boats will be sufficient to meet the operational need. A revised RB–M Acquisition Program Baseline (APB) is in routing within the Coast Guard with approval and forwarding expected during the fourth quarter 2013.

Mr. LARSEN. Great. Thanks.

On the Arctic, with regards to the Arctic policy strategy that you released last month, indicates a need for increasing maritime domain awareness in the Arctic. And what sort of resources does the Coast Guard plan on acquiring to improve that domain awareness in the Arctic?

Admiral CURRIER. Domain awareness in the Arctic is going to be a partnership effort. There is not going to be any unilateral organization service agency that is going to be able to come up with the resources to exert domain awareness or a realtime picture of what is going on in the Arctic. But in combination with the State of Alaska, with NOAA, with our partner component agencies, and the Department of Defense, I am confident—and I can't discuss it higher than the M-class level—but I am confident that we can demonstrate today a high level of maritime domain awareness in the Arctic. So I think we are on a good track with that.

Mr. LARSEN. Now that you have the strategy, I know that the DOD has its strategy. In my office, we are going to put more time into looking at what it takes to implement that strategy. And we look forward to working with you on that.

Then finally on Offshore Patrol Cutter, OPC, can you give me yet and the committee yet an exact date when you will down-select from eight to three?

Admiral CURRIER. Yes. We will down-select to three by the end of this fiscal year. The target is the end of this fiscal year. And then that will be for a preliminary design contract.

Mr. LARSEN. Right.

Admiral CURRIER. And then there will be another year or so before we do the actual selection of the single cutter that will be the OPC.

Mr. LARSEN. Right.

Admiral CURRIER. So the end of the fiscal year will be the contract down-select for three candidates that will produce preliminary contract design. And then a year later—and that is a softer date—will be the actual award of the contract for the Offshore Patrol Cutter.

Mr. LARSEN. So if I may, Mr. Chairman, so the end of the fiscal year is a hard date?

Admiral CURRIER. It is a target, sir.

Mr. LARSEN. OK.

Admiral CURRIER. And it is in good faith. I can't tell you it is a hard and fast date. But indications are at this point that we will meet that target.

Mr. LARSEN. Yeah. OK. Thank you.

Thank you, Mr. Chairman.

Mr. HUNTER. Thank the gentleman.

I would like to welcome and recognize the newest member of the subcommittee, from South Carolina, Mr. Sanford.

Mr. SANFORD. No questions.

Mr. HUNTER. No questions.

Ms. Hahn is recognized for 5 minutes.

Ms. HAHN. Thank you, Mr. Chairman, Ranking Member Garamendi. Really appreciated the remarks that have been coming out of this committee this morning. I, of course, am one of those, since I represent the Port of Los Angeles, which is right next to the Port of Long Beach, the largest port complex in this country, I have long said the Coast Guard is certainly, you know, the line of defense when it comes to our Nation's coasts and waters.

But for me, particularly, the port complex, I still am one, which I will always go on record saying, I believe our Nation's ports are still one of our more vulnerable entryways into this country. I have never been happy with the fact that, even though Congress passed a law after 9/11 to inspect our containers 100 percent, we are nowhere close to that. We have now all sort of just decided to accept the fact that we are inspecting 2 to 3 percent of our containers. And we are more of this at-risk, the layered strategy of defense, which makes me uncomfortable. We have 5,000 men and women that work on our docks on a daily basis. There are about close to a million people probably just close to the proximity of Long Beach and the L.A. ports. If there was something to happen at that port, loss of lives, but certainly would absolutely disrupt this Nation's economy and potentially the global economy if something happened.

So I am all about really completely, I hope we can increase the funding for our Coast Guard men and women who we really do depend on to protect us.

You know, last time we had a committee hearing with my friend Peter Neffenger, vice admiral—he used to be the captain of the Port at Los Angeles—he testified that the Coast Guard's cutter fleet was approaching between 40 and 50 years. And because of its age, it was becoming less reliable and suffering more casualties, forcing the Coast Guard to cut down on its patrol hours over the last 5 years. In fact, according to a report by the Inspector General of the Department of Homeland Security, patrol and flight hours have decreased somewhere between 8 and 12 percent.

So can you talk to this committee a little bit about your aging fleet and how that has reduced the Coast Guard's operational capacity and how sequestration might, on top of that, added to that problem, and how does that impact you?

And I will throw in my other question. You know, I am very concerned about the Panga boats that are a huge threat, certainly out on the west coast. Unfortunately, we lost a great Coast Guard member when the Halibut was rammed by a Panga boat, Chief Petty Officer Terrell Horne. I am really worried about that. I am worried about that from a security standpoint, its human trafficking potentials, drug potential. And let me know, if you can tell this committee what our strategy is in light of everything to address that issue.

So both those. Your aging fleet, sequestration, and can you give us some comfort on your strategy for the very dangerous Panga boat epidemic that is rising.

Admiral CURRIER. Thank you for those questions, ma'am.

I will start with the aging fleet. We have three classes of cutter, basically. We have a patrol boat which is being replaced by the FRC. The OPC Medium Endurance Cutter class, and then the larger class of cutter, the offshore, the National Security Cutter. And where our gaps are, as I have explained, really are tiered. We are in good shape in shore with the patrol boats. And you see that every day in Los Angeles, L.A./Long Beach. We are in OK shape for now for our medium class of cutter, which the OPC is designed to replace.

Where our gap is in our larger ships, the ones that patrol the Bering Sea, offshore CONUS, the eastern Pacific, the western Caribbean, drug engagement, migrant engagement. This is where our most serious gap is at this point.

Our aviation fleet is in reasonable shape. And I will hopefully talk later a little bit about the C–27 and what that might mean to us.

As we move into the budget environment that we are in, we continue to focus on our greatest area of risk from a capabilities perspective, and that is the National Security Cutter, funding that ship, which is a fundamental enhancement. It is 8 ships for 12 ships, the older ones that we are laying up, but it is a huge enhancement in capability. As I explained before, the *Bertholf*'s case with the UAV and the helicopter and the fast interdiction boat the Over-the-Horizon RB, and the C4 capability is just something we have never had before. It enhances our effectiveness.

But that is where the gap is. The gap is in the offshore. And the National Security Cutter is the key to that. The Offshore Patrol Cutter will be the next critical acquisition, and we have talked a little bit about that.

Sequestration effect on mission. I would never tell you that sequestration would have an effect of being a drop in missions, like we are going along fine and then all of a sudden we are not doing a mission. It is an erosive effect. All right?

I will give you an example. While we will never compromise our ability to do search and rescue and the most critical law enforcement missions, there is a reduction in our ability to put steel on target for certain areas like counternarcotics in the eastern Pacific. We have less ship days, less aircraft days, fewer days down there. And they are part of a system, they are intertwined, because you have to have a surface asset to do the interdiction.

My concern over the long term in sequestration is that that erosive effect will start to get to some of those missions that we have been doing and we will see a reduction in our ability to interdict drugs and criminal activity and even migrants to a certain extent.

To get to southern California, our number one operational priority now is an operation called Baja Tempestad, which is run between L.A. to San Diego, OK, because that is where we see the Panga threat. That Panga threat actually you have seen landings as far north as Monterey, which is amazing considering it is an open boat. So what we have done is, we have put a block down there with our assets in leadership of component agencies like Border Patrol, Customs and Border Protection, the local, State, and Federal law enforcement agencies down there, and I think that focus is showing great yield. We are interdicting. We are stopping.

Some are getting through. But I think Baja Tempestad is a real success story, and it shows not only our agility but the agility of the Department of Homeland Security to put a block in place where there is an emerging crisis.

As they become more effective in shutting down the land border, you are going to see the end run in the maritime because there is little resistance to that. And it is incumbent on us to make sure that we allocate resources accordingly to do the block there. And it also is the case on the Texas side, to be perfectly honest, Brownsville.

So I don't think sequestration to this point has affected Baja Tempestad, but it is affecting our overarching ability to put steel on target for some of these mission areas.

I hope that answers your question.

Mr. HUNTER. The gentlelady's time has expired.

Like to recognize Mr. Young for 5 minutes.

Mr. YOUNG. Thank you, Mr. Chairman. I will make this short. And I do apologize for being late.

Admiral, I see in your budget you have got $8 million acquisition funding to initiate a survey and design activity for a new polar icebreaker. But that was in 2013. Now in 2014, I see there is only $2 million. It is my understanding the Coast Guard's 5-year capital investment plan included an additional $852 million for fiscal year 2014 for acquiring the ship. I was told that the Coast Guard anticipated awarding a construction contract for that ship within the

next 5 years and taking delivery of the ship within a decade. Are we still on the track for the 5-year program?

Admiral CURRIER. Yes, sir, we are. And I would say that the acquisition construction of an icebreaker first of class, only of class likely is a very complex undertaking.

Mr. YOUNG. Don't take too long to answer these questions. I want to ask you a question. Admiral Papp and I have discussed this for years.

Admiral CURRIER. Yeah, we are on track.

Mr. YOUNG. In 1980, we had the last study about leasing the vessel. Because I still don't think Congress is going to appropriate a billion dollars, approximately a billion dollars to build an icebreaker. I mean, that is something I would like to have a request, maybe I will request the Coast Guard to look into the possibility of leasing a vessel that is American built, because we need those icebreakers in the Arctic. You know, we had the Operation Arctic Shield. You did what you had. Less iron on the ground.

But the Arctic is the future. And we are way behind. I can't get people to understand that. But I can see this Congress at this time and a later time appropriating a billion dollars to build an icebreaker. We did this once 38 years ago with the *Polar Star* and I think the *Polaris* and the *Healy*.

Which reminds me, Admiral, where is the status of the *Polaris* and the *Polar Star* now? Are they totally scrapped? Or are they going to be fixed? Are they going to be operational?

Admiral CURRIER. *Polar Star* is underway as we speak. Just finished refit. It is fit for sea and is actually going to the ice to get some experience for the crew in the northern tier before they deploy to McMurdo next year. The *Polar Sea* is in caretaker status. It is cold iron, we would call it called, tied to a pier in Seattle, and we are trying to determine what the future is for that ship. The *Healy* is a full-up midlife ship. It is a science ship, as you know, and is executing its scheduled missions.

Mr. YOUNG. Well, again, have you looked, has the Coast Guard looking at the refitting cost of the—I believe it is the *Polaris*—versus waiting now, according to this, 15 years before we have an icebreaker at sea?

Admiral CURRIER. Well, we have—the *Healy* is midlife. We have got a long-term availability for her. The *Polar Sea* or the *Polar Star* is—got 7 to 10 years of life left in her, and the *Polar Sea*—to refit the *Polar Sea*, I think that was one of your questions.

Mr. YOUNG. Yes.

Admiral CURRIER. Would be about 3 years and about $100 million to bring that from coal iron back to a 7- to 10-year life left.

Mr. YOUNG. What I am trying to get across, according to the schedule, the 5-year schedule and a decade, that is 15 years, at least, and that is probably optimistic if you build a new ship, and I would like to have the Coast Guard look at the possibility of getting all three of the older icebreakers operational so they can be dispersed in the Arctic, and secondly, look at the cost-benefit ratio of a icebreaker that could be leased at a cheaper rate, I believe, than you can getting one built and get it in the field sooner. Because I really think, China is all up there, as you know, and Russia is up there. Everybody is fooling around in the Arctic but the

United States, and I just think it is time that—and it is our responsibility to fund you, but I think it is time that the Coast Guard maybe think out of the box a little bit, take those three ships, get them operational, and make sure they can do the job until, if you are going to build one and we appropriate the money for it, or you lease or it, or whatever it is, so we can have a full force of Arctic activity up there, because like I say, China is up there.

I don't know whether you have done this or not. I am about out of time. Have you looked at the type of vessels now are trespassing across that Arctic area in the Northwest Passage, what they are carrying?

Admiral CURRIER. Yes, sir. We have a pretty good awareness of what is going on up there. On the Russian side, the North Sea route they call it, there is all kinds of activity over there. On our side, it has been generally to mineral exploitation in Alaska or the offshore drilling. But there is also cruise ships and some other things that are going on up there, ecotourism, and we have full visibility of that.

Mr. YOUNG. All right. My time is up, but just, you know, I would appreciate it if we maybe think out of the box and I know I have had this argument with every admiral for the last 40 years. I know you like to own steel, but sometimes it is not very efficient.

Thank you, Mr. Chairman.

Mr. HUNTER. Thank the gentleman from Alaska.

Mr. Garamendi is recognized for 5 minutes.

Mr. GARAMENDI. I have great confidence in the gentleman from Alaska taking care of the ice cutter—the icebreakers. If only we could give you a opportunity for a, maybe—yes, we would have to change the rules, wouldn't we, so that you could have your own little program up there.

Mr. YOUNG. Oh, I am willing to secede from the Union right now for an earmark.

Mr. GARAMENDI. And then you could be emperor of the North.

I would like to move to the aircraft issue, and specifically, most of us on this committee also serving on the Armed Services Committee, so the issue of the C–27 comes up, and if we could have a discussion about the C–27, the acquisition for the Maritime Patrol Aircraft program seems to be moving from acquiring a new plane to acquiring the C–27s.

Where are you with the C–27s? What is the status of these negotiations with the Air Force? We can probably have something to do with that if you are basing this whole program on the C–27s. Let's talk about it.

Admiral CURRIER. OK, sir. At the risk of giving too long an answer, I apologize in advance, but——

Mr. GARAMENDI. Take your time.

Admiral CURRIER. Our program of record was for the HC–144, which is a CASA is the name of the aircraft. We have 18 of them funded. We have 15 delivered, and we are—we have funding for 18 aircraft, 17 mission pallets, so you have got basically a cargo aircraft that in it has a very sophisticated sensor package. We were forced—would be forced to take a strategic pause in that acquisition in fiscal year 2014, and subsequently we would have to re-ex-

amine the affordability of the aircraft, vis-a-vis, the whole acquisition portfolio.

What became available or likely will become available is the C–27J, which is a cargo aircraft that the Air Force operates that is—there are 14 in existence and 7 being delivered. The NDAA, last year, carved out seven for the Forest Service for firefighting activity, and we feel that leaves 14 of these aircraft potentially available for the Coast Guard, and it would be a mil-to-mil transfer. In other words, it is not like transferring to a civilian agency. It is much easier. You sign basically a form, and it transfers to our Service.

It comes, they are very low time airframes, actually was a finalist candidate for the MPA originally, OK. It comes with SATCOM, radar, some of the things that we need to do our jobs. There are a couple of minor—some sensors that would have to be added to the aircraft, but we will be able to use it right away. So this is 14 aircraft that, depending on how many we get, could be up to $750 to $800 million cost avoidance if we are able to execute this deal.

Where it is now, it is in the Air Force's court. We are on record. The Secretary Napolitano talked to Secretary Hagel. We are on record for 14 to 21. If we took all of those aircraft on, we would probably stop our acquisition of the MPA, focus on operationalizing these aircraft and have that class of aircraft bought out, so——

Mr. GARAMENDI. The current acquisition program is for what kind of plane?

Admiral CURRIER. The current——

Mr. GARAMENDI. And who makes it?

Admiral CURRIER. It is called a CASA the generic term for it, HC–144, twin-engine transport-type aircraft with an embedded sensor package. The original program of record was 36.

Mr. GARAMENDI. Right.

Admiral CURRIER. We bought or funded for 18.

Mr. GARAMENDI. Basically halfway there.

Admiral CURRIER. So we would stop at halfway, we would take on the C–27 to complete that capabilities requirement.

Mr. GARAMENDI. Right.

Admiral CURRIER. What it would give us is two classes of aircraft in the medium range.

Mr. GARAMENDI. Where I am going, I understand, you would have two different airplanes you would have to maintain, so you have got some issues having to do maintenance and so forth. There is going to be a kickback from whoever is manufacturing that plane, the CASA. Who manufactures the CASA?

Admiral CURRIER. It is made by a company called Alenia, and they are an overseas company, but——

Mr. GARAMENDI. It is a foreign company that is manufacturing the CASA.

Admiral CURRIER. Oh, no, CASA, the original aircraft is made by a European company. I thought you were asking about the C–27J. They are also made——

Mr. GARAMENDI. No. They are on the ground or flying, one or the other. I just wondered where the kickback comes. When somebody loses 18 aircraft, we hear about it, but it is a foreign company that does that. Thank you.

So you are going to save some $700 to $800 million if we carry this out.

Admiral CURRIER. It could be $500 to $750 million or so.

Mr. GARAMENDI. OK. And what we need—what I need to know and perhaps the committee also is, is that is this moving slowly or are there speed bumps or other problems that might cause this to go off track?

Admiral CURRIER. I don't foresee any at this point. The decision has to be made by the Secretary of the Air Force basically and with the concurrence of the Secretary of Defense. We have signaled strongly that we are ready to accept them at any time.

Mr. GARAMENDI. My personal opinion, it is a really good idea to acquire those, and whatever modifications are necessary, put those into the budget so that gets done.

Admiral CURRIER. Yes, sir.

Mr. GARAMENDI. Potential savings of three-quarters of a billion dollars is significant, and I know there is going to be some kickback coming from whoever doesn't have that contract to manufacture the remaining 18. I think we can handle that. So, if you will let us know. I know that, I don't know, four of us that are up here on the Armed Services Committee, and I think we are aware of the potential problems here.

I have no further questions.

Mr. HUNTER. Mr. LoBiondo is recognized for 5 minutes.

Mr. LOBIONDO. Thanks again, Mr. Chairman. I have a followup question, Admiral, tagging onto the first one, but before I do, I am just—I am sorry. I got to continue my rant a little bit about this budget.

What I don't think most people understand is in addition to the acquisition problem that we have, that we are decimating the Coast Guard's leadership for the future. I have the honor of representing the only Coast Guard recruit training center in the Nation. For years and years and years, the throughput was about 5,000 recruits. If I'm not mistaken, I think this year it is going to be about 2,000. I think it is damaging morale, and I think the officer corps that we rely on for the experience and the expertise and the motivation for the younger ones is just going to be gutted here, so from every aspect we look at this these are intangibles that you can't measure. These are intangibles that you can't read on a spreadsheet somewhere about what it is going to mean, so I don't know what we can do about this, but I am pretty cranked up over it and I am—so it won't be the last I have to say.

Admiral, the second part of the question, the first part was about the days at sea. Both the DHS Inspector General and the GAO have raised concerns that the National Security Cutters delivered to date do not meet planned capability.

Now, when we talked about how these would be laid out, we focused a lot on capability because we knew we would have one shot at doing this right. They have noted that without Unmanned Aircraft Systems on the National Security Cutters, the National Security Cutters are no more capable than the 40-year-old High Endurance Cutters that they are replacing.

So, as we are squeezed down with acquisitions, it is important that what we do have out there in acquisitions have the maximum capability.

What is the status of the Service's plans to acquire UAS or other capability for the National Security Cutter and fill the current capability gap and when will the National Security Cutter be outfitted with UAS?

Admiral CURRIER. Thank you, sir, for that question. Specifically to the National Security Cutter, we have UAS on board the *Bertholf* now. We are running a test. That is the ScanEagle. It is a small lightweight but very capable UAS that is being tested today as we speak. Earlier, I described a case where they had great success.

The second UAS that might conceivably be used with a National Security Cutter is the Navy Fire Scout program, which we are very close to. As you know, sir, originally we had our own program for UAS for the National Security Cutter, but about 6 years ago we decided to go with the Navy to let them do the science on this thing. They have proved the concept of this thing in Afghanistan and in theater in the Persian Gulf, and I hold great promise that as it is developed we will be able to adapt it to the National Security Cutter. I don't have a time for you because we don't control the program. In the interim, we will use that small, lightweight, highly capable UAS package on the National Security Cutter and it will fill probably 70 percent of the mission that we would have—we will eventually use Fire Scout for.

The third thing we are doing UAS-wise is the Guardian Predator project we have going with CBP. We are supporting them. General Atomics makes that aircraft. I have met with them, their chief engineer, to talk about what marinerzation means and what tailoring that aircraft would require for Coast Guard use, very productive meeting, and I think that we are eventually going to have that class of UAS supporting the cutter offshore as well. So, there is progress being made, sir.

Mr. LOBIONDO. Mr. Chairman, if I could, I think that the capability component of these National Security Cutters is key and I just hope that the Coast Guard isn't using the Navy, sort of, to slow walk what we are able to do here. There ought to be some way we can try to have some inquiries or get this jacked up, because if you have no idea, then that means we are years away, and I just don't think that is acceptable.

But I thank you and I yield back.

Mr. HUNTER. Thank the gentleman. I have a question for the record, and I will just, just if you could update us on the Response Boat-Smalls, that program, we talked about having a 7-— you talked about an 11-foot RB and a smaller RB; is that right?

Admiral CURRIER. Well, sir, we are talking about a little bit of two different things, OK. The 7- and 11-meter RBs are the cutter boats.

Mr. HUNTER. Meter RBs.

Admiral CURRIER. They go on the ships, and we are going to go to two classes of them for all kinds of reasons, economy, effectiveness of maintenance and all that. The RB–S is actually the in-port boat, and we are evaluating the fleet size on them and we are re-

capitalizing them as is required. Twenty-five feet long, very successful, you see them everywhere in the United States. So there are two distinct classes of boats.

Mr. HUNTER. Is that program being cut significantly, the Response Boat-Small program?

Admiral CURRIER. The Response Boat-Small program is not being cut as a result of budgetary pressure. We are reevaluating our need for the number of those boats based on our experience post-9/11 on what we really need to do the port security job, so adjustments to that fleet size will be based on operation requirements, not budgetary pressure.

Mr. HUNTER. OK. Admiral, thank you. Thank you for your service and thank you for your time. There are no further—oh, Ms. Hahn you have more questions? I would like to recognize Ms. Hahn. We do have a second panel we need to get through as well.

Ms. HAHN. OK. Thank you. I will be brief. Just a quick change of subject because you did touch on it in your statement, and as you know, the ineffective handling of sexual assault cases has plagued the military recently and there has been a huge push to make some major reforms in this area, so obviously, sitting here looking at all the men showing up for this hearing, has the Coast Guard made any changes to how it deals with sexual assault cases? And could you tell us what specific policies has the Coast Guard implemented?

Admiral CURRIER. Yes, ma'am. We recognized this problem about a year ago and it became the object of focus for the Service. Subsequent to that, there is a film called "The Invisible War," which I am sure you are familiar with. It has become a banner headline, but I will tell you that we have a Service-level strategy, a senior executive working group that tiers down into working groups. We have overhauled our training, we have overhauled our messaging, we have overhauled our system of accountability for not only perpetrators but for commanders that have environments that are perhaps permissive. They are held accountable as well. We are in lockstep with the Department of Defense and the other military services, and we are cooperating with Congress and the Department and the administration. Universally, this was held as a problem. This behavior is a crime, it is a breach of trust, and we are committed to eradicating this behavior from the Service because it is a matter of trust, and as I said in my opening statement, that is a priceless attribute that we have in the military.

Ms. HAHN. Thank you.

Mr. HUNTER. Does the gentlelady yield back?

Ms. HAHN. Yes.

Mr. HUNTER. OK. Admiral, thank you for your time and your testimony and your service.

Admiral CURRIER. Thank you, Mr. Chairman.

Mr. HUNTER. I would like the second panel to come forward, please.

Our second panel of witnesses include Mr. Ronald O'Rourke of the Congressional Research Service; Dr. Steven Bucci. Did I say that right?

Mr. BUCCI. Bucci.

Mr. HUNTER. Bucci. Director for Douglas and Sarah Allison Center for Foreign Policy of the Heritage Foundation; and Dr. Lawrence Korb, Senior Fellow at the Center for American Progress.

Mr. O'Rourke, you are now recognized.

TESTIMONY OF RONALD O'ROURKE, SPECIALIST IN NAVAL AFFAIRS, CONGRESSIONAL RESEARCH SERVICE; STEVEN P. BUCCI, PH.D., DIRECTOR, DOUGLAS AND SARAH ALLISON CENTER FOR FOREIGN POLICY, THE HERITAGE FOUNDATION; AND LAWRENCE KORB, PH.D., SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS

Mr. O'ROURKE. Chairman Hunter, Ranking Member Garamendi, distinguished members of the subcommittee, thank you for the opportunity to testify today on Coast Guard acquisition. Chairman Hunter, with your permission, I would like to submit my statement for the record and summarize it here in a few brief remarks.

The Coast Guard's fiscal year 2014 5-year acquisition plan has about one-third less funding than last year's plan. That is the largest reduction in a 5-year plan that I have seen in many years, and it has occurred in the absence of any change in the Coast Guard's strategic environment that might substantially reduce Coast Guard mission demands. The plan's average funding level of $1 billion a year will likely require the Coast Guard to reduce procurement rates, which would increase unit costs, lengthen replacement times and possibly compel the Coast Guard to further extend the lives of aging platforms. The likely eventual result would be a smaller and/or older Coast Guard with less mission capacity than called for in the program of record.

In this sense, the plan raises a fundamental question for Congress about the Coast Guard's ability to recapitalize its assets in a timely manner and adequately perform its statutory missions in coming years. It also raises a potential oversight question for Congress concerning year-to-year stability in DHS budget planning and the reliability of DHS budget projections.

In assessing the Coast Guard's future needs, it can be noted as a starting point that although the program of record force would have considerably more capacity than the legacy force, the Coast Guard has estimated that the program of record force would nevertheless have substantial capacity gaps for performing six of the Coast Guard's 11 statutory missions in coming years. If funding limits lead to a Coast Guard that is smaller and/or older than the program of record force, these mission gaps would be greater still.

It is not clear that past annual amounts of Coast Guard acquisition funding are necessarily the most appropriate guide to what the funding level should be in coming years since the Coast Guard has entered a period during which it is seeking to replace multiple classes of assets that in past budget years were not yet in need of replacement.

A reliance on past funding levels as the sole guide to future funding levels could short-circuit the policymaking process, limit options available to policymakers and hamper their ability to alter the composition of Federal spending over time to meet changing Federal needs.

In seeking potential alternative guides to future Coast Guard acquisition funding, comparisons with the Navy are potentially illuminating. These comparisons suggest that if the Coast Guard's acquisition account were made proportionate to Navy procurement funding, the account might total about $3.5 billion a year. That figure might be discounted to account for the expensive platforms procured by the Navy. Discounting it by a third or a half, for example, would produce a figure of $1.7 to $2.3 billion a year for the AC&I account. The Coast Guard for its own part has testified that recapitalizing the Service's assets on a timely basis would require up to $2.5 billion a year. A level of $1 billion a year, the Coast Guard has testified, would almost create a death spiral.

The Navy makes substantial use of multiyear procurement and block buy contracting to reduce ship and aircraft procurement costs. The Coast Guard, in contrast, is not using these contracting mechanisms. The difference between the Navy's substantial use of multiyear procurement and block buy contracting and the Coast Guard's nonuse of these mechanisms is striking. The nonuse of these mechanisms by the Coast Guard in past years may in some cases represent lost opportunities for reducing Coast Guard acquisition costs.

Moving forward, current Coast Guard programs that might be considered candidates for multiyear procurement or block buy contracting include the NSC program, the OPC program and the FRC program.

These points lead to a number of potential options for Congress. I will just mention four. One would be to encourage or direct DHS to program a certain minimum amount of funding each year into the AC&I account. Another would be to provide the Coast Guard with greater autonomy from DHS in determining the funding level for the AC&I account. A third would be to encourage or direct DHS and the Coast Guard to use multiyear procurement and block buy contracting where appropriate, and fourth would be to reduce the Coast Guard's statutory missions to narrow the future potential gap between Coast Guard mission requirements and projected Coast Guard capacity for performing them.

These options underscore the point made earlier, that the fiscal year 2014 plan raises a fundamental question for Congress about the Coast Guard's ability to recapitalize its assets in a timely manner and adequately perform its statutory missions in coming years.

Mr. Chairman, this concludes my statement. Thank you again for the opportunity to testify, and I look forward to the subcommittee's questions.

Mr. HUNTER. Thank the gentleman.

Dr. Bucci is recognized.

Mr. BUCCI. Mr. Chairman, Mr. Ranking Member, Members, I thank you for having me here. I will let you know the comments I make are my own and not to be construed as official positions of the Heritage Foundation.

Prior to joining the Heritage Foundation, I did spend 30 years as a military officer in the Army Special Forces and then was a Deputy Assistant Secretary of Defense for Homeland Defense where I was DOD's plug into the Department of Homeland Security and worked extensively with the Coast Guard.

I really want to thank you for the opportunity to be here, and I am not going to be redundant with my colleagues on some of the specifics, and I believe the committee is probably just as expert as I am on many of these details, but I have to tell you, the Coast Guard is a key natural security asset. It is not a secondary force. It is one of the key players in defending our country, and right now, regardless of what we say or do here, they are being given an expanding mission set in the midst of contracting assets and resources.

The Coast Guard, to their credit, uses imagination and innovation to accomplish the mission on a pretty regular basis. They also have not yet learned how to work the Washington system, asking for twice as much as you think you need because you know you are only going to get half of that. They actually ask for what they think they might be able to get by with and then it still gets cut in half.

The Coast Guard is never more in character as a military organization than at budget time. They get their orders, they are given their assets, they salute and then they go out and try and do their mission or die trying, and I think it is incumbent on the Congress, particularly, because unfortunately, I think the administration doesn't seem to get this. There is a lot of precious young men and women out there who are putting their lives on the line in vessels and aircraft that are in many cases older than they are, and while that may be OK in some situations, the ones the Coast Guard goes into, that is not an acceptable situation.

I will touch on one specific thing, not to pile on with Mr. Young too much, but with the icebreaker fleet. The Coast Guard study says for them to operate in the Arctic and in Antarctica, they need three medium and three heavy icebreakers. Right now they have got the one medium and the two heavies, which frankly, don't work. I think we should go beyond his idea of leasing icebreakers and give them an exemption to the Jones Act and let them lease some standing icebreakers that are not U.S. made because we really need to have this capability. It is embarrassing, not too different than riding on the Russian's rocket ships to get up into space now, that we have to ride behind Russian icebreakers to resupply the McMurdo Research Station in Antarctica. I just find that somewhat ironic.

Right now, Congress, if it does not act to correct the chronic underfunding of the Coast Guard's fleet revitalization plan, we are going to continue to ask those young men and women to put their lives at risk while they protect our country. The maintenance costs of this aging fleet are getting way out of hand and are going to suck the air out of the very small revitalization funding we already have, and that has to be turned around.

The Coast Guard continues to perform its missions admirably, and they will find it increasingly difficult to keep up that pace as their assets begin to deteriorate further. So I would ask the Congress to fulfill its constitutional responsibility to provide for the common defense by making a commitment, and I think this committee is making that commitment, to fund them at a level that meets the needs of the Service, in some cases in excess of what the Service itself is asking for.

Thank you, and I look forward to your questions.

Mr. HUNTER. Thank you. Dr. Korb is recognized for 5 minutes.

Mr. KORB. Thank you very much, Mr. Chairman, Ranking Member Garamendi. I appreciate the opportunity to come. I also appreciate the opportunity, sir, to be on a panel with such other distinguished people.

My association with the Coast Guard goes back to the 1960s when I worked with them as a naval officer off the coast of Vietnam. The interesting thing, they still have a lot of same ships that they had back then. I also spent 4 years teaching at the Coast Guard Academy. Admiral Papp was there, but he didn't take a course from me, so I guess that is probably one reason why he got ahead.

And I worked with them when I was in the Reagan administration on the War on Drugs and a couple of times when I went to Iraq and I saw them working there, and I think that is a key thing. People forget just how much they do. They don't realize that they have all of these missions.

Now, and it has become clear to me that over the years, one of their problems is their motto theoretically is "Always Prepared," but their unofficial motto seems to be, "We can do more with less." And if you go back and you take a look, for example, when sequestration came up, Secretary of Defense Panetta said that, if we have sequestration, the Navy will be back where it was before World War I. If you ask the Coast Guard, they will say, well, give us less money, we will just do the best we can. They don't really, I think, make it clear to the Congress and the public the jeopardy they are in.

Now, it has become clear in the testimony today that the Coast Guard has some management problems, but they pale in comparison to the Department of Defense. I have in my written testimony, which I would like to put into the record, an article by Senator McCain on April 26th of this year, and in it he said the Pentagon turns "billions of taxpayer dollars into weapons systems that are consistently delivered late, flawed, and vastly over budget—if, that is, these systems are delivered at all." He mentions the fact that the Air Force alone canceled a weapons system, the Expeditionary Combat Support System, after spending a billion dollars. That is larger than the whole Coast Guard acquisition budget.

So what are we going to do? We all agree that they need more money. What we need is a unified national security budget. The Coast Guard has to be taken into account when the executive and legislative branches decide where to allocate scarce resources for national security.

For example, as has been mentioned by Congresswoman Hahn and Mr. Garamendi, the whole question about port security versus missile defense. If you take a look, what we spent on missile defense since I was in Government, is over $200 billion, and a lot of scientists tell us it still does not even work very well. What are we spending on port security? And, as Congressman Garamendi mentioned, if I am going to send a nuclear weapon to the United States, it is much less likely that I am going to launch a missile with a return address. It is much more likely that I am going to bring it in through the port. But yet, we take a look at what the Coast Guard budget is compared to the Department of Defense, you

take a look and you compare the Coast Guard budget to that of the Navy in terms of the number of people plus what we spent on procurement.

The Littoral Combat Ship, which Senator McCain also criticizes in this article, it costs more than your National Security Cutters and has one-third the range, and yet we don't get an opportunity to make those tradeoffs between the Coast Guard and the other armed services. I would like to, with the committee's consent, to put our unified national security budget into the record because we go over that over every year to show you could do those things.[1]

Now, let me conclude with two other things that the Coast Guard needs to do in addition to making these tradeoffs. Number one, the Commandant needs to be a member of the Joint Chiefs of Staff. When you had the hearing on sexual assault, I noticed he was at the table. Get him at the table all the time. They have all of these national security missions. You have just added the head of the National Guard to the Chiefs, put the Commandant there, too.

The other thing is, they are going to need the equivalent of a Service Secretary in the Department of Homeland Security, someone like the Secretary of the Army, Navy, or Air Force who can come here and speak up for them.

And then the final thing I would say is, Secretary Panetta and Secretary Hagel both asked Armed Services Committees to do something about the escalating cost of personnel benefits.

Well, the committees have not done anything about that this year, but they also impact the Coast Guard because they have to go along with whatever the Department of Defense does. Thank you very much.

Mr. HUNTER. Thank you, Doctor. Thank all of you for being here today. Let me ask you, Mr. O'Rourke. Why do you think they haven't done multiyear procurements if they are authorized to do so?

Mr. O'ROURKE. It is a good question, Mr. Chairman. I have asked that myself. It is not clear to me why it is not happening. One possible contributor might simply be a lack of awareness of the mechanism. The use of multiyear procurement and block buy contracting has grown in DOD in recent years and it could simply be that the Coast Guard has not caught up with that.

Mr. HUNTER. Most shipbuilders do multiyear procurement.

Mr. O'ROURKE. That is right. In fact, all three of the Navy's year-to-year shipbuilding procurement programs are now under either multiyear procurement contracting or block buy contracting, all three of them, and so, as I said in my testimony, the difference between the Navy's substantial use of these mechanisms and the Coast Guard's nonuse of them is striking.

Multiyear procurement can save upwards of 10 percent on the cost of what you are buying, and especially if we are going into a tighter budget environment there is more reason than ever to perhaps consider using them.

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[1] "Rebalancing Our National Security: The Benefits of Implementing a Unified Security Budget," by the Task Force on a Unified Security Budget of the Center for American Progress, can be found online at: http://www.americanprogress.org/wp-content/uploads/2012/10/UnifiedSecurityBudget.pdf.

Now, there are reasons why you might not want to use multiyear procurement or block buy contracting, and you have to consider carefully whether you want to do it or not, but if you decide that it is appropriate, it can offer savings at a time when apparently the Coast Guard needs those savings more than ever.

Mr. HUNTER. You also noted that the Coast Guard can successfully, or if it wants to successfully conduct all of its missions, then it needs to have—it needs to acquire more boats, more assets. So the question then is, if they don't get the money to acquire more assets, what does that mean for its ability to conduct its mission and in what way do you think the Coast Guard should change its mission set?

Mr. O'ROURKE. That is right. In fact, I think it is worth remembering, as I mention in my opening statement, that the program of record force itself is not capable of fully performing all the Coast Guard's statutory missions as the Coast Guard has estimated. The force that would be needed to do that could require up to 60 percent more cutters and up to 90 percent more aircraft than what is included in the program of record force. So the POR force is already somewhere short of what the Coast Guard has calculated would be needed to perform the Service's statutory missions in coming years.

If you fall short of the POR force, you are only making those mission shortfalls even greater. Multiyear procurement and block buy contracting can, at the margin at least, help the cost Coast Guard afford a larger force for a given amount of money. For example, the OPC program is currently estimated at $12.1 billion. If you are able to save somewhere between 5 and 10 percent of the procurement costs on that program, then you are looking at saving somewhere between $600 million and $1.2 billion, which can go some way toward buying OPCs or other platforms that the Coast Guard is interested in getting.

Mr. HUNTER. Thank you, Mr. O'Rourke.

Mr. Garamendi is recognized.

Mr. GARAMENDI. Mr. O'Rourke, in your written testimony, you spent some time on the C–27. The thing that I am curious about is that there is a potential savings here of some three-quarters of a billion dollars. Is that savings—and this is a question, I think, more for us on our side, but it seems to me that any savings are not going to be plowed back into the other acquisition programs for the Coast Guard but rather disappear into the black hole of the larger budget for the U.S. Government.

Mr. O'ROURKE. As I look at the Coast Guard's 5-year acquisition plan, it appears to me that the Coast Guard's budget already banks on receiving those C–27s. They have already taken the credit for it. You will have an avoided cost if you don't buy the remaining 18 HC–144s, so that is like a $40 million or $50 million airplane, so that is several hundred million dollars in avoided procurement costs, but the Coast Guard's 5-year acquisition plan already appears to take credit for that by zeroing out the HC–144 line for the remainder of the program. The Coast Guard is referring to it as a pause, and it is a pause in the sense that they are waiting to see whether they get the 14 to 21 C–27s. If they don't, that requirement rolls back into the Coast Guard's 5-year plan and you are

looking at another bill for several hundred million dollars that currently is not reflected in the 5-year plan.

Mr. GARAMENDI. Thank you. I understand that, and even more completely because of your answer, but where I wanted to go is that it appears to me that the Coast Guard is getting no credit, that is, does not have the ability to repurpose, reuse that $700-plus million to fund its other programs. It looks to me like they are simply taking a short—the budget is coming up short even though they are shaving $700 million, potentially saving $700 million.

Mr. O'ROURKE. The removal of the money for the HC–144s represents about one-third of the total reduction in funding that we see in this plan versus the 5-year plan from last year.

Mr. GARAMENDI. Here is——

Mr. O'ROURKE. It is about $900 million that they have taken away.

Mr. GARAMENDI. For those of us on the policy side of this, it seems to me that we need to provide a significant incentive, in this case, for the Coast Guard and perhaps also for other services that if they are able to, in this as we see here, find a way to save three-quarters of a billion, then they ought to be able to take that three-quarters of a billion and apply it to other acquisition programs that are short of money. It appears to me that is not the case here and therefore there is little incentive, even though the Coast Guard seems to be doing it, to find those kinds of savings.

Just something for us to consider and for you to ponder, given your role, so that there is this incentive built into the system that save money and then you can use it elsewhere.

I will let it go at that.

And I think this is again for the members of this committee that serve on the Armed Services Committee, is to make sure that those planes are transferred. I mean, we can do that. We have that power, transfer the planes, shut up, get on with it, and I would recommend that we do that.

I want to go to Mr. Korb and your question about a unified budget, which has been the subject of much of what I talked about here, is that we are not considering the overall defense or national security. We are looking at it in a segmented and disjointed way, and it seems to me to be two ways to get at that. You are suggesting one of them, which is the placement of a member of the Coast Guard in the Department of Defense's program; that is, sitting there with the other generals and admirals. Good idea.

There is also another problem, and that is the organization of the House of Representatives and perhaps the Senate, which you didn't talk to. This committee—the Coast Guard is specifically in the T&I Committee, Transportation and Infrastructure, and therefore disconnected in policy and similarly disconnected in the appropriation process.

Now, we can send a Coast Guard admiral to sit over at the Joint Chiefs of Staff, but unless you take the next step, which is the organization of the House of Representatives, it ain't going to count much.

So, I guess more than anything else, I am really talking about us in almost everything I have said today. It is how we view the world.

Mr. Korb, would you care to comment? You chose not to do that, and I appreciate your deference to us, but——

Mr. KORB. I think both the administration and the Congress need to do it. Before we unified the Department of Defense, you used to have a committee that dealt with the Navy and another the War Department and then you created Armed Services. I think the administration needs to take the lead in this through OMB by having a unified national security budget that looks at, if you will, offense, which is the Department of Defense, defense, which is Homeland Security, and development, which is State Department; it needs to look at them all together. And we have done it for the last 8 years. We have taken the amount that the Bush administration and now the Obama administration says it wants for all 3, and we show how you can get more bang for the buck, if you will, by looking at these things together. And I would suggest that if they take the lead, then the Congress, like you have a Budget Committee, would have a national security committee that looks at all of those things together and suggests some of the trade-offs, some of which we have discussed today. And you are not going to go over your budget. In other words, we take whatever amount that you put in your budget and we say this is a way you can get more security.

For the money, the average age of Navy ships is like one-third of that of the Coast Guard, so at some point you might sit down and say, well, maybe we ought to give the Coast Guard a newer ship and the Navy one less ship, or you take an aircraft out or whatever, whatever it might be, and I think that would help, we would get more security for whatever amount the money that you are willing to spend.

Mr. GARAMENDI. Thank you for that. Mr. Bucci, you are from an organization known to be fiscally conservative. Could you comment on this issue?

Mr. BUCCI. Well, I——

Mr. GARAMENDI. Recognizing that you are not speaking for the organization.

Mr. BUCCI. I do. While I agree in the general principle, I think probably a good interim step might be to look at the Department of Homeland Security's budget, which has gone up recently while the Coast Guard, which frankly, no offense to any of the other wonderful organizations within DHS, the Coast Guard is by far the most efficient and useful and necessary for national defense of any of the constituent parts of DHS, their budget has consistently gone down. So perhaps before we try and merge the budgets of the Department of Defense with chunks of DHS, we get DHS to sort of synchronize their own budget internally and give a little bit more of the assets to one of their parts that is really pulling a lot more weight than they might otherwise do.

Mr. GARAMENDI. Just, Mr. Chairman, you have been very generous with my time, but just one final comment. If we would look at the Department of Homeland Defense budget, it is boots on the ground that seem to be far more important than ships on the sea. Am I correct?

Mr. BUCCI. Right now, given the debate we have been having for the last couple of weeks, Congressman, I would say you are absolutely right.

Mr. GARAMENDI. I yield back the 3 minutes and 6 seconds beyond the 5 minutes, Mr. Chairman.

Mr. HUNTER. Ms. Hahn is recognized for 5 minutes.

Ms. HAHN. Thank you, Mr. Chairman.

Mr. Korb, you are speaking obviously, you know, a theme that I have been talking about since 9/11, which I think our ports are very underfunded when it comes to our homeland security and you mention in your testimony that the likelihood of a nuclear weapon being smuggled through an American port by an unfriendly nation is much greater than facing a nuclear launch from one of these countries simply because they don't want to have a return address for fear of a severe response.

But instead of allocating more resources to our port security, Congress increased funding for an east coast missile defense system most experts have described as being wasteful and has cut critical port security programs. The Port Security Grant program has been cut by 75 percent since 2009, and the Coast Guard saw a $300 million cut in the latest Homeland Security appropriations bill from its 2013 enacted level.

You have touched on this a little bit. Just again for this committee and all those who are listening, what are the consequences? Not just to our ports, but to our country and possibly to the global economy if we fail to adequately address our Nation's port security? I just want to hear it one more time.

Mr. KORB. Well, as I put in, the consequence would be severe if in fact you have someone—it is not just a nation with nuclear weapons like an Iran or North Korea. A violent extremist group, you know, that could smuggle one in that they got because we didn't control nuclear proliferation, the consequences to the country would be severe and then everybody would be saying, well, gee, why don't you do anything about port security. And our point—and we have been doing this, you know, since 2004, said look, you just tell us how much money you are willing to spend on national security, OK. It was higher, and then after sequestration might be lower. Let's—you can't buy perfect security but let's do some cost-benefit analysis to make sure that we, you know, get the most bang for whatever buck we are going to spend.

And I understand people are concerned, they want east coast missile sites. Well, the head of the Strategic Command is saying, well, we don't need them. Well, if you are going to put money into that, why don't you, instead of putting it into that, put it more into port security. I mean, that is the type of thing that we are trying to do. And again, because the Coast Guard itself, and you know, doesn't come up, they don't have a political spokesman like Secretary Panetta saying, oh, my goodness, you got sequestration, we will be back to where we were in 1916, nobody pays attention to that. They need someone to get out and make the point that you are, somebody like a Secretary Panetta or something that can say, look, ladies and gentlemen, let me tell you, of course, you have cut this by this amount which you just mentioned. This is what you are risking. Then I think they would get more political support for it, but in my association with them over the years, they don't do that. It is always we can do more with less.

Well, I told them what I used to teach there, that is what you are going to get, and you have got to be more, more dramatic about it. And so I think that is what I would urge them to do, and again, it is not just the Congress, the administration should do that before they send their budget up. Even if you don't have a national security committee, there should be OMB or someone looking at those things together much like we look at the, you know, the four military services together.

Ms. HAHN. Well, thank you. I know we are always looking at how to fund things and trying to find extra or dedicated revenue stream. One of the things that, Mr. Chairman, I have suggested and something I think we could at least look at is the customs money, customs fees that comes into the customs districts. It is based on containers and because it is about commerce, but I would argue that every container that comes into our ports certainly represents commerce, but they also represent risk. They represent risk to security, they represent risk to our environment, they represent risk to the infrastructure, whether it is the terminals and the wharves or the highways and the bridges when they are being carried to their final destination. We have been using that money, obviously, for other things, just like we have been using the harbor maintenance tax for other purposes, but I think we ought to look at where this money is actually coming in to our ports, why it is being collected and whether or not we might look at trying to redirect some of those funds back to the ports where they are collected for the purpose of securing and certainly maintaining the infrastructure for our national security.

I yield back my time. Thank you.

Mr. HUNTER. I thank the gentlelady, and also, I would throw in there that it is probably, if you are checking cargo on American soil it is probably too late. You have got to have this cargo checked at its ports as they leave port of origin to come to the United States.

If there are no further questions, does the gentlelady have any further questions? Then I thank the witnesses for their testimony and the Members for their participation, and this subcommittee stands adjourned.

[Whereupon, at 11:50 a.m., the subcommittee was adjourned.]

Rep. John Garamendi
Opening Statement
House Subcommittee on Coast Guard and Maritime Transportation Hearing

"Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs"

June 26, 2013

Mr. Chairman, the subcommittee turns its attention this morning to focus once again on the status of the Coast Guard's long term program to recapitalize its aging fleets of surface ships and aircraft and to improve its communication and intelligence technologies for the challenges of the 21st Century.

As we discovered during the subcommittee's April 16 hearing concerning the administration's Fiscal Year 2014 budget request for the Coast Guard, we simply are not providing the Coast Guard with the resources it needs to fulfill its many missions. Failing that, it is folly for us to believe that the Coast Guard will be able to adequately maintain operations, and importantly, to sustain progress in its $29 billion recapitalization strategy – the largest such initiative in the Coast Guard's storied history.

The predicament we find ourselves in is not entirely of the Coast Guard's making. Nor can it be attributed to any one factor. And as Admiral Currier will soon testify, the Coast Guard is doing its utmost to wisely utilize the resources appropriated by the Congress to address the most pressing priorities to ensure that the Coast Guard remains, *Semper Paratus*, always ready.

But the fact remains, if we continue on the same course we will accomplish little but to hollow out the capabilities of our Guardians of the Sea. And the warning signs signaling that we are approaching a tipping point are abundantly clear.

The Fiscal Year 2014 budget request for the Acquisition, Construction and Improvements Account is only $909 million. This amount is $600 million less than the funding level authorized in last year's Coast Guard and Maritime Transportation Act, and is $1.1 billion less than the $2 billion funding level recommended for the AC&I account by the Navy League of the United States in their 2013 Maritime Policy Statement.

Additionally, we are seeing certain acquisition programs prematurely terminated, and the timetables for other programs pushed further out into the future. Moreover, the Coast Guard now faces an imminent gap in operational capability as its aging legacy assets are pressed far beyond their service life expectancies and new assets are late in delivery.

Mr. Chairman, this is an important hearing, perhaps the most important hearing you will convene all year. The prospect of a "hollow" Coast Guard should be motivation enough to act. I look forward to hearing from our witnesses this morning on how we might best avoid such an undesirable outcome. Thank you.

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TESTIMONY OF
VICE ADMIRAL JOHN P. CURRIER
VICE COMMANDANT
ON

"COAST GUARD READINESS:
EXAMINING CUTTER, AIRCRAFT, AND COMMUNICATIONS NEEDS"

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

JUNE 26, 2013

INTRODUCTION

Good morning Chairman Hunter, Ranking Member Garamendi and distinguished members of the Subcommittee. On behalf of the men and women of the U.S. Coast Guard, I thank you for your oversight of and advocacy for the Coast Guard. I am honored to appear before you today, as I did a year ago, to update you on our continued efforts to recapitalize our aging cutters, small boats, aircraft, and Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) systems.

Over the last year, we have laid the keel on the fourth National Security Cutter (NSC), begun construction on the fifth NSC, and awarded the production contract of the sixth NSC. We delivered the first six Fast Response Cutters, awarded production of the Over the Horizon Mark IV Boat, awarded the contract for the Long Range Interceptor Mark II Boat, and accepted 33 additional Response Boats Medium (RB-Ms), bringing the total to 133 RB-Ms. Within the aviation domain, we accepted the 15th HC-144A aircraft, awarded contract options for two additional aircraft, and completed initial Operational Test and Evaluation. We awarded the production of three C-130J aircraft and completed the first C-130H avionics upgrade and center wing box installation. Additionally, we completed Discrete Segment Three on HH-65s and are approximately halfway through completing Discrete Segment Four on the fleet of 99 aircraft. We completed Rescue 21 deployments in the continental United States and marked the 51,000th Search and Rescue (SAR) case completed leveraging this system. We continue to deploy Nationwide Automatic Identification System and Watchkeeper to key ports throughout the country and are installing a new C4ISR baseline on NSCs.

As I discussed when I last testified before this Subcommittee, the Coast Guard is committed to allocating available resources to address today's greatest maritime safety and security needs while making the necessary investment in recapitalization to ensure the viability of the Coast Guard well into the future. The condition and serviceability of the Coast Guard's surface fleet, the aging of fixed and rotary wing air assets, and the projected timelines to replace these assets require the Coast Guard to continue investment in recapitalization to maintain the capability necessary to operate in areas strategically important to our Nation.

We will continue to instill a culture of efficiency so that every dollar is used to its best advantage. We will ensure that our people remain Semper Paratus—"always ready"—and are properly equipped with reliable and capable assets to carry out our most pressing missions. We are committed to realizing a balanced force structure necessary to address future national interests in the maritime domain.

THE COAST GUARD ACQUISITIONS ENTERPRISE

With the establishment of the Acquisition Directorate in 2007, the Coast Guard consolidated its portfolio of major and minor acquisition projects, contracting and procurement functions, research and development programs, logistics support and transition to sustainment functions, and other elements of acquisition support under a single command. Further, the Service established an acquisition governance structure, strengthened our processes, and built and maintained a highly capable and trained acquisition workforce. These improvements have been codified in the most recent revision to the Coast Guard's Major Systems Acquisition Manual (MSAM), which was released this past January, and are guided by the principles and requirements under the Department of Homeland Security (DHS) - Homeland Security Acquisition Manual (HSAM) and Federal Acquisition Regulations (FAR). We continue to implement reforms to minimize acquisition risks and maximize affordability within our projects. We leverage the experience and expertise of our partners to perform key functions and guide Coast Guard decision-makers throughout the acquisition life cycle. To better balance the acquisition and budget processes, DHS and the Coast Guard are conducting an acquisition portfolio review. The portfolio review initiated in 2013 will help develop acquisition priorities and inform the appropriate asset mix to achieve operational requirements within the funding projections.

As a result of these ongoing efforts, Coast Guard acquisition personnel were recognized as recipients of four 2012 DHS Acquisition Awards, including Acquisition Professional of the Year, Program Manager of the Year, DHS Program of the Year, and Component Acquisition Executive Team of the Year. The Coast Guard also received four DHS Competition and Excellence in Acquisition Awards this year recognizing the efforts of our contracting and procurement teams in supporting the full scope of acquisition portfolio. Most importantly, we continue to deliver operational capability on-cost, on or ahead of schedule, and in a controlled risk environment.

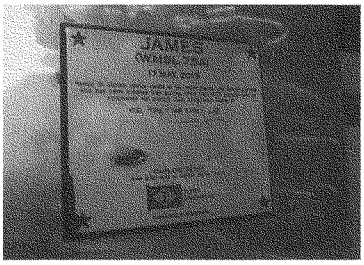
RECENT ACQUISITION SUCCESSES

As the Commandant testified earlier this year, the Coast Guard has made great strides in our efforts to recapitalize the Coast Guard fleet and support systems over the past year. The Service continues to accept delivery of new cutters, aviation assets, small boats, and C4ISR capabilities bolstering our mission readiness and performance.

FRC 6 (USCGC PAUL CLARK) delivered – May 2013

Last month, the Coast Guard accepted delivery of the sixth Fast Response Cutter (FRC), which will complete the complement of FRCs scheduled to be based at Sector

Miami. With our next delivery, scheduled for August, we will begin the process of outfitting our second homeport, Sector Key West, with deliveries to Sector San Juan set to follow in early 2015. The FRC project recently conducted Initial Operational Test and Evaluation (IOT&E) aboard the USCGC RICHARD ETHERIDGE with final results expected shortly.



Steel plate bearing the initials of the cutter's sponsor to authenticate the keel of NSC 5 (JAMES) as "truly and fairly laid" – May 2013

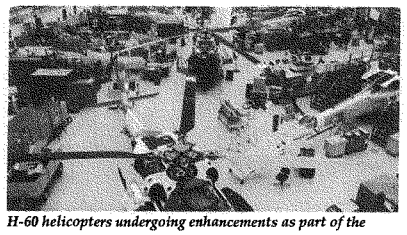
Our National Security Cutter (NSC) project also achieved several key milestones during the past year, including the first deployment of an NSC to the Arctic as a part of Operation Arctic Shield, 2012. Through the experience gained during the construction of the first three hulls and a shift to a fixed price construct, the NSC project controlled risk and achieved stability in cost and schedule. The project recently laid the keel for the fifth NSC, USCGC JAMES, and is preparing for the christening of the fourth NSC, USCGC HAMILTON this fall. The Coast Guard also recently awarded contracts for production of the sixth NSC, USCGC MUNRO, and Long Lead Time Materials for the seventh NSC. The contract for production of NSC six was awarded for nearly the same price as the fourth and fifth. NSCs are proving very successful at providing Area Commanders the requisite capabilities to perform the full range of Coast Guard missions in the offshore environment.

The Offshore Patrol Cutter (OPC) project will be governed by the MSAM from initiation to completion. Last year following continued consultation with industry, the Coast Guard released the Request for Proposal with an emphasis on competition and affordability.

LRI-II performs tests during OT&E – Jan 2013

Following open competitions, the Coast Guard awarded fixed-price production contracts in 2012 for two standardized cutter boat classes, the 11-meter Long Range Interceptor II (LRI-II) and 7-meter Over the Horizon IV (OTH-IV). The lead production boat of each class has been delivered, and each has successfully completed Operational Test and Evaluation (OT&E). The LRI-II recently was credited with its first interdiction of illegal drugs while conducting operational testing in conjunction with USCGC BERTHOLF. The Service also continues to oversee the production of the Response Boat-Medium (RB-M) and the Response Boat-Small II (RB-S II), currently being delivered to Coast Guard stations nationwide.

The Coast Guard has initiated several pre-acquisition activities to support the acquisition of a new Polar Icebreaker to maintain Coast Guard mission capabilities in the high latitude regions. These efforts are complemented by ongoing consultation and coordination with the Canadian Coast Guard as they continue requirements and a design for a heavy icebreaker.



H-60 helicopters undergoing enhancements as part of the transition to the MH-60T model at the Aviation Logistic Center, Elizabeth City, N.C.

Within the aviation domain, the Coast Guard recently accepted delivery of the fifteenth Maritime Patrol Aircraft (MPA) and awarded contracts for one additional MPA, five Mission System Pallets (MSP), and three HC-130J Long Range Surveillance aircraft. Additionally, ongoing conversion and sustainment projects will equip our H-60 and H-65 helicopter fleets with enhanced avionics and sensors, as well as the commencement of avionics enhancement and structural improvements aboard our legacy HC-130H fleet.

We continue to work with the U.S. Navy and U.S. Customs and Border Protection to leverage their existing programs to develop cutter and land-based Unmanned Aerial Systems (UAS) to supplement manned aircraft to meet maritime surveillance requirements. Last year, the Coast Guard began a series of evaluations of a cutter-based small UAS. This included a series of operations in conjunction with our National Security Cutters, including the first time a Coast Guard UAS played an integral role in a drug interdiction. At the end of May, while embarked aboard cutter BERTHOLF, the cutter-based small UAS relieved an MPA that had spotted a suspected go-fast. The UAS maintained surveillance and subsequently handed off pursuit to BERHOLF's deployed armed helicopter and Long-Range Interceptor. The result was the successful interdiction of nearly 600 kilograms of cocaine.

Finally, we continue to deploy command and control systems, such as Rescue 21, WatchKeeper, and the Nationwide Automatic Identification System to save lives and enhance maritime awareness in our ports and on the inland and coastal waterways. Our C4ISR systems remain critical for maintaining secure interoperability among our many resources and missions. The Coast Guard is making good progress deploying baseline C4ISR upgrades aboard our NSC fleet, further enhancing NSC capabilities. C4ISR equipment and software provide situational awareness, data processing and information awareness tools required to modernize and recapitalize our shore sites, surface and aviation assets.

CONCLUSION

Since 1790, the Coast Guard has safeguarded our Nation's maritime interests and natural resources on our rivers, in the ports, on the high seas, and in theaters around the world. Each day, the Coast Guard conducts countless operations to protect those on the sea, protect the Nation from threats delivered by the sea, and to protect the sea itself. Our acquisition workforce is, likewise, working each day to acquire and deliver the assets and capabilities needed to support those critical operations.

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

Question#:	1
Topic:	400 RB-S
Hearing:	Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs
Primary:	The Honorable Duncan D. Hunter
Committee:	TRANSPORTATION (HOUSE)
Name:	Vice Admiral John Currier – USCG Vice Commandant
Organization:	U.S. Department of Homeland Security

Question: Admiral Currier, I am concerned with information that has been shared with me regarding the U. S. Coast Guard's acquisition strategy for the procurement of Response Boat-Small (RB-S) vessels that support U.S. Coast Guard ("USCG") operations nation-wide.

In November 2011, the USCG awarded an ID/IQ contract for the procurement of up to 470 RB-S boats for the USCG, up to 20 boats for the Customs and Border Protection (CBP) service, and up to 10 boats for the Department of the Navy. The value of the contract is set at $192 million, and represents one of the largest boat buys in the history of the USCG.

It is my understanding that the contract award reflected the USCG's best planning to replace RB-S boats that have reached the end of their service life, satisfy USCG operational requirements, ensure timely deliveries, maintain cost, and guarantee quality boats. This strategy, with a procurement of up to 470 RB-S vessels, appeared straightforward.

As you may know, the USCG is currently funding the procurement of RB-S via the Coast Guard's Operating Expenses (OE) budget and not through the Acquisition, Construction and Improvements (ACI) budget. As such, there is very little transparency within the U.S Government or industry regarding the procurement strategy, and the manufacturer has no predictability or certainty on the number of RB-S boats the USCG intends to procure in a given year, or in succeeding years.

Based on the 8-year contract (February 2011-February 2019) awarded by the USCG, and related discussions with program staff, it seemed clear that to successfully meet the program requirements of replacing the legacy RB-S, 40 to 65 boats would have to be manufactured per year. However, yearly procurement orders from the USCG have barely reached 50 percent of the actual stated requirement. For example, the USCG ordered 38 RB-S boats the first year of the contract (FY11), 25 boats the second year of the contract (FY12), and intends to order only 20 boats in FY13.

I ask that you provide me with a detailed response on how the USCG intends to recapitalize the approximate 400 RB-S vessels currently in the USCG fleet?

Question#:	1
Topic:	400 RB-S
Hearing:	Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs
Primary:	The Honorable Duncan D. Hunter
Committee:	TRANSPORTATION (HOUSE)
Name:	Vice Admiral John Currier – USCG Vice Commandant
Organization:	U.S. Department of Homeland Security

Response: The Coast Guard awarded a contract to Metal Shark Aluminum Boats of Jeanerette, LA in 2011 to produce the Response Boat – Small. This IDIQ contract will be used to replace an older version of the RB-S boat that is currently in service. The Coast Guard's boat fleet consists of 1,875 boats from a 15 foot ice skiff to the 47 foot self-righting Motor Life Boat. The fleet's boat quantity and boat type is very complex and varies on numerous factors including; mission requirements, boat performance, and management techniques. An IDIQ contract was selected for the RB-S replacement due to this complexity and possibility of future changes to the RB-S fleet.

The Coast Guard closely monitors the requirements for and viability of the current RB-S fleet to ensure proper stewardship. The Coast Guard found efficiencies within the boat fleet that necessitate a smaller RB-S fleet and orders have reflected the reduced requirements. The Coast Guard will continue to execute responsibilities set forth in the RB-S IDIQ contract with Metal Shark Aluminum Boat, LLC and has ordered 99 RB-S boats (28% of the RB-S fleet) as of November 2013. Future purchases of RB-S boats will occur as fleet conditions warrant.

Question#:	2
Topic:	RBS
Hearing:	Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs
Primary:	The Honorable Duncan D. Hunter
Committee:	TRANSPORTATION (HOUSE)

Question: Previous RBS were procured with OE funding and therefore have a 10-year funded service life for maintenance and support. How does the USCG intend to replace those RB-S boats reaching the end of their 10-year service life under your current underfunded plan?

Additionally, if the overall number of new RB-S vessels to be procured is less than 400, please provide your personal explanation of why the USCG is reducing the requirement and what, if any, additional risk the USCG is incurring on our waterways by reducing the RB-S recapitalization below existing fleet levels and below the anticipated contract level?

Response: The Coast Guard is in the process of replacing its RB-S boat fleet, to date, 99 boats have been ordered off an IDIQ contract with Metal Shark Aluminum Boats. The Coast Guard continually reviews operational asset performance, mission need and resource availability to meet the Nation's maritime needs as efficiently as possible. This ongoing review process will ensure the Coast Guard acquires RB-S replacements as needed to execute statutory missions.

Working with field commanders, the Coast Guard identified opportunities to reduce boat system redundancies, and reduce the RB-S fleet size, and meet mission requirements.

Question#:	3
Topic:	OE funds
Hearing:	Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs
Primary:	The Honorable Duncan D. Hunter
Committee:	TRANSPORTATION (HOUSE)

Question: Please comment on recent reports that the USCG is tapping OE funds to equip Cutters with Over the Horizon (OTH) capabilities? Why is OE funding being used for an ACNI funded program?

Does the USCG plan to reprogram funds to restore OE funding intended for RBS procurement?

Response: CB-OTH boats are procured with both AC&I and OE Funds. A cutter's initial boat is incorporated in the cutter's acquisition and funded through the AC&I appropriations. Replacement boats are purchased with OE appropriations, if the unit cost is less than $700,000 but does not exceed $31M annually.

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UNTIL RELEASED BY
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

STATEMENT OF

RONALD O'ROURKE

SPECIALIST IN NAVAL AFFAIRS

CONGRESSIONAL RESEARCH SERVICE

BEFORE THE

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

HEARING ON

COAST GUARD READINESS: EXAMINING CUTTER, AIRCRAFT, AND COMMUNICATIONS NEEDS

JUNE 26, 2013

NOT FOR PUBLICATION
UNTIL RELEASED BY
HOUSE TRANSPORTATION AND INFRASTRCTURE COMMITTEE

Chairman Hunter, Ranking Member Garamendi, distinguished members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Coast Guard's FY2014 Five Year Capital Investment Plan (CIP) and Coast Guard acquisition programs.

Overview of Funding Levels in FY2014 Five Year CIP

The Coast Guard's FY2014 Five Year (FY2014-FY2018) CIP includes a total of about $5.1 billion in acquisition funding, which is about $2.5 billion, or about 33%, less than the total of about $7.6 billion that was included in the Coast Guard's FY2013 Five Year (FY2013-FY2017) CIP. (In the four common years of the two plans—FY2014-FY2017—the reduction in funding from the FY2013 CIP to the FY2014 CIP is about $2.3 billion, or about 37%.) This is one of the largest percentage reductions in funding that I have seen a five-year acquisition account experience from one year to the next in many years.

About twenty years ago, in the early 1990s, Department of Defense (DOD) five-year procurement plans were reduced sharply in response to the end of the Cold War—a large-scale change in the strategic environment that led to a significant reduction in estimated future missions for U.S. military forces. In contrast to that situation, there has been no change in the Coast Guard's strategic environment since last year that would suggest a significant reduction in estimated future missions for the Coast Guard.

One factor that has changed for the Coast Guard since last year is the emergence of a possibility for transferring newly built Air Force C-27 transport aircraft to the Coast Guard. The possible transfer of these aircraft, which the Air Force has judged to be excess to its needs, is addressed by Section 1091 of the FY2013 National Defense Authorization Act (H.R. 4310/P.L. 112-239 of January 2, 2013), which sets forth conditions for transferring certain excess DOD aircraft to the Forest Service and Coast Guard.

C-27s transferred to the Coast Guard could be used by the Coast Guard as Medium Range Surveillance (MRS) aircraft, obviating the need for the Coast Guard to procure new HC-144A aircraft for this role. The Coast Guard has testified this year that it would need to receive at least 14 of the Air Force's 21 C-27s for the transfer to make economic sense for the Coast Guard, since 14 is the minimum number that the Coast Guard would need to equip multiple Coast Guard air stations.[1] If the Coast Guard were to receive 14 or more of the C-27s, the Coast Guard could stop HC-144A procurement at the current total of 18, and forego procuring the 18 additional HC-144As that the Coast Guard had planned to acquire.

Whether the Coast Guard will receive at least 14 of the C-27s is not clear—the terms of Section 1091 of H.R. 4310/P.L. 112-239 do not appear to guarantee this outcome. The Coast Guard's FY2014 CIP, however, appears to bank on this outcome by almost zeroing out funding for the HC-144A program: The FY2014 CIP includes $36 million for the HC-144A program—$887 million, or 96%, less than the $923 million that was included for the program in the FY2013 CIP. (The reduction in HC-144A funding in the four common years of FY2014-FY2017 was $844 million, or once again 96%.)

Setting aside the $887 million reduction in HC-144A funding, the remaining reduction in the FY2014 CIP's total funding compared to the total funding level in the FY2013 CIP becomes about $1.6 billion—a reduction of about 22% from the level in the FY2013 CIP. (In the four common years of the two plans, the other-than-HC-144A reduction is $1.5 billion, or about 23%.) This percentage reduction, though smaller than the 33% figure (37% in the four common years) cited above, is still quite large in the absence of a large-scale reduction in the Coast Guard's estimated future missions. The other-than-HC-144A funding reduction of $1.6 billion would be enough to procure roughly one and a half polar icebreakers, or two National Security Cutters (NSCs), or a few Offshore Patrol Cutters (OPCs), or more than two dozen Fast Response Cutters (FRCs).

[1] See, for example, the remarks of Admiral Robert Papp, the Commandant of the Coast Guard, before this subcommittee on April 16, 2013.

The FY2014 CIP averages about $1.02 billion per year, compared about $1.53 billion per year under the FY2013 CIP. A Coast Guard acquisition funding level of about $1 billion per year would likely require the Coast Guard to reduce annual procurement rates of new platforms, such as FRCs or OPCs, below rates that previous Coast Guard plans have anticipated. Reduced procurement rates would increase unit procurement costs, lengthen the time needed for new cutters to replace old ones (and thus the time needed to achieve desired improvements in Coast Guard mission capabilities and capacity), and possibly compel the Coast Guard to continue operating existing aged cutters even longer than now planned, which could lead to increased cutter operation and support costs, potentially leaving still less funding available for procuring new platforms. If Coast Guard acquisition funding were to continue at about $1 billion per year, the likely eventual result would be a smaller and/or older Coast Guard with less mission capability and capacity than called for in the Coast Guard's program of record (POR).

In this sense, the FY2014 CIP raises a fundamental question for Congress about the Coast Guard's ability to recapitalize its assets in a timely manner and adequately perform its statutory missions in coming years. The large change in the FY2014 CIP compared to the FY2013 CIP raises an additional potential oversight question for Congress concerning year-to-year stability of Department of Homeland Security (DHS) budget planning and the reliability of DHS budget projections for future fiscal years.

Table 1 shows percentage changes in funding in the FY2014 CIP compared to the FY2013 CIP. As shown in the table, compared to the FY2013 CIP, the FY2014 CIP reduces funding for all categories, particularly aircraft (in large part because of the reduction to the HC-144A program) and Shore and ATON (aids to navigation). In terms of individual line items, the FY2014 CIP increases funding for the NSC program (to acquire NSCs 7 and 8), the Unmanned Aircraft System (UAS) program, and C4ISR[2] systems, while reducing funding, in some cases quite deeply, for several other line items, including In-Service Vessel Sustainment, the FRC program, the polar icebreaker, the HC-144A program (in apparent anticipation of the C-27 transfer), the HH-65 Conversion/Sustainment program, the CH-130H/J program, the line item for Major Shore, Military Housing ATON and S&D (survey and design) projects, and Major Acquisition Systems Infrastructure.

[2] C4ISR is command and control, communications, computers, intelligence, surveillance, and reconnaissance.

Table 1. FY2014 CIP: Percentage Changes in Funding Compared to FY2013 CIP

Figures rounded to nearest percent

Funding category or line item	Percentage change in 5-year funding (FY2014-FY2018 compared to FY2013-FY2017)	Percentage change in 4 common years of FY2014-FY2017
Funding category		
Vessels	-15%	-14%
Aircraft	-81%	-83%
Other	-14%	-18%
Shore and ATON	-72%	-76%
Personnel and Management	-3%	-4%
TOTAL	**-33%**	**-37%**
Selected procurement/sustainment line items (those with larger annual funding amounts)		
Vessels		
In-Service Vessel Sustainment	-16%	-35%
NSC	+106%	+$1.364 billion (see notes)
OPC	+47%	no change
FRC	-67%	-72%
Polar icebreaker	-73%	-85%
Aircraft		
MPA (HC-144A)	-96%	-96%
HH-65 Conversion/Sustainment	-21%	-21%
LRS (C-130H/J)	-86%	-89%
Unmanned Aircraft System (UAS)	+100%	+100%
Other		
C4ISR	+17%	+15%
Shore and ATON		
Major Shore, Military Housing ATON and S&D	-70%	-76%
Major Acquisition Systems Infrastructure	-78%	-81%

Source: Table prepared by CRS based on FY2013 and FY2014 CIPs.

Notes: ATON is aids to navigation. The increase for the NSC in the 4 common years is shown as a dollar increase rather than a percentage increase because the 4-year dollar total under the FY2013 CIP was zero, and dividing by zero gives an undefined answer for percentage change.

Program of Record Force Relative To Future Coast Guard Missions

In assessing the operational implications of a future Coast Guard with less mission capability and capacity than called for in the Coast Guard POR, it can be noted, as a starting point, that the POR force itself falls considerably short of the force of cutters and aircraft that the Coast Guard has calculated would be needed to fully perform the Coast Guard's statutory missions in coming years. For example, the Coast Guard has calculated that fully performing its missions in coming years would require 9 NSCs, 49 OPCs, and 91

FRCs (149 cutters in total), or about 64% more than the 8 NSCs, 25 OPCs, and 58 FRCs (91 cutters in total) that are included in the POR force. Although the POR force would have considerably more mission capability and capacity than the Coast Guard's legacy force, the Coast Guard has estimated that the POR force would nevertheless have capability or capacity gaps for performing six of the Coast Guard's 11 statutory missions in coming years—search and rescue; defense readiness; counter-drug operations; ports, waterways, and coastal security; protection of living marine resources; and alien migrant interdiction operations. The Coast Guard has judged that some of these mission performance gaps would be "high risk" or "very high risk." The mission performance gaps of the POR force, which have not been emphasized in public discussions of Coast Guard planning and budgeting, are discussed in some detail in the CRS report on Coast Guard cutter procurement.[3] If limits on Coast Guard acquisition funding lead to a future Coast Guard with fewer and/or older platforms than called for under the POR, the mission performance gaps noted above will be greater still.

How Much Acquisition Funding Should the Coast Guard Receive Each Year?

Although the annual amounts of acquisition funding that the Coast Guard has received in recent years are one potential guide to what Coast Guard acquisition funding levels might or should be in coming years, it is not clear that they should be the sole guide, since other potential guides are conceivable. Nor is it clear that past annual amounts of acquisition funding would be the most appropriate guide, since the Coast Guard has entered a period during which it is seeking to replace multiple classes of assets that in past budget years were not yet in need of replacement. A reliance on past funding levels as the sole guide to future funding levels could short-circuit the policymaking process, limit options available to congressional and executive branch policymakers, and hamper the ability of congressional and executive branch policymakers to alter the composition of federal spending over time to meet changing federal needs.

In seeking other potential guides for determining how much acquisition funding the Coast Guard should receive each year, comparisons with procurement funding levels for the nation's other maritime military service—the Navy—are potentially illuminating, particularly in terms of assessing whether Coast Guard funding for acquisition is appropriately sized in relation to other parts of the Coast Guard's budget and Coast Guard end strength. In comparing the Coast Guard's budget to the Navy's budget, some initial observations that might be made include the following:

- In the FY2014 budget for the Department of the Navy (DoN), which includes the Navy and Marine Corps, funding for procurement (about $43.5 billion) is about 39% as large as all other DoN funding (about $112.3 billion). If the same 39% figure were applied to the Coast Guard's Acquisition, Construction, and Improvements (AC&I) account, the AC&I account for FY2014 would be about $3.4 billion, or more than three times the average of $1.02 billion per year under the FY2014 CIP.
- If per capita Coast Guard acquisition funding (i.e., acquisition funding per uniformed person) were set equal to per capita DoN procurement funding under the FY2014 budget, then the Coast Guard's AC&I account for FY2014 would be about $3.5 billion.
- If per capita Coast Guard acquisition funding for vessels were set equal to per capita Navy shipbuilding funding in the FY2014 budget, then the vessels portion of the Coast Guard's AC&I account would be about $1.8 billion, or more than twice the average of about $731 million per year for vessels under the FY2014 CIP.

[3] See the section entitled "Adequacy of Planned NSC, OPC, and FRC Procurement Quantities" in CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

- If per capita Coast Guard acquisition funding for aircraft were set equal to per capita DoN aircraft procurement funding, then the aircraft portion of the Coast Guard's AC&I account would be about $1.5 billion, or more than 20 times the average of about $64 million per year for aircraft under the FY2014 CIP.

DoN performs a set of missions different from that of the Coast Guard. Consequently, DoN's procurement portfolio includes certain items that are not included in the Coast Guard's acquisition portfolio, such as nuclear-powered submarines and aircraft carriers, amphibious ships and craft, high-performance tactical aircraft, complex ship and aircraft combat systems, and sophisticated missiles. Conversely, the Coast Guard's acquisition portfolio includes certain items that are not included in DoN's procurement portfolio, including polar and Great Lakes icebreakers, seagoing and coastal buoy tenders, and numerous patrol boats, rescue craft, and inland waterway craft. The implied funding figures in the above bullets might be discounted to take into account the higher-cost items in the Navy's procurement account that are not present in the Coast Guard's acquisition portfolio.

If, for example, the implied funding figures of $3.5 billion, $1.8 billion, and $1.5 billion, respectively, in the second, third, and fourth bullets above were discounted by one-third or one-half (an arbitrary discounting range that is used here simply for illustrative purposes), then the implied funding figure for the Coast Guard's AC&I account would become roughly $1.75 billion to $2.3 billion, the implied funding figure for the vessels portion of the AC&I account would become roughly $900 million to $1.2 billion, and the implied funding figure for the aircraft portion of the AC&I account would become roughly $750 million to $1 billion.

One might argue that whatever the discounting factor used for the implied funding figures in the second, third, and fourth bullets, the $3.4 billion implied funding figure in the first bullet might not need to be discounted as deeply, because the items in DoN's procurement portfolio that cost more to procure also frequently cost more to operate and support, which drives up the $112.3 billion figure for non-procurement funding that is used to calculate the 39% figure on which the $3.4 billion figure in the first bullet is based. Comparisons of the DoN and Coast Guard budgets present many apples-vs.-oranges issues, but may nevertheless be of value in providing one cross check in assessing whether Coast Guard funding for acquisition is appropriately sized in relation to other parts of the Coast Guard's budget and Coast Guard end strength.

The Coast Guard on occasion has offered its own views on how much acquisition funding would be needed each year to recapitalize the Coast Guard's assets on a timely basis. At an October 4, 2011, hearing before this subcommittee, for example, Admiral Robert Papp, the Commandant of the Coast Guard, stated:

> If you look at our complete portfolio, the things that we'd like to do, when you look at the shore infrastructure that needs to be taken care of, when you look at renovating our smaller icebreakers and other ships and aircraft that we have, we've done some rough estimates that it would really take close to about $2.5 billion a year, if we were to do all the things that we would like to do to sustain our capital plant."[4]

At a May 9, 2012, hearing before the Homeland Security subcommittee of the Senate Appropriations Committee, Admiral Papp stated: "I've gone on record saying that I think the Coast Guard needs closer to $2 billion dollars a year [in acquisition funding] to recapitalize—[to] do proper recapitalization."[5]

An April 18, 2012, blog entry stated:

> If the Coast Guard capital expenditure budget remains unchanged at less than $1.5 billion annually in the coming years, it will result in a service in possession of only 70 percent of the assets it possesses today, said Coast Guard Rear Adm. Mark Butt.

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[4] Transcript of hearing.

[5] Transcript of hearing.

> Butt, who spoke April 17 [2012] at [a] panel [discussion] during the Navy League Sea Air Space conference in National Harbor, Md., echoed Coast Guard Commandant Robert Papp in stating that the service really needs around $2.5 billion annually for procurement.[6]

At a May 14, 2013, hearing before the Homeland Security subcommittee of the Senate Appropriations Committee, Admiral Papp stated that an acquisition funding level of $1 billion per year "almost creates a death spiral for the Coast Guard...."[7]

Multiyear Procurement (MYP) and Block Buy Contracting As Options For Reducing Coast Guard Acquisition Costs

The Navy makes substantial use of multiyear procurement (MYP) and block buy contracting to reduce ship and aircraft procurement costs. Indeed, the Navy now uses these two forms of multiyear contracting for all three of its year-to-year ship procurement programs (the Virginia class submarine program, the DDG-51 destroyer program, and Littoral Combat Ship [LCS] program). The Navy also uses or has recently used MYP for a number of it aircraft procurement programs, including F/A-18E/F strike fighters and EA-18G electronic attack aircraft, V-22 tilt rotor aircraft, E-2C airborne early warning aircraft, and H-60 helicopter variants. Compared with estimated costs under annual contracting, estimated savings for DOD programs being proposed for MYP have ranged from less than 5% to more than 15%, depending on the particulars of the program in question, with many estimates falling in the range of 5% to 10%. Potential savings under block buy contracting can be less than those under MYP, but can still amount to several percent.

MYP and block buy contracting are discussed in detail in a CRS report.[8] There are various factors to weigh in considering whether to use MYP or block buy contracting in an acquisition program, including some potential reasons for not using them, and the statute that governs MYP (10 U.S.C. 2306b) sets forth specific requirements that a program must meet to qualify for MYP. Use of MYP or block buy contracting must be approved in each instance by Congress.

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[6] David Perera, "The Coast Guard Is Shrinking," *FierceHomelandSecurity.com*, April 18, 2012, accessed June 19, 2013, at http://www.fiercehomelandsecurity.com/story/coast-guard-shrinking/2012-04-18.

[7] When asked to discuss the difference in Coast Guard acquisition funding under the Coast Guard's proposed FY2014 budget compared to the level of funding in the FY2013 budget, he stated:

> Well, Madam Chairman, [the difference of] $500 million—a half a billion dollars—is real money for the Coast Guard. So, clearly, we had $1.5 billion in the '13 budget. It doesn't get everything I would like, but it—it gave us a good start, and it sustained a number of projects that are very important to us.
>
> When we go down to the $1 billion level this year, it gets my highest priorities in there, but we have to either terminate or reduce to minimum order quantities for all the other projects that we have going.
>
> If we're going to stay with our program of record, things that have been documented that we need for our service, we're going to have to just stretch everything out to the right. And when we do that, you cannot order in economic order quantities. It defers the purchase. Ship builders, aircraft companies—they have to figure in their costs, and it inevitably raises the cost when you're ordering them in smaller quantities and pushing it off to the right.
>
> Plus, it almost creates a death spiral for the Coast Guard because we are forced to sustain older assets—older ships and older aircraft—which ultimately cost us more money, so it eats into our operating funds, as well, as we try to sustain these older things.
>
> So, we'll do the best we can within the budget. And the president and the secretary have addressed my highest priorities, and we'll just continue to go on the—on an annual basis seeing what we can wedge into the budget to keep the other projects going.
>
> (Transcript of hearing.)

[8] CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke and Moshe Schwartz.

10 U.S.C. 2306b makes MYP available with congressional approval not only to DOD, but to other government departments, including DHS, the parent department of the Coast Guard.[9] Similarly, Congress could grant the Coast Guard the authority to use block buy contracting for specific ship or aircraft acquisition programs, just as Congress granted the Navy the authority to use block buy contracting for the first four Virginia class submarines and for ships 5 through 24 in the LCS program.

Although MYP is explicitly available to the Coast Guard through 10 U.S.C. 2306b and block buy contracting is implicitly available to the Coast Guard through the example of the Virginia class submarine and LCS programs, the Coast Guard is not using MYP or block buy contracting for any of its ship or aircraft acquisition programs. (The Coast Guard does use contracts with options, but such contracts are not the same as MYP or block buy contracts and do not offer the types of savings possible with MYP and block buy contracts.) The difference between the Navy's substantial use of MYP and block buy contracting and the Coast Guard's non-use of these contracting mechanisms is striking. The non-use of MYP and block buy contracting for Coast Guard acquisition programs in past years may in some cases represent lost opportunities for reducing Coast Guard acquisition costs.

Current Coast Guard acquisition programs that might be considered candidates for MYP or block buy contracting include but are not necessarily limited to the NSC program (an MYP contract for NSCs 7 and 8), the OPC program (block buy contracting at first, followed by MYP), and the FRC program (MYP). If the polar icebreaker program were expanded to include a second new ship, it could become a potential candidate for block buy contracting. A May 10, 2013, press report quotes Michael Petters, the CEO of Huntington Ingalls Industries (the builder of NSCs), as stating:

> We basically have proposed that if we really want to save some money, we should do multiyears [i.e., an MYP contract] on [the] National Security Cutter. We've not had any commitment to that from the Congress, and so those [contracts] are one ship at a time.[10]

Cutter Acquisition Programs

National Security Cutter

The FY2013 CIP did not include funding for acquiring NSCs 7 and 8. The FY2014 CIP reinstates funding for acquiring the two ships in FY2014 and FY2015. Although the FY2014 CIP includes full funding for NSC 8 in FY2015, it does not include any funding in FY2014 for procurement of long lead time materials (LLTM) for NSC 8. Providing this funding—which might amount to about $77 million, based on the amount of LLTM funding provided in FY2012 for NSC 6—would improve the construction sequence for NSC 8 and thereby reduce its total acquisition cost by $30 million to $35 million, the Coast Guard estimates.[11] As noted above, acquisition costs for NSCs 7 and 8 might be further reduced by using an MYP contract for NSCs 7 and 8.

Offshore Patrol Cutter

Compared to the FY2013 CIP, the FY2014 CIP in effect shifts $25 million in OPC acquisition funding from FY2014 to FY2015. The Coast Guard states that this change in the funding profile reflects a refined estimate of the cost of the work to be done on the OPC program in FY2014 and FY2015, and does not change the program's schedule.[12]

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[9] 10 U.S.C. 2306b(b)(2)(B).

[10] Michael Fabey, "HII: U.S. Non-Nuclear Shipbuilding Facing More Uncertainty Than Nuclear," *Aerospace Daily & Defense Report*, May 10, 2013: 4.

[11] Source: Coast Guard briefing to CRS, June 14, 2013.

[12] Source: Coast Guard briefing to CRS, June 14, 2013.

The Coast Guard wants to procure OPCs at an eventual rate of two per year. If the Coast Guard's AC&I account is funded at about $1 billion per year in coming years, the Coast Guard may find it difficult to do that while adequately funding other acquisition priorities. To help visualize the potential challenge of funding two OPCs per year in a $1 billion AC&I account while also adequately funding other acquisition priorities, it can be noted that since OPCs are to cost, very roughly, half as much as an NSC, a $1 billion AC&I account that includes funding for two OPCs would be broadly similar, in terms of funding available for acquisition priorities other than major cutters, to the proposed FY2014 AC&I account, which totals $951 million and includes $616 million in funding for one NSC, leaving $335 million for all other acquisition priorities.

As the Coast Guard has testified, if constraints on Coast Guard acquisition funding limit OPC procurement to one ship per year, the first OPC would eventually undergo its mid-life overhaul before the last one is built.[13] The Coast Guard might attempt to compensate for a slowed buildup in OPC numbers by further extending the service lives of its 210-foot medium endurance cutters, but even with such life extensions, the Coast Guard's major cutter force could still fall short of the POR force in terms of mission capability and capacity.[14] Acquiring OPCs at a rate of one per year rather than two per year would also increase OPC unit procurement costs: A general rule of thumb for procurement of U.S. Navy ships is that reducing the annual procurement rate by half will increase unit procurement cost by about 10%.[15]

As noted earlier, OPC acquisition costs might be reduced by using block buy contracting for the first several ships, followed by MYP contracting for subsequent ships in the program. The combined effect of annual procurement rate and contracting strategy could make a substantial difference in OPC unit procurement costs: Based on the 10% figure above relating to annual procurement rates and the figures provided earlier for the potential savings from using MYP or block buy contracting, OPCs procured at a rate of two per year under an MYP or block buy contract might have a unit procurement cost roughly 15% to 20% less than that of OPCs procured at a rate of one per year without use of MYP or block buy contracting.

Fast Response Cutter

FRCs in recent years have been procured at a rate of 4 to 6 ships per year, which is consistent with the Coast Guard's contract with Bollinger Shipyards for building FRCs, which includes annual options for building 4 to 6 FRCs per year through FY2014. The FY2014 CIP reduces the FRC procurement rate to two ships per year. As many observers have noted this year, procuring fewer rather than more FRCs per year increases FRC unit procurement costs and lengthens the time needed to achieve a patrol craft force capable of supporting desired levels of operational hours per year. Reducing the FRC procurement rate to less than four per year in FY2014 would require renegotiating the final year of the FRC contract with Bollinger. The Coast Guard might attempt to compensate for a slowed buildup in FRC numbers by further extending the service lives of its 110-foot patrol craft, but even with such life extensions, the Coast Guard's patrol craft force could still fall short of the POR force in terms of mission capability and capacity.[16] As noted earlier, FRC acquisition costs might be reduced by shifting to MYP contracting.

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[13] See Admiral Papp's May 14, 2013, testimony to the Homeland Security subcommittee of the Senate Appropriations Committee.

[14] Source: Coast Guard briefing to CRS, June 14, 2013.

[15] Mark V. Arena, et al, *Why Has the Cost of Navy Ships Risen? A Macroscopic Examination of the Trends in U.S. Naval Ship Costs Over the Past Several Decades*, Santa Monica (CA), RAND Corporation, 2006, p. 45. (Report MG-484)

[16] Source: Coast Guard briefing to CRS, June 14, 2013.

Polar Icebreaker

The FY2013 CIP included a total of $860 million for a new polar icebreaker. The FY2014 CIP includes a total of $230 million—a reduction of $630 million, or 73%. (The reduction in the 4 common years of the two plans is $722 million, or 85%.) The FY2013 CIP included $120 million for the ship in FY2014; the FY2014 CIP reduces that to $2 million—a reduction of $118 million, or 98%. The Coast Guard states that these funding reductions do not materially change the schedule for acquiring the ship, for two reasons. First, the prohibition on new program starts that was in place under the continuing resolution (CR) that funded government operations from October 1, 2012, until March 26, 2013 (H.J.Res 117/P.L. 112-175 of September 28, 2012) will prevent the Coast Guard from fully using the $8 million in FY2013 funding that was provided for the program, permitting the unused portion to be carried over into FY2014. This carried-over funding, combined with the $2 million requested for FY2014, will be enough, the Coast Guard states, to fund FY2014 activities for the program. Second, and more generally, the Coast Guard states that it now has a more fully developed understanding of the schedule for the polar icebreaker project and that much of the funding for the ship included in the FY2013 CIP can now be viewed, in retrospect, as having been put into the plan ahead of need.[17]

As discussed in some detail in the CRS report on Coast Guard polar icebreaker modernization, studies on Coast Guard requirements for polar icebreakers have concluded that there are mission needs for multiple heavy polar icebreakers.[18] As noted earlier, if the polar icebreaker program were expanded to include a second new ship, the cost of the two ships might be reduced through use of block buy contracting.

Potential Options for Congress

Potential options for Congress arising from this discussion include the following:

- requesting information from the Coast Guard on the impact on funding for other programs in the CIP if 14 or more C-27s are not transferred to the Coast Guard and funding for continued HC-144A procurement consequently needs to be put back into the CIP;[19]
- directing the Coast Guard to provide 20-year projections of vessel and aircraft force levels by ship class and aircraft type, and resulting mission capabilities and capacities, if the Coast Guard's AC&I account continued to be funded, in FY2013 dollars, at levels of $1 billion per year, $1.5 billion per year, $2 billion per year, and $2.5 billion per year;
- encouraging or directing DHS to program a certain minimum amount of funding each year into the AC&I account in the budget before the Congress and in the accompanying Five Year CIP;
- providing the Coast Guard with greater autonomy from DHS in determining the funding level for the AC&I account in the budget before the Congress and in the accompanying Five Year CIP;
- encouraging or directing DHS and the Coast Guard to use MYP and block buy contracting in Coast Guard ship and aircraft acquisition programs where appropriate, and to seek Navy technical assistance if necessary to facilitate this; and

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[17] Source: Coast Guard briefing to CRS, June 14, 2013.

[18] See CRS Report RL34391, *Coast Guard Polar Icebreaker Modernization: Background and Issues for Congress*, by Ronald O'Rourke.

[19] As a related option, Congress might also request information from the Coast Guard on the impact, if any, on unit procurement costs for the 19th and subsequent HC-144As of breaking the HC-144A production learning curve after the 18th aircraft—that is, of stopping HC-144A procurement after the 18th aircraft and then restarting HC-144A procurement at a later point.

- reducing the Coast Guard's statutory missions to narrow the future potential gap between Coast Guard mission requirements and projected Coast Guard capability and capacity for performing those missions.

Regarding the final option above, if the Coast Guard's statutory missions are reduced, a follow-on issue would be whether the missions no longer assigned to the Coast Guard would be transferred to another agency, or simply not performed. If they are transferred to another agency, the question might then become whether that agency would have sufficient resources to perform the newly assigned missions, and if so, whether the agency could perform them more cost effectively than the Coast Guard. If the missions no longer assigned to the Coast Guard are simply not performed, the question might then become what the impact the non-performance of those missions might have on public safety, the economy, natural resources and the environment, and national security. Discussion of questions like these would underscore a point made earlier in this statement—that the FY2014 CIP raises a fundamental question for Congress about the Coast Guard's ability to recapitalize its assets in a timely manner and adequately perform its statutory missions in coming years.

Mr. Chairman, this concludes my statement. Thank you again for the opportunity to testify, and I look forward to the subcommittee's questions.

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CONGRESSIONAL TESTIMONY

The U.S. Should Recommit to Supporting Coast Guard Operations

Testimony before
Committee on Transportation and Infrastructure
United States House of Representatives

June 26, 2013

Steven P. Bucci, Ph.D.
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The Heritage Foundation

My name is Dr. Steven P. Bucci. I am the Director of the Douglas and Sarah Allison Center for Foreign Policy Studies at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

My responsibilities at The Heritage Foundation involve leading research and analysis for the foundation's public policy work concerning defense and homeland security issues. Prior to coming to The Heritage Foundation I served as an Army Special Forces officer for three decades and led deployments to eastern Africa, South Asia, and the Persian Gulf. I also served as Deputy Assistant Secretary of Defense for Homeland Defense, where I facilitated cooperation between the Department of Defense and the Department of Homeland Security.

Thank you for the opportunity to appear before the committee and address this vital subject.

The United States Coast Guard provides critical security to America's coastal regions, waterways, and ports. With missions ranging from search and rescue to ice operations, the Coast Guard responds to numerous threats in myriad environments. As a federal law enforcement agency, the sea service also performs critical missions such as drug interdiction, marine safety, migrant interdiction, and protecting living marine resources.

Facing Growing Threats

U.S. citizens and interests face daily threats within America's territorial waters. Last year *The New York Times* recounted an incident where the sea service interdicted an illegal semisubmersible vessel smuggling cocaine from Colombia. U.S. security forces have long combated smugglers bringing drugs and other contraband into the country via the Gulf Coast; however, semisubmersible and fully submerged vessels are emerging as a preferred means of transportation for these shipments, as it improves the smugglers' chances of going undetected.

In the most recent run-in with these illegal vessels, the Coast Guard Cutter *Mohawk* utilized information from an interagency intelligence effort to locate the submersible and then pursued it with its deck-launched helicopter and fast boat. Though the smugglers were able to sink their vessel before the Coast Guard could salvage most of the cargo, this effort is considered a success both for the joint preparatory work performed in locating the smugglers and the proficiency the *Mohawk* crew showed in executing their interdiction mission.

While the Coast Guard has successfully performed many similar operations, the sea service's role in the Caribbean and elsewhere will be increasingly burdened by an aging and shrinking fleet. The *Mohawk* is the newest of the *Famous*-class medium endurance cutters, commissioned in 1991. Many in this class are reaching the end of their 30-year service lives and will likely require extensions to fill mission gaps. According to the

Government Accountability Office, the Coast Guard's high- and medium-endurance cutters have been falling below performance expectations for a number of years. The bottom line: These vessels need replacement.

Yet the Obama Administration is taking action to undermine this overhaul rather than accelerate it. The Offshore Patrol Cutter—the Coast Guard's intended replacement for both the *Famous* fleet and the *Reliance*-class Medium Endurance Cutters—is currently in limbo due to recent budget uncertainty. The National Security Cutter, the replacement for the extremely old *Hamilton*-class High Endurance Cutter, will shrink to a fleet of just six vessels under the President's fiscal year 2013 budget request, well below the original requirement of 16.

This comes as a time when the Arctic is drawing intense international interest. The Coast Guard has recognized this trend and is pursuing more presence in the region, but will its resources be able to keep up with rapidly increasing traffic?

Rear Admiral Thomas P. Ostebo, commander of the 17th District of the U.S. Coast Guard, recently testified before Congress during a field hearing about Arctic issues and the sea service's exercise "Arctic Shield 2012."

Ostebo explained the purpose of the exercise, the lessons learned, and what new assets and capabilities they brought to the region. While the exercise is considered a success, the Coast Guard requires more resources to make these capabilities a reality.

Notably at Arctic Shield, the Coast Guard stationed two helicopters in Barrow, Alaska (the northernmost point in the U.S.), to afford the sea service increased presence, situational awareness, and reach within the Arctic Circle. The USCGC *Bertholf*, the first-in-class of the National Security Cutter (NSC) fleet, also deployed to the region, marking an important milestone for a cutter class intended to provide increased range and presence farther from the coast.

Both of these firsts indicate that the Coast Guard is aware of growing interests in the Arctic for natural resources such as hydrocarbons and fisheries, expanding sea lanes, and tourism. In spite of Arctic Shield's success, the Coast Guard may have trouble keeping up with real-world increased traffic in northern U.S. waters while executing its various other missions.

The sea service has already been operating with old and overused equipment, particularly in its High Endurance Cutter fleet. The *Hamilton*-class fleet has been sailing since the 1960s and has extended well beyond its intended service life. The NSC, intended to replace this fleet, has been cut from a requirement of 16 vessels to just eight.

Sadly, the Coast Guard is having trouble meeting even that reduced requirement. The Department of Homeland Security's (DHS) FY 2014 budget followed through on requesting the seventh NSC, an improvement over the previous year, but makes no

mention of the eighth. The House of Representatives rectified this by adding advanced funding for the eighth NSC.

Other fleet priorities include two other cutters replacing old, worn-out legacy fleets: the Fast Response Cutter and the Offshore Patrol Cutter. The Coast Guard intends to build a total of 58 Fast Response Cutters. This year's DHS budget request called for only two FRCs to be built rather than the four that had previously been planned. The Offshore Patrol Cutter was similarly halved, receiving in FY 2014 $25 million in developmental funding instead of the $50 million in FY 2013.[1] Congress should investigate further the consequences of these reductions before deciding how to fund the two critical cutter programs.

Critical to Coast Guard missions in the Arctic is America's icebreaking capability. Regrettably, the Coast Guard has fallen below its icebreaker requirements as well. The sea service's own "high latitude study" concluded that, to accomplish all its polar missions, the Coast Guard requires three heavy-duty and three medium icebreakers. Currently, the service sails one medium icebreaker and is keeping two heavy-duty icebreakers afloat (though neither is operational). Funding has been received to restore the heavy-duty *Polar Star* to working order for an additional seven to 10 years, though it is well past its planned service life.

One can look to McMurdo Station, Antarctica, to witness the effect this depleted force is having. The U.S. has had to rely on Russian icebreakers to clear the way for U.S. supplies to the station. The Coast Guard is called upon to operate in both polar regions on opposite ends of the world with just one moderately capable and one barely operational icebreaker. This is unacceptable.

A new heavy-duty icebreaker would cost nearly a billion dollars and take a decade to build. This year the Department of Homeland Security requested $2 million in developmental funding to this end. With an overall recapitalization budget of $743 million in FY 2014 for all of its vessels, the Coast Guard would have to direct a huge portion of its total budget just to fund the icebreaker. Rather than waste money trying to develop an increasingly unachievable vessel, the Coast Guard should instead seek to lease existing foreign commercial icebreakers to provide the primary capability—breaking ice—at least until it develops a more feasible and cost-effective plan. This in turn would require a waiver to the Jones Act, a protectionist law which restricts foreign built vessels from serving in certain capacities in U.S. waters.

Maintaining Maritime Security Through Support of the Coast Guard

If Congress does not act to correct the chronic underfunding of the Coast Guard's fleet revitalization, the sea service must continue to operate in aging craft. As they require

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[1] Ronald O'Rourke, "Coast Guard Cutter Procurement: Background and Issues for Congress," Congressional Research Service *Report for Congress*, June 7, 2013, http://www.fas.org/sgp/crs/weapons/R42567.pdf (accessed June 24, 2013).

increasing maintenance with age and mileage, these vessels will continue to incur greater costs for maintenance and repair, thus steering resources away from the more capable replacements that the Coast Guard needs. One can see the downward spiral this creates.

While the Coast Guard continues to perform its missions admirably, they will find it increasingly difficult to keep up the pace with insufficient resources and equipment. Congress, in fulfilling its constitutional responsibility to provide for the common defense, should make a commitment to the Coast Guard to protect America's seas and waterways.

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Testimony of Lawrence Korb Before the Subcommittee on Coast Guard and Maritime Transportation Regarding "Coast Guard Readiness: Examining Cutter, Aircraft and Communications Needs"

June 26, 2013

Chairman Hunter and Ranking Member Garamendi, I appreciate the opportunity to appear before you today to discuss the critical subject "Coast Guard Readiness: Examining Cutter, Aircraft, and Communications Needs."

It is also an honor to appear with Vice Admiral John Currier, the longest serving Coast Guard Aviator, Ronald O'Rourke, who has done such great work on these issues over the years for the Congressional Research Service, and retired Army Colonel Steven Bucci, who served the country for three decades, most of it in the Special Forces.

My associations with and respect for the nation's oldest continuous maritime service date back to the 1960s. It began during my time as a naval officer working with Coast Guard people patrolling off the coast of Vietnam in the late 1960s, continued during my four years as an instructor at the U.S. Coast Guard Academy in the 1970s, and carried on through my five years in the Pentagon in the 1980s when I was Secretary Weinberger's point man on the war on drugs. Most recently, I observed the Coast Guard's contributions to the war in Iraq during my three trips to the country. I might also add that on more than

one occasion the long range aids to navigation (Loran) facility they maintained in the Western Pacific kept my patrol planes from becoming helplessly lost.

Over the years of my association with and appreciation for the Coast Guard, one aspect of the culture has troubled me. The men and women of the Coast Guard's unofficial motto seems to be "we can do more with less." Unfortunately, in today's bureaucratic culture, you get less even if you do more, unless you mount a large public relations effort.

Compare the reactions of the other military services to sequestration to that of the Coast Guard. According to the Navy, sequestration will return it to where it was before World War I. The Army and Air Force have painted similarly apocalyptic scenarios. But the Commandant of the Coast Guard was much more restrained when he told you, on April 16, 2013 that, "much like the weather and the seas we face on a daily basis, the Coast Guard cannot control the environment in which we operate. We will make the best use of the resources you provide to safely and efficiently conduct operations in the area of greatest risk to the nation." This is a noble line befitting the best traditions of the service. But it is time we stopped letting the Coast Guard face these storms alone.

As Senator John McCain(R-AZ) pointed out in an article he wrote for *Foreign Policy* on April 26, 2013, the nation's other military services have more of a management problem than a monetary problem. Senator McCain argued that:

"We have to acknowledge an inconvenient fact: Sequestration has occurred, in part, because of a growing public frustration with the culture of waste and inefficiency at the Defense Department [which]

went unaddressed for too long. During my time in the Senate, I have witnessed the emergence of a military-industrial-congressional complex that has corrupted and crippled the defense acquisition process. This system can now be said to be successful only in one respect: turning billions of taxpayer dollars into weapons systems that are consistently delivered late, flawed, and vastly over budget – if, that is, these systems are delivered at all."

"For example, there was the Expeditionary Combat Support System, which the Air Force had to cancel last year after wasting roughly $1 billion and receiving no combat capability. The Littoral Combat Ship already costs nearly twice as much per ship as planned. A recent study found that from 2004 to 2010 cancelled programs consumed an average of 35-45 percent of the Army's annual budget for research, development, testing, and evaluation (RDT&E). The Joint Strike Fighter, which will become the first trillion-dollar weapon system in history, is being purchased before being properly tested, which drives up costs enormously. And even now the system is still not fully proven. These chronic cost overruns even extend to our military basing; the estimated cost of realigning U.S. force posture in the Asia-Pacific region had nearly tripled before the Senate Armed Services Committee intervened and effectively demanded a new plan."

"If Republican internationalists want to save our military from this sequester and future sequesters, we will have to demand a lot more from the Defense Department. This means insisting that they "buy smart" – focusing their limited resources on systems and services that promise a return on investment. It means ensuring that the Defense Department is as good at buying defense programs as industry is at selling them. It means encouraging real competition for contracts, setting realistic program goals, and managing them aggressively in ways that encourage innovation and productivity. It means making hard,

unpopular choices to limit the spiraling growth of personnel and health care costs that are devouring the defense budget. And on overseas military force posture, it means moving away from expensive permanent basing arrangements in favor of less costly rotational deployments, possibly co-located in host nation facilities. Absent real changes like these, public pressure will only build to cut defense more and more."

But unlike the other military services, the Coast Guard has a serious money problem. In FY 2006, the base defense budget was $410 billion; by FY 2012 it had grown to $526 billion, an increase of $116 billion or 28 percent. During that same period the Coast Guard budget grew from $8.9 billion to only $10.4 billion, an increase of only $1.5 billion or under 17 percent. The total investment budget of the Coast Guard for FY 2014 is less than $1 billion and will remain at that level for the next five years. This is less than the cost of procuring one Virginia class submarine. By way of contrast the Pentagon's investment budget is:

"$167.6 billion for equipment, systems, research, technology development, and weapons for FY 2014. Of this amount, $67.6 billion is for RDT&E efforts, and $99.3 billion for Procurement of equipment (also, an additional $0.7 billion is budgeted for other Investment related expenses). Of this amount, 40 percent ($69.4 billion) is being budgeted for the Major Defense Acquisition Programs (MDAP) efforts, to include primarily war fighting weapon systems." [1]

The Coast Guard request for FY 2014 is $9.7 billion, while the Navy's request is $155.7 billion. This means that the Navy wants 16 times more money than the Coast Guard, even though the Navy has only 8 times more people than the Coast Guard and the average age of Coast Guard ships is three times that

of the Navy. Meanwhile, the Navy will spend $16 billion on RDT&E[2], nearly double the Coast Guard's entire budget.

The obvious answer to the Coast Guard's modernization needs is to provide it more funding, as the House Appropriations Committee recently noted:

"Over the last several years, the Department has continually requested a substantial reduction in funding that would degrade the Coast Guard's operational capabilities and military workforce without proposing a compensatory proposal to rebuild the depleted capacity in the long term by investing in recapitalized assets. Those proposals had obvious, adverse implications for the Coast Guard's critical statutory missions of maritime safety, coastal security, and drug interdiction; ignored current threat activity and the ramifications for the Department's broader security and response efforts; and were resoundingly rejected by Congress.

The fiscal year 2014 proposal is even more egregious, and gives the impression that this Administration does not appropriately value the work of the Coast Guard. It includes the lowest level of drug interdiction effectiveness in the past five years and reduces recapitalization funding to unsustainable levels. Over the past decade when our Nation has called for help, the Coast Guard has responded: they responded on the morning of 9/11 by helping untold numbers of people evacuate the devastation of lower Manhattan; they responded during the aftermath of Katrina by saving survivors stranded on rooftops; they responded by being the first to arrive in Haiti after an earthquake hit the country and killed thousands; and more recently, they responded to the worst oil spill in the history of our Nation.

If the country intends for the Coast Guard of tomorrow to be as effective as the Coast Guard we have today, and have depended on for decades, these reductions must be resoundingly rejected. Within the recommendation, the Committee has made targeted increases to address the inadequacy of the Department's request—adding capacity to the Coast Guard for today and for tomorrow."

In my view, as we pointed out in our report *Building a Coast Guard for the 21st Century*, the Coast Guard budget should be at least $15 billion. The question is: where the money will come from in this period of austerity?

The obvious answer is for the Administration and Congress to develop a Unified National Security Budget, as a number of defense experts have long advocated, which would allow the executive and legislative branches to make trade-offs between all the military services, not just those in the Department of Defense. For example, if we are concerned about a nuclear threat from Iran, should we build East Coast missile sites, at a cost of several hundred million dollars and without much demonstrated success, or give that money to the Coast Guard for port security? Are the Iranians or any country more likely to launch a missile with a return address, knowing we could launch an overwhelming response, or are they more likely to try to smuggle it in through one of our vulnerable ports?

Other steps that could be taken include making the Commandant a voting member of the Joint Chiefs of Staff (the head of the National Guard was just added) and appointing a high level civilian equivalent to a service secretary to become an advocate for the Coast Guard within the Department of Homeland Security.

In conclusion let me say that the Coast Guard is, always has been, and always will be one of America's great bargains. While its budget pales in comparison with that of the other military services, the functions it performs for the country rival those of the other military services. But unlike the other services, for too long it has been content to embrace its unofficial motto of doing more and more with less and less. This must change.

It is time for the Coast Guard and the nation to fully embrace its official motto, *semper paratus* – always ready. The Coast Guard needs to continue fulfilling the security responsibilities thrust upon it since the September 11th terrorist attacks and must deal with the problems caused by climate change. As such, its baseline budget should increase immediately by $5 billion to about $15 billion a year, and it should remain at that level in real terms for at least five more years, so that the Coast Guard can manage its acquisition programs rationally. This level of funding would still be far less than that allocated to many individual programs in the Department of Defense, let alone any of the nation's four other armed services. In addition, it must make the organization and administrative changes that I have already outlined.

If it does not receive the additional funds and make these changes, the consequences for the nation could be severe. To take just one example: if Iran, North Korea, or a violent extremist is able to smuggle a nuclear weapon into this country in a shipping container because the Coast Guard did not have the manpower or equipment to stop it, the results could be catastrophic. The responsibility falls on the

Administration and Congress to ensure that the Coast Guard can make the organizational changes and acquire the resources necessary to always be ready.

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[1] Source: United States Department of Defense Fiscal Year 2014 Budget Request Overview: http://comptroller.defense.gov/defbudget/fy2014/FY2014_Budget_Request_Overview_Book.pdf
[2] Information Paper: http://www.finance.hq.navy.mil/fmb/14pres/FY_2014_PB_Overview.pdf

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