AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

OVERVIEW OF COAST GUARD ACQUISITION POLICIES AND PROGRAMS

(111–17)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

MARCH 24, 2009

Printed for the use of the
Committee on Transportation and Infrastructure

U.S. GOVERNMENT PRINTING OFFICE

48–329 PDF WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

JAMES L. OBERSTAR, Minnesota, *Chairman*

NICK J. RAHALL, II, West Virginia, *Vice Chair*
PETER A. DEFAZIO, Oregon
JERRY F. COSTELLO, Illinois
ELEANOR HOLMES NORTON, District of Columbia
JERROLD NADLER, New York
CORRINE BROWN, Florida
BOB FILNER, California
EDDIE BERNICE JOHNSON, Texas
GENE TAYLOR, Mississippi
ELIJAH E. CUMMINGS, Maryland
ELLEN O. TAUSCHER, California
LEONARD L. BOSWELL, Iowa
TIM HOLDEN, Pennsylvania
BRIAN BAIRD, Washington
RICK LARSEN, Washington
MICHAEL E. CAPUANO, Massachusetts
TIMOTHY H. BISHOP, New York
MICHAEL H. MICHAUD, Maine
RUSS CARNAHAN, Missouri
GRACE F. NAPOLITANO, California
DANIEL LIPINSKI, Illinois
MAZIE K. HIRONO, Hawaii
JASON ALTMIRE, Pennsylvania
TIMOTHY J. WALZ, Minnesota
HEATH SHULER, North Carolina
MICHAEL A. ARCURI, New York
HARRY E. MITCHELL, Arizona
CHRISTOPHER P. CARNEY, Pennsylvania
JOHN J. HALL, New York
STEVE KAGEN, Wisconsin
STEVE COHEN, Tennessee
LAURA A. RICHARDSON, California
ALBIO SIRES, New Jersey
DONNA F. EDWARDS, Maryland
SOLOMON P. ORTIZ, Texas
PHIL HARE, Illinois
JOHN A. BOCCIERI, Ohio
MARK H. SCHAUER, Michigan
BETSY MARKEY, Colorado
PARKER GRIFFITH, Alabama
MICHAEL E. MCMAHON, New York
THOMAS S. P. PERRIELLO, Virginia
DINA TITUS, Nevada
HARRY TEAGUE, New Mexico

JOHN L. MICA, Florida
DON YOUNG, Alaska
THOMAS E. PETRI, Wisconsin
HOWARD COBLE, North Carolina
JOHN J. DUNCAN, JR., Tennessee
VERNON J. EHLERS, Michigan
FRANK A. LOBIONDO, New Jersey
JERRY MORAN, Kansas
GARY G. MILLER, California
HENRY E. BROWN, JR., South Carolina
TIMOTHY V. JOHNSON, Illinois
TODD RUSSELL PLATTS, Pennsylvania
SAM GRAVES, Missouri
BILL SHUSTER, Pennsylvania
JOHN BOOZMAN, Arkansas
SHELLEY MOORE CAPITO, West Virginia
JIM GERLACH, Pennsylvania
MARIO DIAZ-BALART, Florida
CHARLES W. DENT, Pennsylvania
CONNIE MACK, Florida
LYNN A WESTMORELAND, Georgia
JEAN SCHMIDT, Ohio
CANDICE S. MILLER, Michigan
MARY FALLIN, Oklahoma
VERN BUCHANAN, Florida
ROBERT E. LATTA, Ohio
BRETT GUTHRIE, Kentucky
ANH "JOSEPH" CAO, Louisiana
AARON SCHOCK, Illinois
PETE OLSON, Texas

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

ELIJAH E. CUMMINGS, Maryland, *Chairman*

CORRINE BROWN, Florida
RICK LARSEN, Washington
GENE TAYLOR, Mississippi
BRIAN BAIRD, Washington
TIMOTHY H. BISHOP, New York
STEVE KAGEN, Wisconsin
MICHAEL E. MCMAHON, New York
LAURA A. RICHARDSON, California
JAMES L. OBERSTAR, Minnesota
(Ex Officio)

FRANK A. LOBIONDO, New Jersey
DON YOUNG, Alaska
HOWARD COBLE, North Carolina
VERNON J. EHLERS, Michigan
TODD RUSSELL PLATTS, Pennsylvania
PETE OLSON, Texas

CONTENTS

Page

Summary of Subject Matter vi

TESTIMONY

Blore, Rear Admiral Gary, Assistant Commandant for Acquisition, United States Coast Guard 6
Hutton, John P., Director, Acquisition and Sourcing Management, United States Government Accountability Office 47

PREPARED STATEMENTS SUBMITTED BY MEMBERS OF CONGRESS

Brown, Hon. Henry E., Jr., of South Carolina 63
Cummings, Hon. Elijah E., of Maryland 65

PREPARED STATEMENTS SUBMITTED BY WITNESSES

Blore, Rear Admiral Gary 71
Hutton, John P. 91

SUBMISSIONS FOR THE RECORD

Blore, Rear Admiral Gary, Assistant Commandant for Acquisition, United States Coast Guard:
- Response to request for information 13
- Response to request for information 17
- Response to request for information 19
- Response to request for information 28
- Response to request for information 32
- Response to request for information 35
- Response to request for information 40
- Response to request for information 44

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarraghar, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

March 23, 2009

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Coast Guard and Maritime Transportation

FROM: Subcommittee on Coast Guard and Maritime Transportation Staff

SUBJECT: Overview of Coast Guard Acquisitions Policies and Programs

PURPOSE OF THE HEARING

On Tuesday, March 24, 2009, at 10:00 a.m., in Room 2167 of the Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will meet to examine the Coast Guard's current acquisition programs, as well as the policies and procedures the service is implementing to strengthen its management of the entire acquisition process. This hearing is being conducted as one of several hearings that meet the oversight requirements under clauses 2(n), (o), and (p) of Rule XI of the Rules of the House of Representatives.

BACKGROUND

Coast Guard's Acquisition, Construction, and Improvement Budget

Coast Guard capital expenditures are funded through the appropriations made by Congress to it for the Acquisition, Construction, and Improvement (AC&I) account, which funds expenses related to "acquisition, construction, renovation, and improvement of aids to navigation, shore facilities, vessels, and aircraft, including equipment related thereto; and maintenance, rehabilitation, lease and operation of facilities and equipment."[1] The total Coast Guard AC&I appropriation for fiscal year 2009 is just under $1.5 billion; this figure was an increase of approximately $369 million (32.8 percent) over the fiscal year 2008 appropriated level of $1.2 billion.

[1] Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (P.L. 110-329).

The largest single acquisition program funded through the AC&I budget is the Deepwater acquisition program, which received just over $1 billion through the fiscal year 2009 appropriation (to be available until September 30, 2013). Of the funds made available for the Deepwater program, approximately $245 million was appropriated for aircraft and approximately $571 million was appropriated for surface ships.

Coast Guard AC&I Projects

As of January 2009, the Coast Guard's Acquisition Directorate (discussed in more detail below) was implementing 18 AC&I acquisition initiatives with individual acquisition baseline costs exceeding $10 million. (see attached chart)

Integrated Deepwater Acquisition Program

The Coast Guard's Deepwater program is a multi-year acquisition program that will upgrade or replace the service's existing surface and air assets; the program will also modernize the command and control information technology systems that the service relies on to manage asset deployments. According to the most recent acquisition program baseline (APB) for the Deepwater program (APB 1.1, adopted May 15, 2007), the Deepwater acquisitions are currently projected to cost a total of $24 billion and to require 25 years to complete.

In the early 1990s, as its existing assets began to meet and exceed their planned service lives, the Coast Guard began developing what eventually became the Deepwater procurements. After assessing its mission needs and measuring these against the obsolescence of its existing technology, the service decided that rather than simply buy single new assets to replace its existing assets, it would pursue a system-of-systems acquisition approach, through which it would acquire an integrated suite of assets that together could provide the "functional capabilities" required to fulfill its mission needs.[2] In its original Mission Needs Statement for what became the Deepwater procurements, the Coast Guard wrote that "It is critical that the Deepwater system be viewed in its totality in order to develop a unified, strategic overview, ensure asset comparability and interoperability, and provide the most affordable solution for the taxpayer."[3]

Given the complexity of the acquisition effort to be undertaken, the Coast Guard decided that it would follow the example of Department of Defense agencies by engaging a private firm to serve as the Lead Systems Integrator (LSI). The Deepwater LSI was to be responsible for managing the development of the system-of-systems – including selecting the individual assets to be included in the system and managing their integration around a common operating picture (displays of current operational views that could be shared by all assets and stations).

In 1998, the Coast Guard provided $20 million to each of three major industry teams and asked them to analyze the alternatives available in a variety of asset classes (air, surface, information technology etc.) and develop proposals detailing the system-of-systems each would build to meet the

[2] Coast Guard, Deepwater Capabilities Project – Mission Needs Statement, 3 May 1996, Page 18.
[3] Ibid, Page 19.

Coast Guard's mission requirements.[4] The three industry teams that participated in this process were led by Science Applications International Corporation, Lockheed Martin and Northrop Grumman (which formed a joint venture called the Integrated Coast Guard System [ICGS]), and Litton/Avondale Industries. The ICGS team won this competition, and the Coast Guard awarded it a $17 billion, Indefinite Delivery/ Indefinite Quantity (IDIQ) in June 2002. The initial five-year contract included five additional five-year options – meaning that the contract could have been in place for up to 25 years.[5]

During the early years of Deepwater, the project was managed outside the Coast Guard's existing acquisition management structure. The Coast Guard's conception of the Deepwater acquisitions at this time held that the LSI was to exercise primary responsibility for the management and implementation of Deepwater. The LSI's management power extended to such matters as deciding whether it would produce the assets contained in its proposed Deepwater suite itself or conduct a competition to select other contractors to produce the assets.

The Coast Guard's approach to Deepwater in the early years of that acquisition effort is succinctly stated in a report written by the Coast Guard to accompany the 2005 Deepwater baseline as required by the House Conference Report 108-774, accompanying the fiscal year 2005 Department of Homeland Security appropriations bill. In that report, the service wrote that "the original design for the Deepwater solution came from industry," which the Coast Guard empowered through the IDIQ "to leverage state-of-the-art market technologies to achieve Deepwater's overarching goal of maintaining and improving operational performance while managing total ownership costs within an aggressive baseline."[6] In many senses, the Coast Guard appeared to view the ICGS team as its 'partner' in the implementation of the Deepwater acquisitions, with whom it would work to achieve a common objective. Thus, the service wrote in that same report that if budget fluctuations occurred, "The Coast Guard and ICGS will together choose which DTOs [Delivery Task Orders] to execute based on mission, requirements and funding factors."[7]

The terror attacks of September 11, 2001, eventually led to the placement of the Coast Guard inside the newly formed Department of Homeland Security (DHS) – and caused the Coast Guard to take on significant new homeland security missions (such as port security) in addition to its traditional missions (such as search and rescue). As the asset needs that arose from its new homeland security missions had not been anticipated in the early planning for Deepwater or addressed by the teams competing to win the LSI contract, the Coast Guard began to alter the performance requirements for the assets to be produced under the Deepwater IDIQ after that contract had been awarded.[8]

Almost from the signing of the Deepwater contract, the Coast Guard encountered challenges in managing the LSI. An investigation of the 123-foot patrol boat project conducted by the Committee on Transportation and Infrastructure found that a culture of rigid adherence to schedule drove many decisions – and that the Coast Guard had an inadequate number of personnel

---

[4] *The Challenge of Contracting for Large Complex Projects: A Case Study of the Coast Guard's Deepwater Program*, Trevor L. Brown, David M. Van Slyke, and Matthew Potoski, IBM Center for The Business of Government, 2008.
[5] United States Coast Guard, "Report on the Revised Deepwater Implementation Plan 2005," page 3.
[6] United States Coast Guard, "Report on the Revised Deepwater Implementation Plan 2005," page 2.
[7] Ibid, page 3.
[8] Ibid, page 3.

in place to manage contract decisions effectively. Coast Guard program managers, who should have been ultimately responsible for the performance of individual procurement efforts under Deepwater, functioned more as "team members" rather than as managers with full authority over all project decisions.

A 2004 GAO report on Deepwater found that "More than a year and a half into the Deepwater contract, the key components needed to manage the program and oversee the system integrator's performance have not been effectively implemented."[9] This report also found that "The Coast Guard has not developed quantifiable metrics or adhered to effective procedures for holding the system integrator accountable for its ongoing performance" and it had "not begun to measure the system integrator's performance on the three overarching goals of the Deepwater program" despite the fact that this was a system-of-systems contracting approach.[10] As a result, "the first annual award fee determination was based largely on unsupported calculations."[11] This determination yielded an overall rating of 87 percent, "which fell in the 'very good' range" and "resulted in an award fee of $4 million of the maximum $4.6 million", even though there were "documented problems in schedule, performance, cost control, and contract administration throughout the first year" of the contract.[12]

Several of the individual acquisition efforts undertaken in the early years of Deepwater failed or proved too impractical to pursue. Perhaps the most highly publicized failure was the effort to lengthen existing 110-foot patrol boats to 123 feet and install new, upgraded information technology suites into the boats. The original task order for this procurement was issued on August 2, 2002; in June 2005, the Coast Guard decided that the conversion process would be suspended at 8 boats because "the converted cutters lacked adequate capabilities to meet their expanded post 9/11 operational requirements."[13] In November 2006, the eight converted boats were removed from service due to concerns about their operational safety. Examinations of the vessels conducted just prior to their removal from service found that they had "significant buckling," "displayed deck cracking and hull deformation," and had "developed shaft alignment problems related to other structure issues."[14]

Other procurement efforts initiated in the early years of the Deepwater contract, including the first effort to procure a vertical unmanned aerial vehicle and the first effort to develop a Fast Response Cutter (FRC), were never built after failing to pass design or prototype testing.

On May 19, 2006, the Coast Guard awarded an additional award term totaling 43 months to the ICGS consortium, which extended the contract through January 2011.[15] Unlike the first contract

---

[9] Government Accountability Office, *Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380, March 2004, page 3.
[10] Ibid, page 4.
[11] Government Accountability Office, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, "Coast Guard: Status of Efforts to Improve Deepwater Program Management and Address Operational Challenges," Delivered by Stephen L. Caldwell, Acting Director of Homeland Security and Justice Issues, March 8, 2007, GAO-07575T, page 15.
[12] Ibid.
[13] Coast Guard Press Release, "Coast Guard Suspends Converted Patrol Boat Operations," November 30, 2006. Accessed on March 17, 2009 at <https://www.piersystem.com/go/doc/786/138897/>.
[14] Ibid.
[15] Government Accountability Office, *Status of Selected Aspects of the Coast Guard's Deepwater Program*, GAO-08-270R, March 11, 2008, pages 1-2.

award, however, this contract extension did not guarantee any quantity of assets to be procured from ICGS.

In August 2006, the Department of Homeland Security's Office of Inspector General (DHS OIG) examined the Coast Guard's procurement of information technology systems through the Deepwater program and found that many of the management shortcomings that GAO had already identified remained problems – at least so far as the management of information technology procurements was concerned. Thus, the DHS OIG found that "Although Coast Guard officials are involved in high-level Deepwater IT requirements definition processes, they have limited influence over contractor decisions toward meeting these requirements" and consequently, "the agency cannot ensure that the contractor is making the best decisions toward accomplishing Deepwater IT goals."[16]

In February 2007, the Defense Acquisition University (DAU) published a "quick look" study on the Deepwater program which had been requested by the Coast Guard. A summary of the DAU's findings about the Deepwater program is presented below.

- Many design changes were added to the program even after key engineering milestones had been crossed to respond to the Coast Guard's new mission needs after 9/11;
- Funding provided to the Deepwater effort was often below the levels negotiated in the Coast Guard's contract with ICGS;
- The contract structure of the initial Deepwater contract was inappropriate to the changing missions and requirements of the assets to be acquired under Deepwater and to the systems integration tasks required under the program;
- ICGS endeavored to keep work within its own team rather than maximize competition throughout U.S. industry and draw on existing Coast Guard infrastructure;
- There were insufficient numbers of Coast Guard acquisition personnel in place and these personnel had insufficient experience with the management of major systems acquisition efforts; and
- The Coast Guard lacked a management model and management processes adequate for the efficient management of acquisition programs as large as the Deepwater program.[17]

In April 2007, the Coast Guard announced a series of major changes in its management of Deepwater – changes that would also affect its management of all its acquisition efforts. Specifically, Admiral Thad Allen, Commandant of the Coast Guard, announced that the service would:

- Assume the role as lead systems integrator for all Deepwater assets and other major acquisitions as appropriate;
- Assume responsibility for life cycle logistics functions for Deepwater assets;
- Expand the role of the American Bureau of Shipping and other third-parties as appropriate to ensure assets meet design and construction standards;
- Work with the ICGS team to resolve outstanding contract issues pertaining to the National Security Cutter;

---

[16] Department of Homeland Security, Office of the Inspector General, *Improvements Needed in the U.S. Coast Guard's Acquisition and Implementation of Deepwater Information Technology Systems*, OIG-06-55, August 2006, page 1.
[17] Defense Acquisition University, *Quick Look Study: United States Coast Guard Deepwater Program*, February 2007.

- Consider procuring assets directly from prime vendors when this was in the best interests of the government; and,
- Convene regular meetings between the Commandant and the ICGS team to adjudicate and resolve Deepwater contracting issues.[18]

Concomitant with these changes, the Coast Guard began reorganizing its acquisition processes. The Coast Guard also began to move away from the system-of-systems acquisition approach and toward a more traditional, asset-by-asset acquisition approach in which the acquisition of each asset is to be managed and assessed as an individual procurement.

The current APB for the Deepwater program was adopted on May 15, 2007. The baseline has not been updated since that time and the Coast Guard has advised that as it is now approving APBs for each acquisition project contained within the Deepwater program, the overall Deepwater APB will not be updated again.

Acquisition Processes

The Coast Guard is now one of the 22 federal agencies combined within DHS.

DHS's current acquisition policy is established in the Department's Acquisition Directive 102-01; interim version 9.1 of this Directive was issued November 7, 2008. Within each constituent agency of DHS, the agency can nominate a Component Acquisition Executive (CAE) who is responsible for managing the acquisition portfolio within that agency; this individual may also execute acquisition management authorities within the agency for Level III investments as directed by the head of the agency and Level II acquisitions as delegated.

As set forth in Directive 102-01, acquisition efforts are divided into three levels, as set forth in the table below, based on the life cycle cost of the acquisition. The term "life cycle cost" is broadly defined to include all costs associated with the development of an acquisition effort, including the cost of developing the technology needed within a given asset, the cost of acquiring and deploying the asset, and the cost of operating and eventually disposing of the asset. The use of the life cycle cost metric provides a more complete picture of the total costs associated with acquiring and operating an asset over time (including as the asset ages).

Levels of Acquisition Programs within the Coast Guard

Investment Level	Definition
Level I	Programs that exceed $1 billion in life cycle costs.
Level II	Programs with life cycle costs between $300 million and $1 billion.
Level III	Programs with life cycle costs that are less than $300 million; oversight resides with the Component Head.

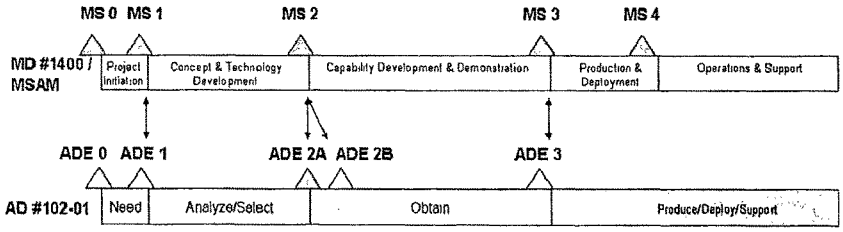
[18] Coast Guard Press Release, "Statement by ADM Thad Allen on the Converted 123-Foot Patrol Boats and Changes to the Deepwater Acquisition Program," April 17, 2007. <https://www.piersystem.com/go/doc/786/154307/>

Individual acquisition programs are led by program managers (PM). In the Coast Guard, PMs can be either military officers or members of the civil service. PMs achieve varying levels of certification based on their education and professional experience in acquisition management; Level III certification is the highest level of certification available to a PM. There is currently no law specifying that Level III-certified PMs are required to be assigned to the largest procurement efforts; however, the Coast Guard has indicated that it assigns a Level III-certified PM to each of its largest acquisition efforts (Level I procurements).

According to Directive 102-01, the individual PMs assigned to each acquisition program are "responsible for managing their assigned acquisitions and for ensuring that they effectively deliver required capability (i.e., performance) to their customers while remaining within the allocated resources (i.e., cost and schedule) provided by their organizations. If a program breaches an approved APB parameter threshold (or the PM determines that the program will breach in the near future), the PM is responsible for promptly notifying the Component leadership."[19]

Directive 102-01 requires each acquisition effort to complete a series of acquisition decision events (ADE) (formerly called "milestones") as the effort moves through the acquisition process. The decision making authority for the various ADEs resides with different officials depending on the investment level of the program (I, II, or III). Before an acquisition effort can cross a specific ADE, there are a number of documents that must be developed and submitted to the appropriate decision authority to justify the advancement of the program through the ADE. These documentation requirements are intended to ensure that acquisition efforts respond to clear and valid asset needs; that the functions the asset will be built to serve are clearly specified; that the technical plan for building the asset is in place and is reasonable; that the costs and schedules associated with the acquisition process are clearly identified; and that the total costs of constructing, operating, and eventually disposing of the assets are known. The chart below shows the current ADEs through which an acquisition effort advances; the chart also illustrates the acquisition effort stages and milestones that were previously used.

Stages of an Acquisition Effort within the Coast Guard
(showing old milestones as well as the new Acquisition Decision Events adopted in Directive 102-01)



Source: U.S. Coast Guard

[19] Directive 102-01, page 6-7.

In a report issued in November 2008 and entitled "Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight," the Government Accountability Office (GAO) found that DHS has consistently failed to implement its own acquisition oversight policies. Thus, GAO stated that its analysis of 48 major investments within DHS requiring specific oversight reviews at the departmental level found that "45 were not reviewed in accordance with the department's investment review policy, and 18 were not reviewed at all."[20] These implementation failures are attributed by GAO to DHS's failure to ensure that the investment review boards it established had the time and the resources to carry out their oversight responsibilities – and to follow-up on corrective action when it was required. GAO also found that many major acquisition efforts lacked documentation required to support the decision making process; as a result, DHS could not always validate the needs and requirements that assets were ostensibly being built to achieve. GAO concluded that as a result of these failures of oversight, decisions about DHS' budget have not always been appropriately linked to the findings of acquisition review processes and mission requirements.

Coast Guard Acquisition Directorate

The Coast Guard created its current Acquisition Directorate (known as CG-9) on July 13, 2007. The Acquisition Directorate was created to better integrate the Coast Guard's acquisition-related functions into a single unit employing standard processes for managing acquisition efforts.

The Directorate now includes program management personnel, contracting management personnel, and personnel with expertise in cost estimation, risk assessment, training and certification, and strategic planning. Also located within the Directorate – and reporting to the Assistant Commandant for Acquisition – is the Program Executive Officer for the Deepwater acquisition effort (who simultaneously serves as the Director of Acquisition Programs).

The Acquisition Directorate is supervised by the Assistant Commandant for Acquisition (CG-9). Currently, the Assistant Commandant for Acquisition reports directly to the Chief of Staff, who in turn reports to the Vice Commandant, who then reports to the Commandant. On January 22, 2009, DHS requested that the Coast Guard nominate a Component Acquisition Executive (CAE). On March 2, the Coast Guard nominated the Vice Commandant to be the CAE; DHS has not yet finalized the appointment. If the appointment is finalized, the Vice Commandant would have authority over Level III acquisitions and Level II acquisitions as delegated by DHS.

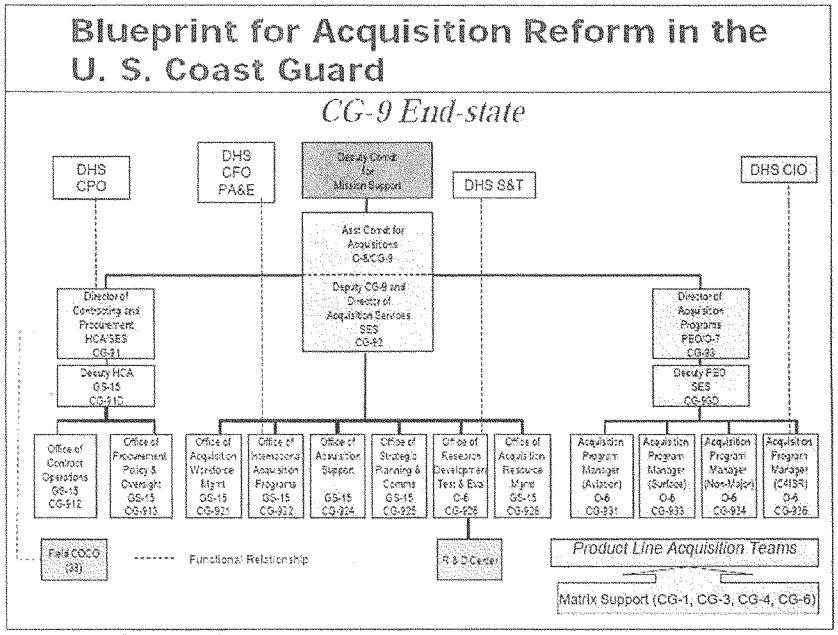
The Coast Guard has proposed re-organizing its top-level military leadership. Under the proposed reorganization, the Vice Commandant position would become a 4-star position (it is currently a 3-star position); additionally, the Chief of Staff's position as well as the Atlantic Area and Pacific Area Commander positions would be eliminated and four new 3-star positions would be created (each of which would report directly to the Vice Commandant). One of the four Deputy Commandant positions to be created is the Deputy Commandant for Mission Support, who in turn is to have four direct reports:

- Assistant Commandant for Acquisition (which currently is and would remain a 2-star position),

[20] Government Accountability Office, *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight*, GAO-09-29, November 2008, page 2.

- Chief Information Officer,
- Chief Sustainment Officer (essentially overseeing lifecycle maintenance), and
- Chief Human Resource Officer.

The Coast Guard believes that its projected organization of the Acquisition Directorate – and its placement under the Deputy Commandant for Mission Support – would enable the service to better manage the entire life cycle of an acquired asset. The end-state organization of the Acquisition Directorate is illustrated in the chart below, which also projects the placement of the Assistant Commandant for Acquisition under the Deputy Commandant for Mission Support.



Source: U.S. Coast Guard

The Coast Guard issued a "Blueprint for Acquisition Reform" to guide the implementation of new policies and procedures to strengthen the management of Coast Guard acquisition initiatives and to guide the organization of the Acquisition Directorate. The first version was issued on July 9, 2007; the most recent version was issued in July 2008 and the document is to be updated in July of each year. The "Blueprint" lays out the Coast Guard's plans for organizational alignment and leadership, the development of new policies and procedures, human capital management and development, and information management and stewardship.

The Blueprint itself highlights the challenges it is intended to overcome. Thus, it notes that prior to the Coast Guard's implementation of acquisition reforms, "Acquisition capability lagged

behind the expanded operational requirements and budget revitalization experienced post 9/11" (page 4-1).[21] There were no standard acquisition management systems, personnel with acquisition-related responsibilities were spread among multiple units, and accountability was lacking. Further, "there was no accepted doctrine for the collaborative integration of requirements generation, design, acquisition, sustainment, planned obsolescence or planning for future acquisitions. In short, major systems were not managed from a lifecycle perspective. Governance of individual projects has become problematic, causing confusion within headquarters staffs and operational sponsors regarding where the responsibility for project execution lies".[22]

The release of the Blueprint and the concomitant creation of the Acquisition Directorate are intended to guide the Coast Guard in overcoming these problems and to ensure the standardization of acquisition procedures by bringing major new capability acquisitions (including the Deepwater program) under a single authority. The Blueprint and Acquisition Directorate are also intended to ensure that the service is equipped to control costs and that acquisition efforts adhere to set schedules; further, they are intended to empower PMs to effectively manage acquisition efforts (previously, PMs were at best "partners" to LSI personnel).

The Coast Guard is still working to implement all of the reforms contained in the Blueprint. As of December 2008, the Coast Guard indicated that it had assigned a Level III-certified PM to each of its 14 Level I acquisitions; 7 of the Level III-certified PMs assigned to Level I acquisitions were military officers and 5 were members of the civil service (two PMs were each managing two separate Level I acquisitions). As of February 2009, the Coast Guard had 27 military officers who had achieved Level III PM certification, including three Admirals, 12 Captains, 11 Commanders, and 4 Lieutenant Commanders.

In 2008, the Coast Guard assigned the Admiral currently serving as the Assistant Commandant for Acquisition (who is a Level III-certified PM) to be the commander of District 13 (headquartered in Seattle); this was part of the Coast Guard's regular process for rotating its personnel. The Program Executive Officer for the Deepwater acquisition effort, also a Level-III certified PM, was assigned to be the Assistant Commandant for Acquisition. A Captain recently promoted to Rear Admiral who lacked a Level III PM certification at the time of his selection was named to be the Program Executive Officer for Deepwater. These assignments are to take effect on or about July 1, 2009.

The Coast Guard has indicated that the overall mix of personnel to be assigned to the Acquisition Directorate is evolving. However, it anticipates that when the Directorate is finally organized, there will be anywhere from 30 percent to 40 percent military to 70 percent to 60 percent civilian mix of personnel assigned to the Directorate.

In a study on the Deepwater procurements issued in June 2008 entitled "Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain", the GAO found that the changes in the Deepwater management and the creation of the Acquisition Directorate has "increased accountability", because "Coast Guard project managers and technical experts now hold the greater balance of management responsibility and accountability for program

[21] U.S. Coast Guard, "Blueprint for Acquisition Reform", July 2008, page 4-1.
[22] Ibid, page 4-2.

outcomes."[23] Nonetheless, the GAO found that the Coast Guard still "faces challenges in building a capable government workforce to manage this large acquisition."[24]

In the report, the GAO indicates that as the Coast Guard assumes responsibility for individual assets, there are some system-level aspects of the program that the service is "not fully positioned to manage."[25] Thus, GAO states that the Coast Guard "has not developed an acquisition strategy for C4ISR [Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance] and lacks, at present, the ability to model the capabilities of planned and existing assets in a manner that informs decisions on the numbers of Deepwater assets needed."[26] GAO states that the Coast Guard responded to this criticism by stating that "it must proceed with its acquisitions in the absence of this information."[27]

Among the challenges that GAO identifies in the Coast Guard's new Acquisition Directorate are an on-going shortage of civilian acquisition staff members (which is a problem throughout the federal government), the lack of an acquisition career path within the Coast Guard for military personnel, and continued reliance on contractors for technical and programmatic expertise.[28]

Among other recommendations, the GAO recommended in this June 2008 report that DHS "rescind the delegation of Deepwater acquisition decision authority" that had been granted to the Coast Guard.[29] Following the issuance of the GAO report, explanatory language was written to accompany the *Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009*, which stated, "Due to the Coast Guard's failure to adequately oversee the Deepwater program, the Secretary shall rescind the delegation of acquisition authority provided to the Coast Guard for Deepwater in order to keep oversight within the OCPO, as recommended by GAO."[30] On November 4, 2008, the Secretary of DHS implemented the GAO recommendation and the instructions in the language accompanying the 2009 Homeland Security appropriations act by formally rescinding the Coast Guard's decision authority and re-designating DHS as the acquisition decision authority for Deepwater projects within the parameters of Directive 102-01.

Current Major Acquisitions

Presented below is a review of pending issues with current AC&I procurements with acquisition baselines exceeding $10 million.

National Security Cutter

The National Security Cutter (NSC) is the largest individual cutter to be acquired under the Deepwater program and will be the most technologically advanced cutter the Coast Guard has ever

---

[23] Government Accountability Office, *Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain*, GAO-08-745, June 2008, page 3.
[24] Ibid.
[25] Ibid, page 4.
[26] Ibid.
[27] Ibid.
[28] Ibid, pages 13-14.
[29] Ibid, page 30.
[30] Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (P.L. 110-329).

sailed. The NSC, which is being manufactured by the ICGS team, will be 418 feet in length and will replace the existing 378-foot high endurance cutters. A total of 8 NSCs are to be acquired through the Deepwater procurements. NSC 1 was commissioned on August 4, 2008; the second NSC is approximately 76 percent complete; and the keel of the third cutter is to be laid this year.

In an audit of the acquisition of the NSC released in January 2007, DHS OIG found that the NSC's hull structure "provides insufficient fatigue strength to be deployed underway for 230 days per year over its 30-year operational service life under Caribbean (General Atlantic) and Gulf of Alaska (North Pacific) sea conditions."[31] The DHS OIG indicated that the flaws with the NSC's hull were "fundamentally the result of the Coast Guard's failure to exercise technical oversight over the design and construction of its Deepwater assets."[32]

In an effort to address the hull fatigue problems identified with the NSC, the Coast Guard developed a new design for cutters 3 through 8 and has proposed enhancements for hulls 1 and 2 in an effort to ensure that they meet a 30-year underway operating profile. The Coast Guard submitted these proposed design changes to an analysis conducted by the Naval Surface Warfare Center, Carderock Division. Carderock had analyzed the initial NSC design and, according to the DHS OIG, reported in August 2006 that "fatigue cracks will initiate well before the ship reaches its 30-year service life."[33]

After studying the Coast Guard's proposed NSC design changes, Carderock indicated that the proposed changes to NSCs 3 through 8 "are effective, and produce fatigue lives of at least 30 years," albeit these hulls (like hulls 1 and 2) may "exhibit localized fatigue issues around structural details at openings, passageways, stiffener terminals, and areas where the deckhouse has been cut."[34] However, the Navy found that the Coast Guard's proposed changes to NSCs 1 and 2 are not adequate to address the fatigue problems found with these hulls. Specifically, the Navy states that "For NSC 1 & 2 the hull girder structure in two areas remains problematic and is not predicted to achieve the 30 year design fatigue life." The Coast Guard has indicated that it will continue to gather data on NSCs 1 and 2 – and for that purpose, NSC 1 has been outfitted with sensors to monitor the stresses and fatigues it experiences – and will continue to modify design enhancements. The Coast Guard anticipates performing hull strengthening work on NSCs 1 and 2 during those vessels' first drydock availability (approximately five years after preliminary acceptance of the vessels).

Additionally, the costs of the NSCs have continued to rise, due in part to increases in labor rates and in the costs of raw materials and to the decline of the dollar against the Euro; additional costs were incurred through the consolidated contracting action taken by the Coast Guard to resolve ICGS' outstanding costs and claims associated with the production of NSCs 1 and 2. In December 2008, the acquisition baseline for the purchase of 8 NSCs rose to $4.75 billion. The original NSC acquisition baseline cost for 8 NSCs approved in November 2005 was $2.875 billion; this figure increased to $3.45 billion in May 2007. Thus, from November 2005 through December 2008, the

---

[31] Department of Homeland Security, Office of the Inspector General, *Acquisition of the National Security Cutter* (OIG-07-23), January 2007, page 1.
[32] Ibid.
[33] Ibid, page 8.
[34] Department of the Navy, Naval Sea Systems Command, 30 January 2009.

total projected cost of the 8 NSCs has risen by $1.875 billion – and the average cost of each NSC has increased from approximately $359 million to approximately $593 million.

Fast Response Cutter

The Fast Response Cutter (FRC) will eventually replace the Coast Guard's existing 110-foot patrol boats. The FRC is expected to be 153 feet long and will be built to achieve speeds of or exceeding 28 knots. The FRC had originally been expected to be procured by the LSI; however, efforts by the ICGS team to develop a FRC using a composite hull failed (at a cost of approximately $35 million), and the Coast Guard eventually decided to manage this project itself rather than through the LSI.[35]

In June 2007, the Coast Guard issued a Request for Proposals (RFP) for the procurement of a FRC. Among other requirements, the RFP specified that bidders had to propose a boat that used the design of a vessel already in service somewhere in the world as a patrol boat; some modifications to the parent-craft design were to be allowed while others were prohibited. The GAO reports that the Coast Guard received six proposals from five separate offerors.[36] Bollinger Shipyards, Inc. was selected as the winning bidder; its proposed patrol boat was based on the Damen 4708 design of a patrol boat currently in service in South Africa. The contract awarded to Bollinger is worth $88 million. Under the contract, the Coast Guard could order up to 34 FRCs at a cost of $1.5 billion. However, the contract also allows the Coast Guard to end its relationship with Bollinger at any of a number of points, including after ordering only one FRC. To ensure maximum flexibility to the Coast Guard, the contract includes 6 individual 1-year options.[37] The Coast Guard anticipates that the first FRC will be delivered in 2011.

Following the award of the FRC contract to Bollinger, Marinette Marine Corporation filed a protest with the GAO contesting the Coast Guard's decision. The GAO ruled against Marinette Marine and in favor of the Coast Guard's award on January 12, 2009. On February 9, 2009, Marinette notified the U.S. Department of Justice of its intent to file a post-award protest seeking a preliminary injunction and a temporary restraining order to prevent the Coast Guard from moving ahead with the Bollinger award. On February 12, 2009, the U.S. Court of Federal Claims denied Marinette's request for a temporary restraining order and on February 17, 2009, Marinette filed a Notice of Voluntary Dismissal with the Court of Federal Claims, effectively dropping their protest of the FRC award to Bollinger.

Non-Deepwater Procurements

The largest current non-Deepwater acquisition being implemented by the Coast Guard is the Rescue 21 command, control, and communications system procurement. Rescue 21 is intended to replace the Coast Guard's National Distress Response System, which was activated in the 1970s, with an upgraded Very High Frequency-Frequency Modulated (VHF-FM) communications system

---

[35] Government Accountability Office, *Status of Selected Aspects of the Coast Guard's Deepwater Program*, GAO-08-270R, March 11, 2008, page 3.

[36] Government Accountability Office, "Decision on Marinette Marine Corporation protest of Coast Guard Fast Response Cutter procurement," January 12, 2009.

[37] Government Accountability Office, *Status of Selected Aspects of the Coast Guard's Deepwater Program*, GAO-08-270R, March 11, 2008, page 3.

that will improve the service's ability to locate mariners in distress, coordinate with federal, state, and local first responders, and reduce communication coverage gaps in coastal areas.

The original acquisition baseline for the Rescue 21 project was adopted on April 16, 1999; at that time, the system was projected to cost $250 million and the acquisition was projected to be completed in fiscal year 2006. The baseline for this project was revised five times between 1999 and 2008. The acquisition baseline now stands at nearly $1.1 billion and the projected completion date is fiscal year 2017; this most recent acquisition program baseline was adopted on May 27, 2008.

In a Report to Congressional Committees issued in May 2006, the GAO found that the "Key factors that contributed to Rescue 21 cost overruns and schedule delays were inadequacies in requirements management, project monitoring, risk management, contractor cost and schedule estimation and delivery, and executive-level oversight."[38]

H.R. ___, The Coast Guard Acquisition Reform Act of 2009

H.R. ___, *The Coast Guard Acquisition Reform Act of 2009*, would strengthen the Coast Guard's acquisition management processes by building on the reforms the Coast Guard has already put in place. Specifically, the legislation would ensure the effective definition of operational requirements to guide acquisition efforts and require the service to develop processes to ensure that the trade-offs among performance, cost, and schedule are understood and assessed for each acquisition; require complete testing and evaluation of all assets acquired by the Coast Guard to ensure that they meet the highest standards of quality and all contractual requirements; and require the development of independent cost estimates for the service's largest acquisitions. The legislation will also require the appointment of a Chief Acquisition Officer who, at the Commandant's choice, can be either a civilian or military officer, but who must be a Level III-certified PM and have at least 10 years of professional experience in acquisition management. Further, the legislation will require the appointment of Level III-certified PMs to manage the Coast Guard's largest acquisitions. The legislation would bar the Coast Guard's use of LSI beginning on September 30, 2011.

PREVIOUS COMMITTEE ACTION

In the 110th Congress, the Subcommittee on Coast Guard and Maritime Transportation held two hearings on Deepwater.

The Subcommittee met on January 30, 2007, to receive testimony regarding the Deepwater acquisitions. At that time, the Subcommittee heard testimony from the Coast Guard Commandant, Admiral Thad Allen; Dr. Leo Mackay, President of Integrated Coast Guard Systems; and Mr. Phillip Teel, President of Northrop Grumman Ship Systems.

The Subcommittee met on March 8, 2007, to consider the Administration's fiscal year 2008 budget requests for the U.S. Coast Guard. At that time, the Subcommittee also received additional testimony from the Coast Guard, the Inspector General of the Department of Homeland Security (DHS IG) and GAO on the Deepwater Acquisition Program.

---

[38] Government Accountability Office, Report to Congressional Committees, *United States Coast Guard: Improvements Needed in Management and Oversight of Rescue Systems Acquisition*, GAO-06-623, May 2006, page 3.

Regarding the Deepwater procurements, the DHS IG, Mr. Richard Skinner, testified that the Coast Guard had had difficulty holding contractors working on the Deepwater procurements accountable, because asset operational and performance requirements were poorly defined. He also testified that the Coast Guard did not have the right number of staff – or the right mix of professional expertise – to manage the Deepwater acquisitions. Mr. Skinner also emphasized that because there is no career path for military personnel in the Coast Guard to pursue appointment to acquisition-related positions, it is difficult to ensure that these personnel receive the training and experience they need to manage a major acquisition.

The full Committee on Transportation and Infrastructure convened a hearing on April 18, 2007, to review the results of an investigation of the Deepwater program conducted by Committee investigation staff that probed deeply into the contract management and decision-making processes within the Coast Guard and ICGS. The hearing also examined the specific failures of the effort to lengthen the 110-foot patrol boats.

WITNESSES

Panel I

Rear Admiral Gary Blore
Assistant Commandant for Acquisition
United States Coast Guard

Panel II

Mr. John P. Hutton
Director, Acquisition and Sourcing Management
United States Government Accountability Office

Attachment

Coast Guard Acquisition Directorate
AC&I Projects with Baseline Costs Exceeding $10 Million

DEEPWATER ACQUISITION PROJECTS			
Name of Project	**Brief Description**	**Acquisition Baseline Cost** ($ in Millions)	**Anticipated Date of Completion**
National Security Cutter (Legacy Class)*	Acquire 8 National Security Cutters to replace 12 existing 378-foot high endurance cutters.	$4,749	FY16
Offshore Patrol Cutter***	Acquire 25 cutters to replace existing 270-foot and 210-foot medium endurance cutters.	$8,098	FY21
Fast Response Cutter (Sentinel Class)**	Acquire up to 58 153.5-foot cutters to provide coastal and high seas response capability.	$3,206[1]	FY12
Deepwater Small Boats***	Acquire 33 Long Range Interceptors (35 feet in length) and 99 Short Range Prosecutors (25 feet in length) to launch from and support cutter operations.	$110	FY27
110-foot to 123-foot Patrol Boat Extension	Program was intended to extend existing 110-foot patrol boats to 123 feet. Program was discontinued after failure of 8 extended vessels.	$95	Discontinued
HC-144A (Maritime Patrol Aircraft)*	Purchase 36 new Maritime Patrol Aircraft (CASA models).	$2,222.6	FY20
C4ISR**	Install C4ISR information technology in CG stations to enable all units to view a common operating picture and utilize modern radio, satellite communications, and networking systems as well as information security systems.	$1,353	FY14
HC-130J Fleet Introduction**	Missionize 6 existing long range surveillance aircraft by installing mission electronics, C4ISR upgrades, surface search radar, and other information technology systems. The current baseline includes only the costs associated with fleet introduction of the	$138.8	FY09

[1] The current acquisition project baseline (APB) for the FRC is the APB approved on May 15, 2007, which includes baselines for what was then expected to be the FRC-A and the FRC-B. The Coast Guard anticipates the issuance of an asset-specific APB for the current FRC acquisition. The fourth quarter fiscal year 2008 Acquisition Report indicated total AC&I funds to be $593 million for 12 FRCs expected to be completed in fiscal year 2012.

* APB is approved.

** APB is under review.

*** APB is to be developed.

Attachment

DEEPWATER ACQUISITION PROJECTS			
Name of Project	**Brief Description**	**Acquisition Baseline Cost** ($ in Millions)	**Anticipated Date of Completion**
	missionized aircraft. Mission systems acquisition and logistics cost were not included.		
HC-130H Conversion/Sustainment**	Install structural enhancements, surface search radar, and upgraded digital electronics on 16 existing HC-130H aircraft to extend their service lives to 2033.	$610	FY17
HH-60J Conversion**	Provide avionics upgrades, engine sustainment upgrades, and other improvements to extend the lives of 42 existing medium recovery aircraft.	$451	FY19
HH-65 Conversion/Sustainment**	Provide upgrades to extend the service lives of 102 existing HH-65 helicopters, including installing airborne use of force equipment and C4ISR multi-function display screens.	$901.2	FY13
Vertical Unmanned Aerial Vehicle (VUAV)***	Obtain a VUAV for use on the National Security Cutter and other assets. The Acquisition Program Baseline reflects costs associated with the original program, which was discontinued. The program has, however, now been reinstituted with the USCG Unmanned Aircraft Systems Strategy.	$503	TBD
Patrol Boat Sustainment*	Provide system upgrades to sustain 20 existing 110-foot patrol boats by installing major system upgrades and completing repairs to internal structures	$179.7	FY13
Medium Endurance Cutter Sustainment*	Sustain 14 existing 210-foot cutters and 26 270-foot cutters by providing mission effectiveness upgrades.	$296.8	FY16
Deepwater Logistics/LIMS***	Strengthen Coast Guard logistics integration management systems to support operational effectiveness, including development of Coast Guard Logistics Information Management System (LIMS) and modification of shore facilities to support Deepwater assets.	$481	TBD
Total for Deepwater Acquisition Projects		23,395.1	

Attachment

ADDITIONAL DEEPWATER PROGRAM ACQUISITION ACTIVITIES			
Name of Project	Brief Description	Acquisition Baseline Cost ($ in Millions)	Anticipated Date of Completion
Government Program Management Costs	Cost of management provided by Coast Guard Acquisition Directorate personnel and other personnel, encompassing such activities as technical reviews, technology analysis, testing and evaluation, and performance monitoring.	$1,518	N/A
Systems Engineering	Perform necessary systems engineering activities to support acquisition efforts and ensure effective integration of acquired assets.	$1,118	N/A
Technology Obsolescence Prevention	Encompasses pre-planned replacement costs for C4ISR hardware and software associated with the multi-year nature of this acquisition effort.	$345	N/A
Total for Additional Deepwater Program Acquisition Activities		2,981	
Total for all Deepwater		$26,376.1	

Attachment

NON-DEEPWATER ACQUISITIONS			
Name of Project	**Brief Description**	**Acquisition Baseline Cost** ($ in Millions)	**Anticipated Date of Completion**
Coastal Patrol Boat*	Acquire 69 multi-mission 87-foot patrol boats to replace aging 82-foot patrol boats.	$357	FY09
Response Boat-Medium*	Acquire 180 new station boats to replace aging 41-foot utility boats.	$610	FY 15
Rescue 21*	Install advanced command, control, and communications system in all 39 Coast Guard sectors to upgrade search and rescue capabilities and improve mission performance in coastal zones.	$1,066	FY17
Nationwide Automatic Identification System (NAIS)**	NAIS is a system by which ships provide notification of their positions. This project involves the installation of the necessary communications, network, and processing equipment to enable the Coast Guard to track vessels' NAIS notifications.	$276.8	FY13
Command 21***	Per section 108 of the Safe Port Act, create Sector Command Centers and establish new joint, coordinated interagency operations centers combining personnel from the Coast Guard, the Federal Bureau of Investigation, Customs and Border Protection, to ensure effective situational awareness and emergency response. Command-21 encompasses the development of these centers.	TBD	TBD

HEARING ON OVERVIEW OF COAST GUARD ACQUISITION POLICIES AND PROGRAMS

Tuesday, March 24, 2009

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

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, the Honorable Elijah E. Cummings [Chairman of the Subcommittee] presiding.

Mr. CUMMINGS. This Committee is called to order.

Today's hearing will enable us to conduct a comprehensive examination of the significant reforms the Coast Guard has made to its acquisition management policies and procedures.

I note that this hearing is being conducted as one of several hearings that meet the oversight requirements under Clauses 2(n), (o) and (p) of Rule XI of the Rules of the House of Representatives.

In the past, the Subcommittee and indeed the Full Committee on Transportation and Infrastructure have looked in great detail at the Coast Guard's $24 billion Deepwater acquisitions which comprise the largest single acquisition series the Coast Guard has undertaken in history.

In the 110th Congress, the Subcommittee held two hearings directly on Deepwater and an additional hearing that focused in part on Deepwater. The Full Committee held an 11-hour investigative hearing to examine the failure of the effort to lengthen the 110-foot patrol boats to 123 feet, a project which was implemented through one of the first delivery orders issued under the Deepwater IDIQ.

Without a doubt, the Deepwater program is a poster child illustrating how not to design, manage and contract a major acquisition effort.

By the Coast Guard's own account, at the time the Service signed the first Deepwater contract, its acquisition management capability lagged behind its expanded operational requirements and was in no way equal to the rapid growth that occurred in its capital budget after 9/11. The Service lacked standardized acquisition processes. It lacked a collaborative and proven process to guide the generation of asset requirements, designs and acquisition strategies, and it had only limited acquisition management capability among its staff.

Additionally, the Coast Guard intentionally removed Deepwater from those established acquisition management practices that it

did have in place, further limiting the oversight that the Service was prepared to exercise when it initiated that program.

In an effort to move ahead with what were and what unquestionably remain critical acquisitions to replace its aging assets, the Coast Guard decided to follow the lead of the Department of Defense and hire a private firm to serve as Lead Systems Integrator. Without adequate oversight, including mechanisms for requiring and measuring performance, the Lead Systems Integrator essentially took the Coast Guard for a ride.

This same pattern also occurred on the Rescue 21 project, which is being built to improve the Service's ability to locate mariners in distress. On that project, a different private sector entity serving as Lead Systems Integrator took the Coast Guard for another ride that has resulted in substantial cost overruns and extended schedule delays.

The original acquisition baseline for the Rescue 21 project was adopted on April 16, 1999. At that time, the system was projected to cost $250 million and the acquisition was projected to be completed in fiscal year 2006. The baseline for this project has now been revised 5 times and the estimated cost to complete the system by 2017 is nearly now $1.1 billion.

In other words, we went from $250 million to $1.1 billion. Something is awfully wrong with that picture.

Fortunately, I do believe that under the leadership of Commandant Thad Allen, the Coast Guard is retaking the wheel and developing the processes and systems that will enable it to effectively manage its own acquisition efforts.

The purpose of our hearing today is to assess the Coast Guard's readiness to drive. I emphasize that we are not here to look backward. Investigations of the past now properly reside with the Federal entities that are apparently examining whether any laws were broken in the past procurements.

The Coast Guard has responded to the extensive criticisms of the early Deepwater effort and the Rescue 21 program by creating a new Acquisitions Directorate, issuing and continuing to revise a Blueprint for Acquisition Reform, which guides the acquisition management systems it is building, and extracting Deepwater from the ICGS team and bringing the Lead Systems Integrator functions back in-house.

Today's hearing is intended to enable us to understand whether these steps are adequate to correct what the Coast Guard has identified as its past acquisition management challenges and to prepare itself to manage what will likely be more than $1 billion in annual acquisition efforts for years to come. We also want to understand what challenges remain unresolved, what steps the Coast Guard is taking to resolve them, and whether the Coast Guard has the resources it needs to build the acquisition management systems it envisions.

In a memorandum issued earlier this month announcing new efforts to improve the Federal Government's management of its contracting efforts, President Obama noted: "It is essential that the Federal Government have the capacity to carry out robust and thorough management and oversight of its contracts in order to

achieve programmatic goals, avoid significant overcharges and curb wasteful spending."

It is among the highest priorities of this Subcommittee to ensure that the Coast Guard meets this basic standard and that, as President Obama has said, it can perform its acquisition functions efficiently and effectively while ensuring that its actions result in the best value for the taxpayers.

To that end, I have worked with the Chairman of the Full Committee, Chairman Oberstar, the Ranking Member of the Full Committee, Congressman Mica, and our distinguished Subcommittee Ranking Member, Congressman LoBiondo, to draft the Coast Guard Acquisition Reform Act of 2009, H.R. 1665, which would build on the reforms the Coast Guard has already implemented.

Specifically, the legislation would bar the Coast Guard's use of a private sector Lead Systems Integrator by September 30 of 2011. It would require the appointment of a Chief Acquisition Officer who, at the Commandant's choice, can be either a civilian or military officer but who must be a Level III certified program manager and have at least 10 years of professional experience in acquisition management. And, it would require the appointment of Level III certified program managers to manage the Coast Guard's largest acquisitions.

Additionally, the legislation would formalize procedures intended to ensure that the Service effectively defines operational requirements before initiating acquisition efforts, that trade-offs among performance, cost, and schedule are understood and assessed for each acquisition and that all assets undergo thorough development and operational testing to ensure that they meet all contractual requirements and pose no safety risk to Coast Guard personnel.

I emphasize that this legislation is intended to institutionalize best practices within the Coast Guard and to ensure that the Service develops and maintains the expertise within its workforce that it will need to effectively and efficiently implement all acquisition efforts it undertakes in the future.

With that, I recognize the distinguished Ranking Member, Congressman LoBiondo, for his opening remarks and thank him and also his staff and Members for their work with me and Chairman Oberstar on H.R. 1665.

Mr. LoBiondo.

Mr. LOBIONDO. Good morning. Thank you, Mr. Chairman, for calling this hearing to continue the Subcommittee's efforts to oversee the Coast Guard's acquisition programs and, in particular, the Deepwater program.

In the time that has passed since the Subcommittee's last hearing on this topic in June of 2007, the Coast Guard has made substantial changes to its acquisition program. These changes are designed to enhance the Service's capabilities to manage a multi-billion dollar program including the responsibility of assuming lead system integration duties for all current and future acquisitions.

The Coast Guard is operating the third oldest fleet in the world. That is right—the third oldest fleet in the world. Everyone agrees that we must replace and modernize the Service's aging vessels, aircraft and communications systems.

Right now, the men and women of the Coast Guard are conducting operations at higher tempos than ever before aboard vessels that are incapable of supporting their critical missions. This is not sustainable, nor is it acceptable.

I look forward to hearing from our witnesses about what more is needed to help the Coast Guard bring new and enhanced assets on board.

The Subcommittee has the responsibility to oversee the Service's efforts to acquire the most appropriate assets in a timely manner and at the best value to the American taxpayer. Toward that end, Chairman Cummings introduced legislation today which follows on numerous discussions between the Majority, the Minority and the Service.

And, Mr. Chairman, I especially want to thank you and your staff for your tremendous level of cooperation and reaching out to us on so many important issues involved with this legislation. I believe this bill will provide the authorities and the guidance necessary to support acquisition of these badly needed assets.

Again, I welcome Admiral Blore for what might be his last hearing as Assistant Commandant of Acquisition.

Admiral, you have done a great job to study the acquisition wheel over the past few years, and we wish you the best in your new position as District 13 Commander in Seattle.

I also look forward to hearing from the GAO in their ongoing efforts to oversee the Coast Guard acquisitions.

Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you very much.

Before we hear from our first witness, I ask unanimous consent that Henry Brown, a Member of the Full Committee, may submit a statement for the record. And, without objection, so ordered.

I also note that today is the 20th Anniversary of the Exxon Valdez disaster and, thus, of the Coast Guard's largest single pollution response.

We will now hear from Mr. McMahon for an opening statement.

Mr. MCMAHON. Thank you, Mr. Chairman.

Ironically, as we mark the 20th Anniversary of the Exxon Valdez, we had a minor, relatively minor, spill in the waters off of Staten Island near the ferry landing. Hopefully, that will be contained. Maybe we can ask the Coast Guard about that later on.

I want to thank you, Mr. Chairman, and Rear Admiral Blore and Mr. Hutton for your testimony this morning.

Our Coast Guard is critically important for our Nation's ports' security and the safe rescue of so many at sea.

Since the tragic day in September, 2001, our world has changed, not only in my home city of New York but for all of us. The lessons from that tragedy have forced us to address the growing threats to our Nation from land, air and sea, and, to handle this change, we have so often relied on the Coast Guard and the bravery of the men and women who are with the Coast Guard to watch our shores and protect the homeland.

The hardworking men and women of the Coast Guard have also worked together with our law enforcement and harbor patrols to provide a coordinated response to emergencies at sea. Perhaps the latest and most noteworthy example of this coordinated response

was the effort undertaken by all of you in the Coast Guard to assist U.S. Airways Flight 1549 after it was forced to make an emergency landing in the Hudson River in January. No doubt, the quick and coordinated response by the Coast Guard and regional ferry services saved many lives that day, and I commend you for your hard work in that emergency and in all that you do.

So we all understand just how important the Coast Guard is to our national security and the safety of our rivers, harbors and oceans. But in acknowledging the critical role of Coast Guard, we must also recognize that we have a lot of work to do to make sure that our acquisition and procurement policies are in line with our high expectations of the Department.

As most of you know, I am still relatively new to this Committee, so I have not personally witnessed the evolution of all the problems with the Deepwater program to upgrade our surface and air assets and the other procurement challenges facing the Coast Guard, but I do know that the American people deserve to have a Coast Guard that is provided the best and most up-to-date equipment that is paid for by money that is spent wisely and efficiently. With ships, planes and helicopters costing hundreds of millions of dollars, we need to keep a very, very close watch on how this money is being spent.

I commend Chairman Cummings and the leadership of this Subcommittee in addressing these procurement problems head-on, and I also commend our witnesses for their role in working through these very challenging logistical problems on the ground in these agencies.

The issues may not always generate attention-grabbing headlines, but this oversight is some of the most important work that we do here in this Committee. I know that my constituents have no tolerance for taxpayer money wasted because of bureaucratic inefficiency, outdated and duplicative procurement reviews or poor interdepartmental communication. So I am glad that we are here today addressing the important issue and providing key congressional oversight.

Thank you, Mr. Chairman. I yield the remainder of my time.

Mr. CUMMINGS. Thank you very much.

Mr. Coble, for an opening statement.

Mr. COBLE. Thank you, Mr. Chairman.

I will be very brief. I have two other meetings, so I may be coming and going, but I appreciate you and Mr. LoBiondo calling this hearing.

Mr. Chairman, it is my belief that it is important that we continue to exercise oversight of Deepwater. We do so to ensure that the men and women of the Coast Guard get the equipment that they so obviously deserve and need. Furthermore, I think we owe the taxpayers answers on how the Federal dollars are being utilized.

I believe the men and women of the Coast Guard—Mr. Chairman, you heard me say it before—provide the taxpayers with a great return on our investment. We get more bang for the buck through the Coast Guard in my opinion than with any other Federal entity.

Deepwater assets should complement their diligence and dedication. I would also like to reiterate that we cannot lose sight of the purpose of Deepwater, which is to provide the men and women of the Coast Guard with the tools to protect our Nation.

I applaud the actions taken by Admiral Allen, the Commandant, and the entire Coast Guard family to move this acquisition program in the right direction, and I look forward, Mr. Chairman, to hearing an update on this important acquisition.

And, with that, I yield back the balance of my time.

Thank you, Mr. Coble.

Let me just go back to something that you said, Mr. Coble, and you, Mr. McMahon. The Committee, as you well know, Mr. Coble, we basically have three objectives in dealing with and addressing the Deepwater program. We certainly wanted the Coast Guard to have the equipment that it needed to do its job, but there were two other things that we wanted too.

We wanted to make sure that the people of this great Country got what they bargained for. I mean it is a simple concept, but we really meant that. And the other thing that we wanted to make sure was that whatever equipment we purchased did no harm to our own personnel.

When you put those three things together, they were the guiding principles that have gotten us to the point that we are today. I think our entire Committee adopted those and the Coast Guard has too, and I think that is why we have made the progress that we have made so far.

Let me just now welcome Admiral Gary Blore. Admiral Blore is the Assistant Commandant for Acquisition in the United States Coast Guard, and he is indeed largely responsible for many of the changes that have been made.

I want to thank you, Admiral, for your sensitivity, for your cooperation in working with us, so that we could get to the point that we are today. You have been an extremely dedicated member of the Coast Guard. Certainly, in this responsibility, you took it on very seriously, and I know gave it your very best which is a whole lot.

The jury is still out as we can tell from the GAO report, but I think that we are well on the road to where we have to go.

Again, welcome, and we will now hear from you.

Mr. CUMMINGS. I am sorry, Ms. Richardson. Did you have an opening statement?

Ms. RICHARDSON. No, Mr. Chairman.

Mr. CUMMINGS. Very well.

TESTIMONY OF REAR ADMIRAL GARY BLORE, ASSISTANT COMMANDANT FOR ACQUISITION, UNITED STATES COAST GUARD

Admiral BLORE. Good morning, Mr. Chairman and distinguished Members of the Subcommittee. I appreciate the opportunity to appear before you to discuss the Coast Guard's ongoing and much needed recapitalization projects.

As the Coast Guard's Assistant Commandant for Acquisition, I am accountable to the Commandant, this Committee and the American taxpayer to ensure each of our major acquisition projects

are developed, executed and successfully completed to meet mission requirements.

In his recent State of the Coast Guard address, our Commandant spoke about the strength of our reformed acquisition organization and the Coast Guard's integrated approach to completing major projects. Admiral Allen pointed out that Coast Guard acquisition has been informed by our past actions, and we have made appropriate corrections, stating: Today we are in a new place, and it needs to be recognized

Since 2006, the Coast Guard has taken a holistic look at mission support. One of the first areas was consolidation and reform of our acquisition directorate. This effort was part of a Service-wide restructuring of our business efforts in acquisition, engineering, logistics and human resources.

Together with the other directorates and with congressional support, we will create a comprehensive mission support organization that will unify and standardize business practices.

In the interest of time, let me highlight just a few of our projects.

We have commissioned the first National Security Cutter, Bertholf, which recently completed successful combat system qualifications with the United States Navy.

The second and third National Security Cutters, Waesche and Stratton, are under construction, and a fourth has long lead materials on order.

Today, our new Response Boat-Medium is delivering capability to the field, including one of the vessels that responded to the ditching of U.S. Air Flight 1549 in the Hudson River in January. The contract for the next 30 response boats was signed last evening, bringing the total number of contracted boats to 66.

We have delivered seven Ocean Sentry maritime patrol aircraft, have four more on contract and are converting all six C-130J aircraft with new sensor mission systems while we are doing dozens of helicopter upgrades.

Rescue 21, our near-shore command and control and communications systems, now provides enhanced coverage along more than 27,000 nautical miles of coastline. That system is saving lives today.

The most poignant example of the success of our reformed acquisition processes is the contract award for our Fast Response Cutter, Sentinel-class patrol boat. With a total potential contract value of more than $1 billion, it was a highly competitive process. Our award determination was deliberate, absolutely fair and resulted in a best value decision for the Government.

A post-award protest was filed with the U.S. Government Accountability Office where our process and award determination were carefully and objectively reviewed. Our actions passed the review, and the protest was denied.

Another post-award protest was then filed with the U.S. Court of Federal Claims where it was later withdrawn by the protester and dismissed with prejudice by the judge—again showing through an external and objective review the robust nature of today's Coast Guard acquisition process.

I appreciate the support of this Committee, most recently described in its Views and Estimates letter for fiscal year 2010. Addi-

tionally, we have received strong support from the GAO and our Department, including the Office of Inspector General.

I believe our programs are well run today because we accept and are practicing eight fundamental cornerstones of a successful acquisition:

We have instituted a system of checks and balances within the Coast Guard.

We maintain Coast Guard final certification capabilities.

We have a reliable standard reference for acquisition management.

We have implemented a robust strategic Blueprint.

We are committed to transparency.

We avoid duplication of effort through robust partnerships with the United States Navy and the Department of Homeland Security.

We embrace third party independent validation.

And, we value departmental oversight through DHS approval of milestone decisions.

One of my major challenges is building our staff of trained, certified and experienced acquisition professionals. I have excellent people. I just need more of them.

Bringing in accredited acquisition professionals is as challenging to the Coast Guard as it is to other Federal Government agencies. The current demand is high, and in this area we need parity with DOD's expedited hiring authorities.

There are many challenges ahead: engineering, technical, business and financial. However, I am confident that we have put in place an acquisition culture that will be able to meet and address those challenges successfully.

Thank you for your continued support of the men and women who serve in the United States Coast Guard.

Mr. Chairman, I ask that my oral statement be included in the congressional record, and I look forward to answering your question. Thank you.

Mr. CUMMINGS. So ordered.

Thank you very much, Admiral. Let me just ask you a few questions, and then we will move on to our Ranking Member.

In April, 2007, the Coast Guard announced a series of major changes to its acquisition processes. Among these was the announcement that the Coast Guard would assume the role as Lead Systems Integrator for all Deepwater assets and other major acquisitions as appropriate. What is the status of the Coast Guard's effort to serve as Lead Systems Integrator for Deepwater?

Have all the lead systems integration functions for the Deepwater been brought completely within the Coast Guard?

Admiral BLORE. Thank you for the question, sir. Let me divide the answer in the two parts: the actual Lead Systems Integrator contract and what we are performing in the Coast Guard.

The Congressional Research Service defines a Lead Systems Integrator as the entity responsible for requirements, testing, validation, logistics, post-delivery modification and maintenance.

The Coast Guard is the Lead Systems Integrator for all of our major acquisitions. Notwithstanding that, we still have two commercial contracts that are called Commercial Lead Systems Integrator Contracts. We don't issue delivery task orders under those

contracts for Lead Systems Integrator functions anymore, but they still exist.

I know we have often said that we are moving towards ending the old Lead Systems Integrator relationship with Integrated Coast Guard Systems. I am pleased to notify the Committee that as of this morning we signed a bilateral agreement with ICGS, Integrated Coast Guard Systems, which says: "The Government has determined that it is in the best interest not to award any future award terms after January 24th, 2011. Therefore, by this modification, the parties agree that for the purpose of ordering any new contractual requirements the rights and obligations of both parties will expire when this award term ends, January 24th, 2011."

So, as of January 24th, 2011, that contract won't exist anymore, but in the meantime we don't actually use it for LSI functions.

Mr. CUMMINGS. Now will the Coast Guard be fully prepared to perform all the lead systems integration functions by that date?

Admiral BLORE. We either will or we will know where our weaknesses lie, and, where our weaknesses lie, we will use our partnerships with the United States Navy.

There are areas that we need assistance such as cost estimating, and independent Government cost estimates are a good example. We don't have a lot of people that do that, but Naval Sea Systems Command and Naval Air Systems Command assist us on that.

Mr. CUMMINGS. Tell me what we are doing to prepare either our own people in the Coast Guard or looking at civilians to do that?

In other words, I assume there comes a point where you want to be able to rely on the Coast Guard or its civilian personnel. Is that the aim in the end, and, if so, what are we doing to make that happen?

Admiral BLORE. We have a variety of programs underway, sir, both civilian and military.

It is not our aim to become like the Naval Sea Systems Command or Air Systems Command. We are not that large. It is our aim to have certain organic core capabilities within the Coast Guard and use our sister Service so that we don't duplicate their efforts where that is appropriate.

We do have a certification program that we have really enhanced over the last two and a half years. I think we have issued over 240 certifications for both military and civilian personnel after documenting the appropriate experience and training.

We will continue to promote a quasi career path for military personnel, and we will continue to hire civilians to the extent the marketplace will let us. The Congress has allowed us growth for the last two years within our acquisition core. I think as long as we can maintain growth for the next couple years, we will be in good stead, sir.

Mr. CUMMINGS. Just one other thing, as discussed, the Deepwater program acquisition baseline expects the program to cost $24 billion to complete. However, it appears that all of the projects considered to be a part of Deepwater, when combined with the acquisition activities that are part of Deepwater, such as program management costs, systems engineering and technology, obsolescence prevention programs, are currently—currently—estimated to cost more than $26 billion, going from $24 billion to $26 billion.

Of particular concern is the fact that the costs associated with Deepwater have risen as the costs of the individual acquisitions such as NSC. As you well are aware, that has risen.

What will be the cost to complete the acquisitions that are part of the original Deepwater procurement and what will that ultimately be if you have an estimate?

If these are not expected to grow beyond $24 billion, what planned acquisitions will not be undertaken or what changes will be made to currently planned acquisitions to get the cost down to that $24 billion, because it seems like we are definitely on a pattern to go far above the original 24?

Admiral BLORE. Mr. Chairman, as you know, I have committed to always have absolute full disclosure with our oversight Committee.

As was mentioned earlier I think in your opening statement, we have started doing our acquisition program baselines which is the basic fundamental document for cost estimates over the next 20 or 24 years, asset by asset. We have seven of those new asset APBs approved. We have seven in process of approval. They are all up at the Department. And we have five that are still in the preacquisition phase. That should add up to our 19 major projects.

If you add up the individual APBs that are approved with the old estimates from Deepwater, you are absolutely correct. It adds up to $26 billion. That is based on our independent cost estimates of today. We will update that annually.

The other caution I would say in using that number is two-fold. One, we are trying to estimate over 20 to 25 years the nature of the strength of the dollar exchange rates, labor rates, et cetera, and also the offshore patrol cutter, which is the single largest project we have, is still at its old estimates because that one is still in its preacquisition phase. That is a third of that total estimate, it represents.

As of today, based on our best estimates, the entire Deepwater program as it was originally envisioned would add up to $26 billion including the necessary Government oversight, technology obsolescence replacement, all the things that should be part of a well-run acquisition program, but that is what it adds up to.

Mr. CUMMINGS. So you are just saying we are going to need more money?

Admiral BLORE. Unless the offshore patrol cutter comes in at a lower amount than we think or there is major changes in the economy. For example, when we did these estimates, the commodities market was about as high as it has gotten. It has actually come down since then. That would be the estimate for completion.

So, you are right, we would have to make some hard decisions probably 15 or 16 years from now on how we would continue the projects if Congress decided not to appropriate more money.

Mr. CUMMINGS. Mr. LoBiondo.

Mr. LOBIONDO. Thank you, Mr. Chairman.

Admiral, in 2007, the Coast Guard announced that it would assume the Lead Systems Integrator duties for the Deepwater program, and since that time the Service has established an acquisition directorate and has sought to bolster its acquisition personnel capabilities. Do you anticipate retaining the Lead Systems Inte-

grator position as you make the transition to a more traditional asset by asset replacement project?

Admiral BLORE. Yes, sir, absolutely. We will not be using commercial Lead Systems Integrators in the future. We don't envision that.

Mr. LOBIONDO. Can you tell us a little bit about how you would coordinate systems like C4ISR which spread across different asset classes?

Admiral BLORE. Yes, sir. I think one of the things if you go back to the early Deepwater program in 2002, 2003 is we, I believe, my opinion, under-appreciated the capabilities that the Coast Guard had. While they weren't robust and we need to increase our bench strength, we have formalized our relationship with what we call our technical authorities, one of which is the Assistant Commandant for Information or Command and Control and Communications, C4ISR, and that technical authority has now assumed that role as kind of the systems integrator, the Government personnel, for the C4ISR overlay.

So, although we are doing asset by asset acquisitions, we are looking at it from a systems approach to make sure they are all integrated, but we use our technical authorities for that now as opposed to using a commercial Lead Systems Integrator.

Mr. LOBIONDO. Thank you.

Can you give us any update on where the Government stands on the investigation of the failure of the 123s, the conversion?

Admiral BLORE. Yes, sir. The Department of Justice asked for an extension in a Federal court to continue their investigation. The judge did not grant the extension which meant the Department of Justice either had to intervene at that point or not intervene.

The Department of Justice chose to continue to do the investigation. The judge's decision just allowed certain rights to be extended to the party that originally filed the assertion of fraud. So the Department of Justice investigation continues.

We are still fully cooperating with the Department of Justice. I still believe that the opportunity of any funds recovered to the Government has a much higher probability of going the Department of Justice route. Notwithstanding, it may be longer than other means, but I believe it will be the most successful means. So the Department of Justice continues their investigation.

Mr. LOBIONDO. But if the Department of Justice declines to move forward, would the Coast Guard move forward to recoup for the taxpayers?

Admiral BLORE. Yes, sir. Thank you. We have not given up any of our rights under contract administration to pursue recovery.

I think the Department of Justice authorities are more robust which is why we choose to use the Department of Justice. But if they elect not to continue, since we revoked acceptance of the 123 patrol boats, then we will re-engage our contracting officers and seek recovery under administrative procedures.

Mr. LOBIONDO. Okay. Thank you.

One last area—I know we are talking about acquisition a lot, and there is a lot of competition, and it is tough to get experienced people. Do you have the authorities necessary to offer the salaries and

incentives to attract the qualified personnel to the Coast Guard for this area?

Admiral BLORE. We generally have most of what we need, sir, and we would be pleased to provide something for the record to this Committee that the issue is having a level playing field. When the market is so tight for acquisition professionals, one slight advantage on the part of another agency in having, for example, direct hire authority, can be hurtful to our interests. So we don't ask for anything different than anybody else has, but largely parity with the Department of Defense which is normally who we are competing with in the job market.

But if you allow us, we can certainly provide for the record what the disparity is right now between the Department of Defense and Department of Homeland Security.

[Information follows:]

Insert for the Record, Page 30, following line 668

The two most acute "authority gaps"—the first, which permits the Department of Defense to designate any category of acquisition positions within the Department of Defense as shortage category positions and then recruit and appoint highly qualified persons directly to such positions1; the second, which permits an individual, who receives an annuity from the Civil Service Retirement and Disability Fund, to be employed in any Department of Defense position, yet collect an annuity2—permit the Department to hire expeditiously and draw from a pool of well-qualified candidates who otherwise are ostensibly disadvantaged if they accept appointment to a position with the Coast Guard.

While limited relief is available to the Coast Guard, such relief does not establish parity between the Department of Defense and the Coast Guard.3 Additionally, the Department of Defense is authorized to increase employee pay and initiate pay anywhere within a pay band. The Coast Guard, however, is vested with a much more limited variation of these authorities. These authority gaps, when considered together, place the Coast Guard at a significant disadvantage in terms of hiring and retaining well-qualified acquisition personnel.

Both the Department of Defense and the Coast Guard are authorized to offer recruitment, relocation, and retention incentives, as well as authorized to offer premium pay.

---

[1] Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417, § 833, 122 Stat. 4356, 4535 (2008).

[2] National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136, § 1101, 117 Stat. 1392, 1629 (2003) (*codified at* 5 U.S.C. § 9902(j)).

[3] Legislation to address the disparity in terms of "direct hire" authority is under consideration. *See* Coast Guard Acquisition Reform Act of 2009, H.R. 1665, 111th Cong. § 305 (2009). Congress has yet to consider granting the Coast Guard "re-employed annuitant" authority.

Mr. LOBIONDO. Mr. Chairman, with your permission, I think that information would be helpful for the Committee to determine if the Coast Guard can compete in the marketplace.

Mr. CUMMINGS. I was just thinking to myself, with all these people losing their jobs, it seems like we would be able to find some people who we would at least be able to train. I know acquisitions. I mean this is kind of unique. But when we have 600 and some thousand people losing their jobs every month and many of them highly skilled people, that question mark came into my mind.

Not necessarily folk, Mr. LoBiondo, like I said, who know this particular type of acquisition process, but certainly some folk who would be easy to train.

Mr. LOBIONDO. Well, I certainly agree with you, but I also think what we may be hearing the Admiral say today and prior is that the Navy or other branches of the military have monetary incentives and an ability to attract top-flight people that the Coast Guard doesn't. They are not looking for something that the Navy doesn't have. They are just looking to be on an equal playing field.

Is that correct, Admiral?

Admiral BLORE. That is absolutely correct.

Mr. Chairman, we have a Department of Homeland Security intern program. We are trying to exploit that. It takes about 4 years to grow a fully qualified contracting officer, and it can be as long as 10 years to get a Level III program manager for acquisition.

But we have a DHS intern program. We have a Coast Guard intern program. We are also looking to introduce a military retiree to contracting officer program because we have a lot of excellent military personnel that post-retirement will consider Federal service, and we would like to try to retain those. I believe we are exploiting to about the maximum extent for the size of our organization internships, but we certainly need to hire experienced personnel in the meantime as we grow those new personnel.

Mr. CUMMINGS. Mr. LoBiondo, now what was your inquiry? You were asking me something.

Mr. LOBIONDO. Just that the Admiral provide us with a parity report so that we can decide. I think it would be worthwhile to make sure that the Coast Guard has the same incentive capabilities as, so to speak, their other competitors in the other branches of the military, so we can put them on a level playing field.

Mr. CUMMINGS. Would you be able to get us something to that effect?

Admiral BLORE. Yes, sir, Mr. Chairman.

Mr. CUMMINGS. How soon?

Admiral BLORE. Within two days.

Mr. CUMMINGS. All right. Thank you.

And one of the things I just wanted to say to Mr. LoBiondo, the bill, 1665, has an expedited hiring authority provided with regard to acquisition personnel. There may be some other things we can do too, and if you have any other recommendations, by the way, with regard to the legislation, we might want to hear what they are.

Okay, Mr. LoBiondo?

Mr. LOBIONDO. Thank you, Mr. Chairman.

Mr. CUMMINGS. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

Admiral Blore, just to go back to a question about C4ISR, can you quickly review the current status of the acquisition strategy?

Admiral BLORE. Yes, sir. You have to kind of take a look at it at two parts as the acquisition organization comes together.

There was an original commercial Lead Systems Integrator-developed C4ISR program for the Deepwater assets. One of the concerns of the Coast Guard from the very beginning is they only did the Deepwater assets. They didn't actually look at the larger Coast Guard. And then we had the other projects that were coming together.

Our current C4ISR strategy, which we work very closely with our technical authority, the Assistant Commandant for C4ISR and his staff, is basically doing an integrated Coast Guard C4ISR strategy.

So we don't care if it came from the legacy Deepwater program or if it is Response Boat-Medium which was not a Deepwater program. All their electronics will operate together. They will all use common protocols. They will all understand each other's data rates. And that is how we do it today is really through our own system integrator C4ISR.

Mr. LARSEN. In a little bit, we are going to be hearing from Mr. Hutton from GAO, and the GAO report notes that while the asset-based approach is beneficial, certain cross-cutting aspects of Deepwater—such as C4ISR and the overall numbers of each asset needed to meet requirements—still require a system-level approach. The Coast Guard is not fully positioned to manage these aspects.

Do you have a comment on that?

Admiral BLORE. Well, yes, sir. I respectfully disagree that we are not quite there yet. I think we are there yet.

We don't have a lot of depth. I would certainly agree with Mr. Hutton on that. But we continue to grow that. We continue to partner with other agencies where we need the help.

We are very aware of the idea that a systems approach for an organization that is trying to recapitalize so many assets at once is very important. We just don't agree that a systems approach has to be done as a systems acquisition.

We think you can take a systems approach, define the requirements, and then it is much more manageable, and the Coast Guard can have much better control and Government oversight to purchase the things, asset by asset.

But we will continue to use a systems approach, and we don't have a lot of bench strength, but we have enough for today. As I mentioned, in intern programs and other ways, we are growing it for tomorrow.

Mr. LARSEN. Switch gears a little bit. On Deepwater, the delays in the program have caused the Coast Guard to rely more heavily on an aging cutter fleet. Have you all completed an analysis of the maintenance and life cycle or life extension costs required to keep those cutters operational and does the Coast Guard have any other strategies other than intensive maintenance to keep those legacy assets operational?

Admiral BLORE. We have done life cycle cost estimates, and, with your permission, sir, I can provide those for the record. A lot of them come from our technical authority for engineering.

[Information follows:]

Insert for the Record, Page 35, following line 788

The Life Cycle Cost Estimates (LCCEs) for the WPB sustainment and WMEC sustainment projects are $784.2 million and $4,180.8 million, respectively. The total acquisition costs for the WPB sustainment and WMEC sustainment projects are $179.7 million and $296.8 million, respectively.

Admiral BLORE. Along with extensive maintenance and increased maintenance, we have the mission effectiveness program primarily for the surface fleet. That takes our medium endurance cutters, I think 17 of those and 20 of our Island-class patrol boats. It takes them through a very comprehensive rejuvenation at our yard in Baltimore and will give those cutters many more years of service.

We absolutely need that program. It has been a very effective program for us because that is the only way you can make the two ends meet to allow for the new assets to come online while the old assets are extended or older assets.

But it is the combination of that mission effectiveness program with increased maintenance in the fleet.

Mr. LARSEN. Okay. Mr. Chairman, those are all the questions I will have. I will yield back the balance of my time and look forward to meeting with Admiral Blore in a few minutes.

Mr. CUMMINGS. Thank you very much.

Mr. Platts.

Mr. PLATTS. Mr. Chairman, I have no questions. I just thank the Admiral for his service and his testimony and information he shared with the Committee in writing and here today as well.

Thank you.

Mr. CUMMINGS. Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Thank you for being with us, Admiral.

Admiral, I have to start with a concern. It sounds to me like you are going to break the deal on Deepwater after the program is over, and it sounds to me like you are putting together an acquisition force that probably won't be used for another generation.

Why is there such a reluctance on the part of the Coast Guard to use the Navy Superintendent of Shipbuilding? They buy ships every year.

The Coast Guard has a major acquisition once a generation, and you are going to put together this force just in time for it not to be needed for other than small acquisitions. I think that bears explaining.

Admiral BLORE. Yes, sir, and I appreciate the question. First off, there is no reluctance on our part to use the United States Navy, and again we can provide for the record or now if you would prefer the number of relationships we have with Navy organizations.

[Information follows:]

Insert for the Record, Page 37, following line 832

The following table lists the various relationships that Coast Guard Acquisitions has established, maintains or uses with the US Navy.

Navy Organization	Description
Afloat training Group (ATG) San Diego	Provide Crew Readiness for Sea Training for National Security Cutter (NSC)
Board of Inspection and Survey (INSURV)	Conduct Acceptance Trials for NSC
Naval Air Systems Command Aeronautical Ships Installation Representative (CIV NAVAIR ASIR) Lakehurst, NJ.	Assist with the NSC aviation facilities certification
Commander, Operational Test and Evaluation Forces (COMOPTEVFOR)	Memorandum of Agreement (MOA) in Place. Supporting Coast Guard in performance of Operational Test and Evaluation (OT&E), NSC Operational Testing, Aircraft OT&E, HC-144A Operational Analysis (OA) and H-60 Avionics OA
DoD International AIMS Program Office, Robins Air Force Base	Conduct Identification Friend or Foe (IFF) Platform Certification
Explosive Safety and Support Office (ESSOPAC)	Conventional Ordinance Safety Review
Magnetic Silencing Facility, Naval Stations Norfolk & San Diego	Degaussing and deperming
NAVAIR – Norfolk Field Office	Aviation Facility Inspection
Naval Ordnance Safety and Security Office (NOSSA)	Weapons System Explosive Safety Review Board review of the NSC weapons system
NAVAIR – Naval Air Warfare Center Aircraft Division (NAWC-AD)	Navy Participating Manager (PARM) and In-Service Engineering Activity (ISEA) for the UPX-36/UPX-29A IFF being procured for the NSC Class. Provides systems, engineering services in support of the integration and installation of the system on the NSC Class. PARM for APX-118 Transponder being installed on the WPC. Provides the IFF system and certification support.

Navy Organization	Description
NAVAIR – Patuxent River	Dedicated USCG Liaison, MOU in place DT&E planning and execution Electromagnetic Environmental Effects (E^3)/TEMPEST testing 3rd party Aircraft Structural, Electrical and Airworthiness engineering analyses Aircraft and Sensor (radar/FLIR-EO) performance testing on NAVAIR range Systems Integration- C-130H Avionics 3rd party cost analyses, independent validation and verification (IV&V) services Flight deck dynamic interface and aviation facility certifications UAS requirements development- Liaison Officer billet(s) being established PMA-266- Fire Scout sensors study (MIPR) C4ISR interoperability Test Pilot (TP) Training and USCG TP billet(s) Common Avionics/Navy-Type-Navy-Owned (NTNO) Equipment Logistics/Supportability analyses AUF weapons and gun mount certifications. Helicopter dynamic interface testing for NSC. Provide and install UHF radios on NSC. Coordinating with OIC-Command 21 for Maritime Domain Awareness Test Bed in Tampa Bay FL.
NAVAIR – Program Management Office for Navy & Marine Corps Tactical Multi-mission UAS (PMA-266)	RDT&E program and the Research and Development Center are represented in PMA-266, the acquisition program for the Fire Scout UAS, and uses this time at NAVAIR to regularly meet with and brief NAVAIR's USCG Project Coordinator so that he is generally aware of the USCG "footprint" aboard NAVAIR.
NAWC Lakehurst, NJ	NSC aviation certification requirements. Navy ISEA for Visual Landing Aids, provides technical support to the ICGS ship integration and installation efforts. Supports Aviation Certification on WMSL Class. Provides Moriah Wind System for WMSL Class
NAWC Training Support Division (NAWC-TSD) Orlando, FL	Project management, administration, contracting, engineering, and test support for the HC-144A Aircraft Flight Simulator Acquisition
Naval Surface Warfare Center (NSWC) Crane, IN	Navy PARM and ISEA for the AN/SLQ-32 Electronic Warfare System being procured for the WMSL Class. Provides systems, engineering services in support of the integration and installation of the system on the WMSL Class. EO/IR Sensor System (ESS) Developmental Testing and system optimization. Production of aircraft weapons mounts, and ammunition cans

Navy Organization	Description
NSWC Dahlgren Division	Providing System Engineering and Integration support for integrating the Mk 48 Gun Weapon System for the WMSL Class. Also providing support for Gun Weapon System Cut-outs, WMSL -750 Principal for Safety, EMC/RADHAZ Surveys, Gun Structural Firing Tests. Conducts Topside Design work for WMSL-750 Post delivery. Conducted Top Side Design Analysis work for OPC feasibility study (chartered by CG-4/SFLC). Laser system technical evaluation / testing. Information Assurance (IA) Vulnerability Assessment (VA) software scans for HC- 144A Mission System Pallet (MSP). Provides PFS support as part of the NSC safety certification effort. Includes Segment 1 and Segment 2 support. Provides SW certification process support and IV&V efforts.
NSWC Louisville	Navy ISEA for the Mk 160 GCS, Mk 38 Gun, MK 110 Gun, Mk 46 OSS, Mk 53 Decoy Launching System and Mk 15 CIWS BLK 1B and provides technical support to the ICGS ship integration and installation efforts.
NSWC Philadelphia	Navy ISEA for the SPQ-9B, Mk 46 Optical Sight System, and Mk 160 Gun Computer System and provides technical support to the ICGS ship integration and installation efforts. Supporting the USCG in the planning and execution of the Combat Systems Ship Qualification Test (CSSQT) for WMSL-750. Develops Combat System Alignment Manual for WMSL Class.
Naval Surface Warfare Center (NSWC), Carderock Division (NAVSEA-CD)	WPC (FRC): cost estimations from a parametric model; Total Ownership Cost (TOC) projections; and special tradeoff studies such as steel vs. composite hull material. (Intention is to add to task for Combatant Craft Division to support on the Sentinel acquisition.) WMSM (OPC): cost estimations from a parametric model; developing TAC and LCC models to support the project office; and special tradeoff studies such as number of engines. WMSL (NSC): Studied structure to assess fatigue life and special detailed studies on issue areas, such as the hanger racking. Spearheaded Fatigue Life Assessment Program (FLAP) study on NSC.
NSWC – Port Hueneme Division (PHD)	Navy ISEA for the SPQ-9B, provided technical support to the ICGS ship integration and installation efforts. Supported the USCG in the planning and execution of the Combat Systems Ship Qualification Test (CSSQT) for WMSL-750. Developed Combat System Alignment Manual for WMSL

Navy Organization	Description
	Class.
NAVSEA-CD - Naval Ship Systems Engineering Station (NAVSESS Philadelphia)	Conducting ship check of WMSL-750 Closed Protection System to identify status and making recommendations to place in operation. Design and location of Machinery Control Monitoring System (MCMS) Land Based Test Facility (LBTF) to be used for testing, troubleshooting, and possibly training. Provide a new machinery control and monitoring system to replace parts of the USCG WMEC 270' MPCMS. Efforts shall be made to leverage off other NAVSEA-CD NAVSESS Philadelphia Machinery Control System (MCS) projects and retain the existing MPCMS machinery control and monitoring functionality to decrease risk, help alleviate program workload and costs and to provide commonality of parts support with the US Navy. 210 WMEC vessel hull structural, piping, and ventilation assessments. These inspections provide the base work list for each vessels MEP availability repairs to these systems. Provides Certification and Accreditation (C&A) and MCMS support. The C&A support is focused on machinery control platform it (PIT).
Naval Supply Systems Command – Naval Inventory Control Point (NAVICP) Mechanicsburg, PA	Navy Supply agent for all spares for the NSC, WPC, and OPC Classes for Navy equipment being provided as Government Furnished Equipment (GFE) to these classes.
NAVSEA - Platform Certification Manager (062)	Program guidance on NSC platform certification for combat systems.
NAVSEA Code (05T1)	Radar cross section technical assistance
NAVSEA PMS 501	Detailed data on LCS Freedom Class for feasibility studies for OPC
NAVSEA Sea 05	MOA between Soa-05 and CG-9 for Navy to provide technical engineering services.
NAVSEA, Carderock Division Philadelphia Detachment	Board of Inspection and Survey (INSURV) – Technical Assist Support. Provides degaussing technical support.
NAVSEA, PMS 317	Electronic database TSME for documentation of discrepancies, trial card management and support of test, trials & DD250 development
NAVSEA – Supervisor of Shipbuilding Conversion and Repair (SUPSHIP) Gulf Coast	Supports USCG PRO in all aspects of engineering, ship design, ship construction, QA, program & production management, contract & financial management.
Naval Sea Logistics Center (NAVSEALOGCEN)	Lead Integrator partnership on implementation of NAIS Increment 1.
Naval Supply Systems Command (NAVSUP) Price Fighters Department (Code 078)	Support Cost/price evaluation on source selection of NAIS Increment 2, Phase 1 contract.

Navy Organization	Description
Navy Interoperability Center	Interoperability Certification
Navy Ordnance Center Yorktown, VA	Navy ISEA and depot for Radiological Equipment being provided to the NSC Class.
Navy Warfare Development Center, Newport	Supporting the USCG in development of the Tactical Manual for the NSC Class.
Naval Research Laboratory (NRL)	Developed Comprehensive Maritime Awareness (CMA) technology is currently deployed at three USCG Intel nodes (Maritime Intelligence Fusion Centers (MIFC) Atlantic and Pacific; Intelligence Coordination Center (ICC)).
Office of Naval Research (ONR)	Provided engineering support for composite hull R&D/Risk Mitigation for FRC Program. The FRC also utilized the MOU between CG and ONR for data sharing, production inspection and joint design reviews during the CHSV project and FRC composite design. Also, COMOPTEVFOR participated during several FRC design reviews. Coast Guard Liaison to the Office of Naval Research has working contacts with ONR, NRL, OPNAV N857, NSWC Dahlgren, NSWC Panama City Detachment, NSWCCD Philadelphia, NSMRL Groton, Joint Non-lethal Weapons Directorate, NAVSEA PMS480, and NAVSEA Science & Technology.
Office of the Chief of Naval Operations – Director of Surface Warfare (OPNAV N86)	Navy Resource Sponsor for Navy Type/Navy Owned Equipment going on NSC, WPC, and OPC Classes. Chairs Navy- Coast Guard (NAVGARD) Board, Permanent Joint Working Group for Cutter Combat Systems (PJWG). Sponsors Naval Operational Capabilities requirements for all DW surface assets.
OPNAV – Director of Warfare Integration (N6F)	Maritime Domain Awareness Data Sharing Community of Interest (MDA DS COI): Collaborative, interagency project for net-centric sharing of MDA data. Led by USCG and USN with Co-Chairmanship at all levels of governance: Flag Committee (CG-6, OPNAV N6F), Steering Committee (CG-926 RDT&E, OPNAV N6F4) and Working Groups (CG-926/SSC-Pacific; CG-51M/ONI). USCG R&D Center is the USCG Lead for the Pilot Technology Working Group, responsible for developing technical solutions to expose data sets net-centrically using Defense Information Systems Agency (DISA)'s Net-Centric Enterprise Services (NCES).

Navy Organization	Description
NAVAIR - Aircraft Launch and Recovery Equipment (PMA-251)	Navy PARM for Visual landing Systems and Moriah being procured for the NSC Class.
Assistant Deputy Commander, Fleet Logistics Support (SEA 04L)	Navy PARM for Radiological Equipment being procured for the NSC Class.
Program Executive Office Integrated Combat Systems (PEO IWS)	Navy Program Manager for USCG NTNO equipment and resource allocation of Navy WPN/WPN funds, for CSSQT activities in support of the WMSL-750 and for all NTNO issues and requirements for WMSL, WPC, and WMSM Classes. Navy PARM for WMSL: BFTT Electronic Warfare Trainer (BEWT), Mk SPQ-9B Radar, Mk 53 Decoy Launching System, MK 15 CIWS Blk, MK 160 Gun Control System and Mk 46 Optical Sight System. Procuring the Mk 38 Gun for the WPC class. Procuring the Mk 110 57 MM Gun for the WMSL 752 thru 757. MOA between PEO IWS and PEO IDS for procurement and life-cycle maintenance of NTNO equipment for USCG platforms.
Program Executive Office - Command, Control, Communications, Intelligence (PEO C4I)	C4ISR Support
Program Executive Office – Ships	Shipbuilding Portfolio Management
Space and Naval Warfare System Command (SPAWAR) Headquarters – San Diego CA	Provides Global Command and Control System – Joint and Maritime (GCCS-J/M) and intel systems technical expertise and support. Provides onsite software and hardware design & integration support. Provides IA Certification & Accreditation IV&V support, technical expertise in IA related issues, UNIX & comms support. Design, development, testing & evaluation, integration, deployment, and Integrated Logistics System (ILS) support for intel collection & dissemination system. NAVSSES provides C&A and MCMS support. The C&A support is focused on machinery control platform it (PIT).
SPAWAR System Center (SSC) Atlantic – Charleston SC	Navy PARM for AN/SSR-1 SATCOM Broadcast Receiver, Naval Modular Automated Communications System (NAVMACS) and external communication systems being procured for the NSC Class. Providing systems and engineering support to the integration and installation of AN/SSR-1, NAVMACS and Axioms on the NSC Class.
SSC Atlantic -Virginia Beach; Portsmouth; Charleston	Navigation Certification, TEMPEST, Interoperability. Concept demonstrations and testing and evaluation services in support of

Navy Organization	Description
	NAIS Increment 2.
SSC Pacific - San Diego CA	Navy PARM for TACAN, AN/SRR-1, Shipboard Sensitive Compartmented Information Facility (S/SCIF) equipment and Navigation System Sensor Interface (NAVSSI) systems being procured for the NSC Class. Providing systems and engineering support to the integration and installation of S/SCIF on the NSC Class. IA VA software scans for HC- 144A MSP. Provides TEMPEST testing support.
Weapons Systems Explosive Safety Review Board	Reviews all WMSL combat and weapon systems to ensure all safety risks have been identified corrected or mitigated.

We do use the Superintendent, the Superintendent of Shipping. All our project resident offices that are in the fleet—for example, for the Sentinel patrol boat in New Orleans—have, generally, representatives from the Superintendent of Shipping with them, especially that bring particular expertise that we don't again have a lot of bench strength on. So we have no reluctance to use them.

I think I would submit that with the possible exception of the National Security Cutter, which is the closest thing that we have that looks like a naval combatant, that the Coast Guard does have unique requirements, that we understand those requirements best, and we are best served by a combination with the Navy as opposed to going to the Navy for those assets. Especially as you get smaller into patrol boats, I would submit we have more expertise on patrol boats than the Navy has. We operate many more patrol boats than they do.

So we view it as a good team effort, and we think our acquisition organization is going to be here for the next 20 or 25 years because we haven't talked about the 225-foot buoy tenders, that in about 5 or 6 years we need to think about their replacement—the 175-foot buoy tenders, the inland buoy tenders. There are many other Coast Guard projects as we now take a long-range view of the next 30, 40, 50 years that we hope the Committee would support to recapitalize the Coast Guard.

Mr. TAYLOR. Going back to the 123s, who made the decision after the vessels had already been built at Bollinger, had been returned to Bollinger for some changes that were hopefully going to prevent the hogging and sagging? And walk me through where I am wrong on this because it has been hard to get information from your organization.

Apparently, after the modifications at Bollinger, they went back out to sea. They continued to have hogging and sagging problems. So they were brought to another shipyard instead of being returned for warranty work. At the other shipyard, I am told, at least four of the vessels had the outer plating replaced.

My question is this: If you, as an individual, had purchased a car, had problems with it, brought it back and the dealer didn't fix it, I seriously doubt you would have gone to a second mechanic and said, fix it, while the vehicle was still under warranty. But that is apparently what you did for at least four of the 123s.

Who made that call, why and what account did that money, that additional money that it took to have that work done, come out of?

Admiral BLORE. Yes, sir. I understand the question.

There were two modifications made to the 123s after they came out of Bollinger. Modification 1 was done to all 8 of the conversions. Modification 2 was done to 4.

The reason that they were done outside of Bollinger was really the reality of the situation at the time. The original program was going to be 46 conversions. So, as they came into Bollinger and were converted, they were exhausted from Bollinger and others were coming in behind them.

So I think most of the decisions to do the mods outside of Bollinger were, frankly, just expediency. We didn't want to interrupt the line. This was before we decided to stop at number eight. And, in fact, number eight is a good example because all the modi-

fications for number eight were done at Bollinger because there was nothing else coming up the line, so there was no particular reason to do it at another yard.

The first modification which was done to all eight was a bilateral agreement between the Coast Guard and Bollinger. The Coast Guard contributed roughly about $225,000 per hull, and Bollinger provided about the equivalent of that.

The second modification was done to four of the cutters in a hope to still fix the problem which the first modification didn't. That was a unilateral decision by the Coast Guard, and it also cost roughly $225,000 per cutter and also failed to correct the problem.

Mr. TAYLOR. Going back to the basic premise, it is my understanding that vessel had about a one-year warranty from the day of acceptance. So you were still under warranty. Why would you spend money, taxpayer money, that should have been paid for by Bollinger Shipbuilding?

If you had a problem, why didn't you bring it back and say, fix it?

I don't buy the capacity argument, Admiral, no more than I think it was more than $200,000 per vessel although I have not seen any hard numbers, and I would welcome those numbers.

But secondly is, okay, it is $200,000 times 4. That is sneaking up on a million dollars that should have come out of Bollinger's pocket instead of the taxpayers' pocket.

Mr. CUMMINGS. The gentleman's time is up, but we would like to hear a response.

Admiral BLORE. Yes, sir. I will provide the exact numbers for the record and when they were done and at which yard they were done. I will review the production capability of Bollinger at the time.

[Information follows:]

Insert for the Record, Page 41, following line 923

As part of the Integrated Deepwater System program, eight 110-foot Island Class Patrol Boats were extended in length. An 18-foot module was added to the stern after cutting back five feet of the original cutter making the 123-foot patrol boat. The converted cutters suffered structural damage in relatively benign sea conditions. The initial damage aboard MATAGORDA in September 2004 was principally buckling of the steel side deck and shear strake amidships. In response to this buckling, and in accordance with subsequent analysis, Modification 1 was implemented. This modification consisted of two external straps welded to the side shell near the shear strake, and one external strap welded to the steel port of the deck outboard of the detacouple. All Structural Upgrade Modification 1 actions were completed by Bollinger Shipyards with the exception of CGC PADRE and CGC ATTU. These cutters were in different commercial yards undergoing a Post Delivery Maintenance Availability (PDMA). Bollinger Shipyards either performed or directed these structural actions for the CGC ATTU and CGC PADRE during the PDMA process for these cutters.

Although the midships side shell buckling did not recur after this first structural modification, portions of the side shell aft on NUNIVAK, near the transition from the old structure to the new extension, buckled in March of 2005. Though less extensive than the prior damage, this prompted the design and installation of Modification 2 on four of the 123-foot patrol boats. This modification changed the side shell strap to a staggered pattern to avoid stress concentrations, changed some original four and five pound plates aft to thicker 7.5 pound plate, added intermediate side stiffeners to provide better transition from the new section to the old and added stiffeners to steel and aluminum deck plating. Despite these modifications, cracks continued to appear throughout 2005 and 2006. A summary of the First Structural Upgrade and Second Structural Upgrade (discussed below) may be found on the attached chart.

Name	MATAGORDA	METOMPKIN	PADRE	ATTU
Hull Number	1303	1325	1328	1317
Class	A	B	B	B
Current Upgrade	1	1	2	2
Delivery	1-Mar-04	13-May-04	24-Jun-04	3-Aug-04
PDMA start	10-May-04	26-Jul-04	16-Aug-04	22-Nov-04
PDMA end	8-Sep-04	12-Nov-04	22-Apr-05	6-Apr-06
PDMA KTR	Master Marine	Global	Master Marine	Global
USGC Cost	$519K	$554K	$581K	$674K
Upgrade 1 Date	Dec-04	Dec-04	w/PDMA	w/ PDMA
Upgrade 1 KTR	Bollinger	Bollinger	Master Marine	Global
USCG Cost	~$113K	~$113K	w/PDMA	w/ PDMA
Upgrade 2 Date	NA	NA	Dec-05	Mar-06
Upgrade 2 KTR	NA	NA	Global	Global
USCG Cost	NA	NA	~$163K	~$163K

PDMA - Post Delivery Maintenance Availability
KTR - Contractor

Name	NUNIVAK	VASHON	MONHEGAN	MANITOU
Hull Number	1306	1308	1305	1302
Class	A	A	A	A
Current Upgrade	2	2	1	1
Delivery	14-Feb-05	9-Mar-05	3-Oct-05	13-Jan-06
PDMA start	14-Apr-05	2-May-05	14-Nov-05	w/Conversion
PDMA end	28-Jan-06	28-May-06	21-Oct-06	w/Conversion
PDMA KTR	Global	Master Marine	Global	Bollinger
USCG Cost	$774K	$1M	$960k	w/Conversion
Upgrade 1 Date	w/Delivery	w/Delivery	w/Delivery	w/Delivery
Upgrade 1 KTR	Bollinger	Bollinger	Bollinger	Bollinger
USCG Cost	~$113K	~$113K	~$113K	w/Conversion
Upgrade 2 Date	w/PDMA	w/PDMA	NA	NA
Upgrade 2 KTR	Global	Master Marine	NA	NA
USCG Cost	~$163K	~$163K	NA	NA

PDMA - Post Delivery Maintenance Availability
KTR - Contractor

The decision to proceed with the Second Structural Upgrades on the converted 123-foot patrol boat vice using any available warranties with Bollinger Shipyards, Inc. (BSI) was made following considerable analysis and deliberation within the Coast Guard, and with the knowledge that the First Structural Upgrade was not resolving the issues. The Second Structural Upgrade would eventually be done to four of the eight cutters (the First Structural Upgrade was done to all eight cutters).

- On March 28 and 30, 2005 the Coast Guard Cutter NUNIVAK and Coast Guard Cutter PADRE, each converted 123-foot patrol boats, experienced additional hull buckling despite having been retrofitted with the First Structural Upgrade.
- In April 2005 following these incidents, the Coast Guard and Integrated Coast Guard Systems (ICGS) Contract Offices exchanged correspondence regarding this second structural latent defect claim.
- In May 2005, the then Commandant of the Coast Guard made the decision to permanently stop the 110-foot Island Class patrol boat hull inductions to BSI beyond the eight hulls already under contract. Significant research and decision support was derived from the Coast Guard fleet analysis report. Hull inductions had already been deferred by the Program Executive Officer in October 2004 following the first structural failure of a converted 123-foot patrol boat.
- Between June 2005 and September 2005, significant effort was put towards a state of the market failure analysis using commercial computer modeling. The modeling results did not correlate to failures and therefore the Coast Guard was unsure as to whether BSI/ICGS were solely responsible for the failures or whether the Coast Guard shared limited responsibility for the failures (e.g. whether the distressed 110-foot patrol boats were defective government furnished equipment). Because of this uncertainty, the Coast Guard determined that it would assume responsibility for the Second Structural Upgrade solution to the 123-foot patrol boats until such time that questions of causality were sufficiently answered.
- Because the Coast Guard did not believe that it could, at this point, require BSI/ICGS to perform the repairs under the warranty clause or as a latent defect, the Coast Guard funded and had the Second Structural Upgrade performed at other yards for reasons of economy. In December 2005, the Coast Guard did

this by modifying already scheduled Post Delivery Maintenance Availabilities (PDMA) or conducted Emergency Drydock repairs as a result of the discovered hull buckling using Acquisition, Construction and Improvement funding.

- The then Commandant of the Coast Guard was briefed in December 2005 on the Second Structural Upgrade.

The Second Structural Upgrade was performed on the Coast Guard Cutters PADRE, ATTU and NUNIVAK at Global Ship Systems, Savannah, Georgia during December 2005 to March 2006; it was performed on the Coast Guard Cutter VASHON at Master Marine, Inc., Bayou La Batre, Alabama in May 2006. The cost of the Second Structural Upgrade was approximately $163 thousand per vessel. This figure represents the Coast Guard burdened costs for just the labor and materials. The costs such as the Drydock, In-Yard Work Delay and Husbandry for crews to accomplish these repairs for the Second Structural Upgrade were shared costs with other significant work performed as a function of Coast Guard post delivery maintenance. In total, these costs are estimated at $250 thousand per hull.

In December 2005, the decision to proceed with the Second Structural Upgrade on the converted 123-foot patrol boats at alternate shipyards instead of Bollinger Shipyards, Inc. (because causality had not yet been determined), was approved by the then Commandant of the Coast Guard.

On January 5, 2007, the Coast Guard notified ICGS that the USCGC MANITOU required warranty work on a variety of items, to include shaft misalignment. ICGS was also instructed to determine the root cause of the shaft misalignment problem. ICGS responded that it would address various warranty items, but indicated that it could not assess a root cause of the shaft misalignment problems because of the limited available information. After both the First and Second Structural Upgrades were unsuccessful and with no demonstrated ability by either industry or the Coast Guard and its government partners to determine an economically feasible upgrade that would successfully resolve the issues on April 13, 2007, the current Commandant of the Coast Guard, after receiving extensive briefings on the issue, made the determination to decommission the eight 123-foot cutters. On May 17, 2007, the Coast Guard Contracting Officer notified ICGS that the Coast Guard was revoking acceptance of all eight 123-foot patrol boats because, collectively, the available evidence established that the 123-foot patrol boat failures were related to an ICGS design flaw and that ICGS had not provided any explanation for the failures despite a Coast Guard request for such a determination.

Again, this predates me, but I am responsible for it. We will get you the facts.

Mr. TAYLOR. Okay. But I would like a name of who made that decision.

Admiral BLORE. Yes, sir.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you very much.

Mr. Olson.

Mr. OLSON. Thank you very much, Mr. Chairman.

Admiral Blore, thank you very much for coming here and testifying today. I greatly appreciate your service to our Country, and, as a former naval aviator, I especially appreciate those gold wings that you have on your left lapel there.

My question has to do with back home in my home district, Ellington Field. The Coast Guard is considering, I understand, purchasing about 10 acres out there and moving their facility, the majority of their facility from the Houston ship channel over the Ellington, and I just wanted to get an update if you can. Please give us an update on that plan to purchase the land and what we can do to help.

Admiral BLORE. Yes, sir. Unfortunately, I can't, and it is not because I won't share the information. It is just not something that is directly under my purview.

I know that there are plans underway for various units down there, post-hurricane damage and relocations, and we will be happy to provide something for the record. I will need to go into one of my other assistant commandant's directorates and get the information, but I understand the question about Ellington.

[Information follows:]

Insert for the Record, Page 42, following line 953

The Coast Guard is currently preparing a planning document that evaluates various alternatives and their associated merits for establishing a new Sector Houston-Galveston facility. Ellington Field is one of the preferred alternative sites being evaluated to meet operational requirements. We are currently validating requirements and ensuring that all documentation is complete before moving forward with additional planning and any real property acquisition/project execution. We anticipate completing validation in September 2009 in the form of a Planning Proposal that will be forwarded to Coast Guard Headquarters for approval, which we anticipate completing in the first quarter of FY10. Once approved, execution of the project will be completed with funding provided in the Fiscal Year 2009 Consolidated Security, Disaster Assistance, and Continuing Appropriations Act.

Mr. OLSON. Thank you very much for that. Again, anything we can do to help, if that makes the Coast Guard operations in the Greater Houston Area more efficient, we are going to be happy to do that.

I just want to commend the Coast Guard on the job you all did during Hurricane Ike when it came through our region, a fantastic job.

I know the Coast Guard, in talking to the captain down there, they had a unique challenge that he hadn't anticipated. But about 2:00 in the morning, he got a call that the USS Texas, a battleship from actually the World War I era, tried to do something she hadn't done in about 60 years which was float and get underway. An incredible challenge, the Coast Guard rose to it with the local private sectors and kept her right there on the pier and potentially prevented the Houston ship channel from being shut down for an extended period.

But with the hurricane season ramping up here, the 2009 season, is there anything we can do in the acquisitions process to make sure that the Coast Guard is prepared for hurricanes strikes, disaster relief and recovery?

Admiral BLORE. No, sir. I think the Committee, as evidenced by the bill, is working on permitizing some of the authorities we have in acquisition. I think that your support in authorizing appropriate funding levels, so that we can recapitalize the Coast Guard, is all we can expect and of course your continued oversight and help with our acquisition programs.

Mr. OLSON. Mr. Chairman, that is all my questions. I yield back my time.

Thank you very much, Admiral.

Mr. CUMMINGS. Thank you very much.

Mr. Kagen.

Mr. KAGEN. Thank you, Mr. Chairman.

Thank you, Rear Admiral, for being here this morning to answer our questions. I appreciate the work that you are doing, and I appreciate your service.

I represent and have the honor of representing the Marinette Marine Shipyards. First off, let me just ask you if you have ever doubted the quality of their work?

Admiral BLORE. No, sir.

Mr. KAGEN. So their work is pretty high quality.

Have you ever in the Coast Guard any questions whatsoever about the pricing of their work or their quality?

Admiral BLORE. No, sir. Within the Coast Guard, Marinette has an excellent reputation for the buoy tenders that they constructed for us.

And, of course, we have an ongoing project with them right now, Response Boat-Medium, and the second line is just starting to form up and open in Green Bay with the original line still out at Kvichak in Washington. But we look forward to that, and Response Boat-Medium has been a great boat.

Mr. KAGEN. Isn't it true that following the unhappy experience, some would say the debacle of the Deepwater experience, that the Coast Guard has been working very hard to address cost overruns and oversight? Isn't that true?

Admiral BLORE. Yes, sir.

Mr. KAGEN. Given these facts, perhaps you would explain to this Committee why it is and on what basis the Coast Guard awarded the FRC—the Fast Response Cutter—contract to the highest bidder?

Admiral BLORE. It was a best value competition. So we considered, and again the request for proposal, which we can provide for the Committee, set the specific requirements of how we were going to fairly adjudicate the award. It was based on technical expertise, management ability, and price was the third and least important of the considerations.

So we certainly did look at price compared to what the capability of what was being delivered would be, but it was not based solely on what would be the cheapest product that the Coast Guard could buy.

Mr. KAGEN. So there is a distinction then on manageability of the project? Is that right?

Admiral BLORE. Yes, sir.

Mr. KAGEN. Perhaps you cannot use my time but provide for me in writing the differences in manageability as you would call it.

Any other distinguishing factors that made that award go somewhere else?

Admiral BLORE. No, sir.

[Information follows:]

Insert for the Record, Page 45, following line 1036

In any Coast Guard major system acquisition, the Source Selection Plan is the method used by the Source Selection Authority (SSA) to approve the major components of the evaluation effort. In the Source Selection Plan, the SSA identifies the members of the evaluation teams and their roles and responsibilities. The SSA also approves the evaluation factors, their inter-relationships and the schedule of events.

The request for proposals (RFP) and the Proposal Evaluation Procedures (PEP) are used to establish how proposals are handled, evaluated, and how the results of the evaluation are documented and presented, including the rating scheme for the proposals and the definitions used throughout the evaluation process.

The RFP in Section M established the three evaluation factors: Management, Technical and Price and associated subfactors. In order to select the best value proposal for award, the evaluation criteria were prioritized with the Management and Technical factors being of equal importance and each was significantly more important than price.

While the majority of the source selection documentation remains source selection sensitive, GAO's publicly releasable decision on Marinette Marine Corporation's (MMC's) bid protest (http://www.gao.gov/decisions/bidpro/400697.htm) provides a good summary of the final evaluation results for the MMC's and Bollinger Shipyards proposals and the basis for the source selection:

"The final evaluation results for MMC's and Bollinger's proposals were as follows:

MANAGEMENT	MMC	Bollinger
-Production Capability	Satisfactory/Moderate Risk	Satisfactory/Low Risk
-Past Performance	Satisfactory/Low Risk	Marginal/Low Risk
-Past Experience	Satisfactory/Low Risk	Satisfactory/Low Risk
-Project Organization & Management	Satisfactory/Low Risk	Satisfactory/Low Risk
-SDB Participation	Marginal/Low Risk	Satisfactory/Low Risk
TECHNICAL		
-Mission Effectiveness	Satisfactory/Low Risk	Satisfactory/Low Risk
-Cutter Boat Launch & Recovery	Satisfactory/Low Risk	Superior/Low Risk
-Performance (including Flank Speed)	Satisfactory/Moderate Risk	Satisfactory/Moderate Risk
-Transition from Parent Craft to FRC-B	Unsatisfactory/High Risk	Satisfactory/Low Risk
PRICE	$1,090,561,192	$1,336,213,976

AR, Tab 14, PEAG Report (Sept. 10, 2008), at 7-8, 22.

The SSA determined that Bollinger's proposal "provide[d] the best overall value to satisfy the U.S. Coast Guard patrol boat requirement." AR, Tab 20, SSA Decision, at 1. In making this determination, the SSA, while noting that both Bollinger and MMC had "proposed a management approach that will facilitate a successful FRC-B acquisition program," identified and described certain "[d]iscriminators between proposals." Id. at 3.

The most significant discriminator between the proposals was the evaluation of MMC's proposal as "unsatisfactory" with "high risk" under the transition from parent craft to FRC-B technical evaluation subfactor, based on the agency's conclusion that MMC's proposed FRC-B "failed intact stability requirements for topside icing" under two operating conditions specified in the RFP. Id. at 2. The SSA noted that the practical effect of this failure to meet the RFP's "stability requirements regarding topside icing" would be to "place[] Coast Guard personnel at risk when operating in cold conditions where icing could be encountered." Id. The SSA found that this failure was "one that would require a major revision to the offeror's proposal" and that MMC's proposal was "ineligible for award" because of this failure. Id. at 3.

The SSA also specifically noted "[d]iscriminators between proposals" as evaluated under the cutter boat launch and recovery technical subfactor. In this regard, the SSA noted that Bollinger's proposed FRC-B "boasts a [cutter boat] launch & recovery configuration system that improves upon a proven design that has been trialed on Coast Guard platforms for over ten years which gained it a Superior rating," whereas MMC's proposed cutter boat launch and recovery system, which was evaluated as "satisfactory," includes a feature that requires "cutter boat speed and power" for its recovery, which "[o]rganizational experience has shown . . . increases the opportunity for damage to the [cutter] boat." Id.

Another discriminator between the proposals noted by the SSA related to the evaluation under the past performance management subfactor, where the SSA noted that the rating of Bollinger's proposal as "marginal" (in contrast to MMC's proposal's rating of "satisfactory") was "due to [Bollinger's] role in the failure of the 123' WPB conversion efforts."[5] The SSA noted that this failure, as evidenced by the proposal's "marginal" rating, was somewhat offset by Bollinger's "receipt of 'exceptional' and 'very good' past performance assessments on U.S. Navy and Coast Guard new construction projects, similar in scope and complexity to that which will be required for the FRC-B," and the fact that the 123-foot WPB project "differs in scope from the new construction FRC-B program." Id.

As indicated, the SSA ultimately concluded that the proposal submitted by Bollinger "meets all the [Coast Guard] requirements under the Solicitation, at a fair and reasonable price, and offers the best overall value to the Government." Id. at 4. The agency subsequently awarded a contract under this

> RFP to Bollinger, and after requesting and receiving a debriefing, MMC filed this protest."

GAO thoroughly reviewed the source selection record and concluded that the Coast Guard had reasonably evaluated both proposals and dismissed the protest in its entirety.

Mr. KAGEN. I appreciate that. I am looking forward to seeing that in writing. I thank you very much for being here today.

I yield back my time, unless, of course, Congressman Taylor would like my two minutes.

I yield back my time.

Mr. CUMMINGS. Thank you very much.

Ms. Richardson.

Ms. RICHARDSON. Thank you, Mr. Chairman.

Sir, according to what I have read in our statement, the mission of your particular Department is to provide the improvement of aids to navigation, shore facilities, vessels and aircraft, including equipment related thereto, and the maintenance and the rehabilitation, lease and operations of facilities and equipment.

My question is: Since September 11th, the Coast Guard has taken on significant new homeland security missions such as port security in addition to your traditional missions. When I look at the summary of the acquisitions, it is only in Command 21 that there is a real reference, in my opinion, to those activities. How would you view how you are approaching the port requirements that you have as well?

Admiral BLORE. Well, first, I don't take credit for things that I actually don't do.

I think the definition you read would fit more our mission support organization. It includes acquisition, our engineering and logistics directorate, our C4ISR directorate and human resources. Those are all involved in the activities that you just said.

Also, the Coast Guard has been involved in security since the 1790s. So sometimes we even use the terms, traditional, nontraditional missions, but we have been doing security for a long time.

The focus on security was not as great as it has become since 9/11. But all the projects we do are multi-mission in the sense that they can do maritime security, maritime safety and national defense, and we make sure that the appropriateness of that fits into each asset.

For example, a buoy tender probably has much more maritime safety capability than maritime security, but we do build in some maritime security capabilities, and the opposite might be true of a cutter that is typically used in law enforcement. But all the major assets we are working on are capable of all three of those broad mission areas.

Ms. RICHARDSON. So, if that in fact is the case, if there is a fire on a cruise ship that is carrying a couple thousand people or a cargo ship that is coming in, do you have a dual responsibility with that?

Admiral BLORE. As far as fighting the fire or as far as taking the people off?

Ms. RICHARDSON. Taking the people off.

Admiral BLORE. It is. It would be our responsibility along with other agencies to take the people off, and we would mobilize any assets that we had available to do that.

Ms. RICHARDSON. Have you made any evaluations of the larger ships now that are being utilized, whether it be from a cargo or a passenger perspective, and determined what adjustments you may need to make in terms of acquisitions?

Admiral BLORE. Yes, ma'am, I believe so. If I could provide that for the record, it is a different directorate that does our maritime inspection and marine safety activities.

I know I am privy to discussions we have had in larger meetings. It is not an area of my expertise, but I can certainly provide for you what we have done as far as contingency planning and regulations for cruise ships and other carriers like that.

[Information follows:]

Insert for the Record, Page 48, following line 1100

The capabilities built into cutters and other Coast Guard assets are determined through a rigorous process that begins with a Mission Analysis Report, which evolves into an Operational Requirements Document. The Operational Requirements Document is then used to develop precise specifications for construction. Throughout this process, subject matter experts associated with various missions such as Search and Rescue and Marine Safety evaluate the required capabilities needed for operations. These evaluations are made using the best data available, to include the size and type of a commercial ship that may require assistance.

Ms. RICHARDSON. Okay. I would appreciate that information, and I am sure the Committee as well.

My final question, and I have only two minutes here, the question on Rescue 21. The cost of the Rescue 21 system has been revised 5 times since it was adopted in 1999. The cost of the system has quadrupled, rising from $250 million to $1 billion.

In an analysis of the Rescue 21 conducted in 2006 by the GAO, they found that key factors contributed to this cost, much of which was management issues.

At the time of the 2006 report, the GAO wrote that there have been reductions in the promised improvements to limit the communications gaps. Originally, Rescue 21 was intended to limit communication gaps to 2 percent. Now that target is less than 10 percent. What is the current target and are you certain that it will be achieved?

Admiral BLORE. The current target is 90 percent which would be the corollary of 10 percent. You are absolutely correct in stating that that requirement was changed. It was actually changed in 2001, so it was very early in the Rescue 21 program, but let me say exactly what that means.

That means in any coverage area there could be up to a 10 percent possibility in a particular area that you wouldn't receive the signal on the first time. That signal is based on a 1 watt signal at 20 miles at 2 meters over the water.

Any handheld unit has both a one and a five watt setting. Any fixed unit in a boat transmits at least 25 watts. So that 10 percent is based on 1 watt at 2 meters. I think that requirement is actually much more robust than it sounds because almost anybody is going to be transmitting at a higher wattage with the potential for a higher antenna.

But that is the standard, 10 percent based on 1 watt at 2 meters at 20 nautical miles.

Ms. RICHARDSON. Well, then why did you originally move forward with the project to do it at 2 percent?

Admiral BLORE. Part of it was doing cost realism for what our requirements were. We could do 2 percent. We can do 1 percent. It just costs a lot more money in the sense of how many towers you have to put up, how high the towers have to be.

I think in the last five years we have cost realism on how difficult it is to put towers up in communities, the limits on heights of towers and the cost of towers, making them higher.

We felt this was a very reasonable standard, given that it was based on 1 watt at 2 meters at 20 miles. We have documented cases now, for example, of picking up Rescue 21 signals at 200 nautical miles.

Ms. RICHARDSON. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you very much.

Just one real quick question: One of the GAO's strongest concerns was that the personnel challenges that the Coast Guard specifically faces is the lack of an acquisition career path for military personnel, and you all like to have generalists. Is that right?

Admiral BLORE. We like to have a mix.

Mr. CUMMINGS. You like to have what?

Admiral BLORE. We like to have a mix, sir. We generally bring in military personnel with operational experience and civilians that have spent most of their careers in acquisition or engineering. So we like to mix the two together because we think that is the best combination.

Mr. CUMMINGS. So what is being done to create a career path, though, within the Service because that was one of their major concerns?

Admiral BLORE. Yes, sir, and it is one of ours, and we appreciate the GAO's recommendation.

We do have the newest version of the human capital plan out. One of the next steps on that—I will not call it a military career path in the same way the Navy means it—is we have a quasi career path that we will introduce that will basically have a career guide if you are starting.

I have ensigns and lieutenants that come up to me and say, I am excited about acquisition. How do I get involved?

So we will explain to them what they need to do as a lieutenant, what kind of tours they need to ask for, what certification levels they need to go to, what they need to ask for maybe later on in their career as a lieutenant commander so that we can use them as a commander or captain, as a deputy project manager or a project manager.

We have about 19 commanders and captains now that are Level III certified, the highest level with the right experience, and this will grow that workforce so that we have more of them. We are also doing it in conjunction with our engineering communities. So my sister directorates are doing the same kind of quasi career path for their personnel so that when engineers are out in on engineering tour they get their acquisition certification while they are out there.

Mr. CUMMINGS. Very well. Thank you very much. Thank you.

Mr. Taylor, just a follow-up quickly.

Mr. TAYLOR. Admiral, who in the Coast Guard, give me a name of your most qualified person in uniform to tell me what a ship should cost, what the National Security Cutter should cost, what the new PC should cost?

Admiral BLORE. Well, I would probably go with the leader of our acquisition execution subdirectorate who now works for me, Admiral Ron Rabago. He is an naval engineer, commanded the yard in Baltimore, has a lot of hands-on experience with ship construction.

Mr. TAYLOR. What is that name again, sir?

Admiral BLORE. It is Ron, and the last name is Rabago, and he has been directed to be my replacement this June. I would be more than happy to arrange a visit by him. He has gotten his fingers dirty working in naval engineering, so I think he really understands it.

Mr. TAYLOR. Okay. Very quickly, how many hours would you estimate the Coast Guard trains you before they let you fly an aircraft?

Admiral BLORE. We to go Navy training, and it lasts a year. We get about 90 hours stick time back when I went through in T-28s, and then we would go to Coast Guard training and get about an-

other 60 or 70 hours in helicopters if you are going the helicopter route.

Mr. TAYLOR. I am just curious. How much time do you think that captain got or that admiral got as far as training for actual acquisition before he was placed in that position?

Admiral BLORE. Yes, sir. I would be more than happy to provide that for the record and have him come up and meet with you. I think he has had extensive training.

We define acquisition as the Defense Acquisition University does, which it is composed of 13 professions which includes naval engineering, logistics, RDT&E, test and evaluation. Those are all part of acquisition.

And he has extensive experience. Again, we would be pleased to provide that for the record, and I hope that we could arrange a visit.

[Information follows:]

Insert for the Record, Page53 , following line 1227

Read Admiral (RDML) Ronald J. Rabago has served as the Program Executive Officer and Director of Acquisition Programs since July of 2007. He currently holds a DHS Level III Program Manager certification and is a licensed professional engineer with Master's Degrees in Naval Architecture and Marine Engineering and Mechanical Engineering from the University of Michigan. RDML Rabago is also a graduate of the Naval War College, earning a Master's Degree in National Security and Strategic Studies. Additionally, because of his work developing cost efficient and innovative method to manage cutter maintenance for the entire Coast Guard fleet, he was selected as the Coast Guard's Engineer of the Year for 1995.

RDML Rabago's experience includes the following:

Dec '06 – Present (~2.5 years): RDML Rabago served as the prospective Deepwater (G-D) Program Executive Officer (PEO) from December 2006 until June 2007. In that capacity, he assisted the Deepwater PEO in analyzing the requirements, monitoring the performance, determining the strategic way-ahead, assisting with quality assurance and developing the budget for the Deepwater program—the Coast Guard's largest recapitalization and modernization initiative. On June 8th, 2007, RDML Rabago relieved RADM Blore as the Deepwater PEO. Also on July 13th, 2007 RDML Rabago assumed duties as the Coast Guard's PEO and Director of Acquisition Programs in conjunction with the transition to the Coast Guard's consolidated Acquisition Directorate (CG-9). As PEO, RDML Rabago is responsible for management oversight, determining the strategic way-ahead, monitoring the performance and developing the budgets for all Coast Guard acquisition programs and projects, including Deepwater, which provides for the sustainment, modernization and recapitalization of surface, air, as well as command and control for the Coast Guard's multiple maritime missions. Additionally, he aligns shore infrastructure upgrades required to support new air, surface and C4ISR systems deliveries.

Jun '05 – Nov '06 (1.5 years): RDML Rabago served as the Deputy Commander of the Maintenance Logistics Command (MLC) – Atlantic Area. MLC provides maintenance, logistics, and supply support for Coast Guard commands in 40 states east of the Rocky Mountains, including commands in Puerto Rico, U. S. Virgin Islands, and Europe. There were nearly 2200 military and civilian employees from the staff elements stationed at Norfolk, Virginia and the 22 subordinate commands and detachments dedicated to assist the needs of the Coast Guard fleet. The Deputy Commander's responsibilities include general administration and direction of MLC activities, particularly with respect to the efficient, safe and economical performance of Coast Guard mission support activities, the proper use of assigned personnel and facilities, and the provision of quality, contracting, and logistics services. RDML Rabago served at MLC during Hurricane Katrina and was responsible for the maintenance, logistics, and supply support for the thousands of CG responders and the CG assets along the Gulf Coast.

Jun '03 – May '05 (2 years): RDML Rabago served as Commanding Officer (CO) of the Coast Guard Yard and was responsible for 700 personnel, 9 tenant commands, and a 113 acre facility which was the Coast Guard's largest industrial/ship repair activity. He was responsible for strategic planning and developed/managed repair and new construction projects valued at over $75M annually. RDML Rabago directed numerous cutter repair availabilities and major renovations to two inland aids to navigation vessels, a District of Columbia fireboat, and constructed a U.S. Navy lightering prototype vessel after completing the appropriate business cases. In his capacity as Yard CO, he was responsible for

developing requirements, monitoring performance and quality assurance for every vessel and project that came through the Coast Guard Yard.

Jun '01 – May '03 (2 years): RDML Rabago served as Industrial Manager of the Coast Guard Yard and supervised all planning, scheduling, engineering & production activities in order to repair CG cutters/boats, install new systems and modify existing hull, mechanical, electronic and ordnance equipment throughout the entire Coast Guard. He managed a yearly budget of over $60M in major projects including over $8M of other Government Agency work consisting of new construction and refurbishment of existing Department of Defense assets. RDML Rabago also oversaw the maintenance of Industrial capital assets valued over $100M and supervised over 575 military and civilian personnel. He chaired the Coast Guard Yard/Engineering Logistics Center Material Acquisition Board.
RDML Rabago's most recent training includes the following:

- Attended the Systems Acquisition Management Course for General/Flag Officers (ACQ 404; 40 hours) from 10-14 December 2007.
- Attended the Defense Acquisition Executive Overview Workshop 08-001 (ACQ 403; 1.6 CEUs) from 16-17 October 2007.
- Completed Defense Acquisition University Fundamentals of Systems Acquisition Management (ACQ 101; 2.5 CEUs) in 16 April 2007.
- Completed Defense Acquisition University Integrated Project Team Management and Leadership (CLM 014; 8 Continuous Learning Points) 5 Sep 2007.
- Attended DHS' 5-day "Flag Officer/SES Executive Professional Development Program" from 16-20 October 2006. In this program, the following areas were covered: Strategic Thinking, DHS Financial Management, Policy Planning in a Political Environment, Communicating with Congress & the News Media, Strategic & Crises Communication Management, Human Resources Management, Vision & Mission Execution, Technology Management, Ethical Leadership and Joint, Inter-Agency, State & Local Partnering.
- While Commanding Officer of the Coast Guard Yard in Baltimore, RDML Rabago participated in 16 hours of interactive training in Critical Chain Path Management (CCPM) on 10-11 Feb 2004. This very useful program management tool was implemented by RDML Rabago at the Coast Guard Yard for scheduling and managing their ship repair and new construction work. In addition to optimizing schedule in a resource-constrained environment, the tool assists in building complex project Integrated Master Schedules. This resulted in dramatic improvements in schedule and cost control at the Coast Guard Yard.
- In 1996-97 RDML Rabago attended the College of Naval Warfare at the Naval War College, Newport, RI and was awarded a Master of Arts in National Security & Strategic Studies. He took courses, at 8 graduate credit hours each, in "National Security Decision Making" and "Strategy and Policy". He also took a 2 graduate credit hour course in "Decision Support and Expert Systems". The course entitled "National Security Decision Making" extensively discussed the Defense Resource Allocation Process and strategic planning. The "National Security Decision Making" course dealt extensively with the Federal budget process, the Defense Resource Allocation Process and governance. Specific Federal capital planning/governance areas covered included: 1) the Joint Strategic Planning System, 2) the PPBS process, 3) the Federal Budget process and

4) the Acquisition System including its interfaces with planning, programming and budgeting.

Finally, RDML Rabago has an additional 8 years of experience operating Coast Guard vessels, 6 additional years as a Project and Program Manager for major repair work on the Coast Guard's largest vessels fleet, and 3 years of experience in marine safety including commercial vessel repair and new construction.

Mr. TAYLOR. Thank you very much, sir. I would welcome that visit.

Mr. CUMMINGS. Thank you very much.

Admiral Blore, thank you very much. We wish you the very, very best.

We will now welcome Mr. John P. Hutton, Director, Acquisition and Sourcing Management, United States Government Accountability Office.

Welcome, Mr. Hutton, and we will hear from you now.

TESTIMONY OF JOHN P. HUTTON, DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT, UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Mr. HUTTON. Thank you, Mr. Chairman, other Members of the Subcommittee.

I am pleased to be here today to discuss Coast Guard's acquisitions, specifically its Deepwater program, the largest acquisition in the Coast Guard's history. Deepwater represents almost 60 percent of the Coast Guard's 2009 budget for acquisition, construction and infrastructure.

To carry out this acquisition, the Coast Guard awarded a contract in June, 2002, to Integrated Coast Guard Systems, a joint venture formed by two contractors as a systems integrator. The systems integrator was responsible for designing, constructing, deploying, supporting and integrating the assets.

Five years later, after experiencing serious performance and management problems and with assets in various stages of development, the Coast Guard Commandant acknowledged that they relied too heavily on contractors to do the work of the Government. The Commandant announced several major changes to the acquisition approach to Deepwater.

Today, drawing primarily on our June, 2008 report, I would like to highlight several Coast Guard initiatives that are designed to improve the acquisition, including increased accountability for Deepwater outcomes, but notwithstanding these initiatives the Coast Guard continues to face risks and challenges in moving forward with its Deepwater program.

I should also mention that we have related ongoing work for the Appropriations Committees and expect to issue a report later this year.

First, the Coast Guard has developed a Blueprint for Acquisition Reform that sets forth objectives and specific tasks aimed at improving acquisition processes and results across the Coast Guard. One key effort was the July, 2007 consolidation of the Coast Guard's acquisition responsibilities including the Deepwater program under a single acquisition directorate. We believe this effort has increased accountability for Deepwater whereas in the past Deepwater assets were managed independently of other Coast Guard acquisitions.

Second, the Coast Guard is now managing Deepwater on an asset-based approach rather than as a systems of systems approach and this approach has resulted in increased Government control and visibility over its acquisitions. For example, cost and schedule

information is now captured at the asset level, resulting in the ability to track and report cost breaches.

Also, the Coast Guard has begun to follow a more disciplined acquisition approach found in its Major Systems Acquisition Manual. This process requires documentation and approval of program activities at key points in a program's life cycle. Previously, the Coast Guard authorized the Deepwater program to deviate from this structured acquisition process, stating that the requirements of the process were not appropriate for the systems of systems approach. The consequences of not following the structured approach in the past are now becoming apparent for some assets already in production such as increased costs to the National Security Cutter.

While certain cross-cutting aspects of Deepwater—such as C4ISR and the number of each asset needed to meet requirements—still require a systems level approach, the Coast Guard is not fully positioned to manage these aspects, but it is engaged in efforts to get there.

We also reported in June, 2008, that DHS approval of Deepwater acquisition decisions was not technically required. The Department had deferred decisions on specific assets to the Coast Guard in 2003. In response to our recommendation last year, the Undersecretary for Management rescinded that delegation of Deepwater acquisition decision authority in September, 2008, and the Deepwater program is now subject to the Department's new acquisition review process.

If implemented as intended—and I underscore that—if implemented as intended, the new process can help ensure that the Department's largest acquisitions, including Deepwater, are effectively overseen and managed.

Third, like many Federal agencies that acquire major systems, the Coast Guard faces challenges in recruiting and retaining a sufficient Government acquisition workforce. Again, this is important because one of the reasons the Coast Guard originally contracted for a systems integrator was the recognition that it lacked the experience and depth in its workforce to manage the acquisition itself.

The Coast Guard's 2008 Acquisition Human Capital Strategic Plan identifies a number of workforce challenges that pose the greatest threats to acquisition success, including the shortage of civilian acquisition staff. The Coast Guard has taken steps to hire more acquisition professionals, including increased use of recruitment incentives, relocation bonuses, utilizing direct hire authority and rehiring Government annuitants.

But the shortage of Government acquisition workforce personnel means that the Coast Guard is reliant on contractors to supplement the Government staff often in key positions such as cost estimators, contract specialists and program management support. While support contractors can provide a variety of essential services, their use must be carefully overseen to ensure they do not perform inherently governmental roles.

In closing, in response to the significant problems in the Deepwater program, the Coast Guard leadership has made a major change in course in its management and oversight by reorganizing its acquisition directorate, moving away from the use of a con-

tractor as Lead Systems Integrator and putting in place a structured, more disciplined acquisition approach for Deepwater assets.

While these initiatives are having a positive impact, the extent and duration of this impact depends on positive decisions that continue to increase and improve Government management and oversight.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or other Members of the Subcommittee may have.

Mr. CUMMINGS. Thank you very much.

GAO stated in a recent report on Deepwater, and you reiterated this point in your written testimony, that one of the challenges that the Coast Guard faces in building its acquisitions directorate is the lack of an acquisition career path for military officers.

You also wrote in your testimony that the Service's three-year rotation policy for military members "limits continuity in key project roles and can have a serious impact on the acquisition expertise" but that the Coast Guard is seeking to improve the base of acquisition knowledge throughout the Coast Guard by exposing more officers to acquisition as they follow their regulation rotations.

Can you comment on what the impact of the lack of an acquisition career path is on the Coast Guard's ability to attract the most capable officers to acquisition management and to retain them in the Service and is exposure through a three-year rotation adequate to build senior level acquisition expertise within the Coast Guard?

Mr. HUTTON. Thank you, Mr. Chairman. I will take that from a couple different angles.

First, it is clear that the Coast Guard does not have sufficient numbers of military officers or acquisition programs to sustain a full-time acquisition career path, but you do point out one interesting point about the three-year rotations.

In our work on the defense side, particularly for roles such as program managers, when compared against best practices in the private sector, we found that the private sector has program managers that pretty much stay throughout the life of the program. DOD, typically, I believe, wants to have their program managers in there a minimum of four years. But what is important is that the folks that do take those positions have had experience in a variety of acquisition activities and that they also are supported by a sufficient number of trained acquisition professionals as well, whether it be civilian or military.

Mr. CUMMINGS. I made a comment, and I just was wondering what your reaction to it was when I said that with our unemployment rate being what it is, it seems like we would be able to find civilians who are already in acquisitions. And, by the way, we are not buying a lot of things these days. So it seems to me that they may be in other areas, but it seems like we would be able to find people who had the basics, things to look for, things to be aware of and be able to train them within a reasonable amount of time to do this kind of work.

Two, I want to go back to something Mr. Taylor was alluding to. That is when he asked a question, and I will paraphrase as best I can. Are we training, does it seem like we are preparing folk or sort of overdoing it?

In other words, from what you could see with regard to using the Navy, and I don't know how much you go into that, whether it would be better to not worry so much about creating a very strong acquisitions department and just kind of rely on others, like the Navy and others to help us out here because we won't have this kind of acquisition but once in a century, as he said. I think that is what he said.

Mr. TAYLOR. A generation.

Mr. CUMMINGS. A generation.

Mr. HUTTON. Sure. I think in our work generally, looking at acquisition workforce, we have a report that is coming out soon on the DOD acquisition workforce that I think will be interesting and instructive as we talk about these issues.

But one of the things we have looked at in terms of, say, the shortage of acquisition professionals across the Federal Government is that there is this reliance on contractors to help support that. In looking at it in that vein, I think one of the things that we are noticing is that the Government still needs a basic capacity too. I think the Admiral might have mentioned organic capacity.

But you need a basic capacity in the Government for the variety of acquisition specialties so that you can assure yourself that you are getting good outcomes, whether you are building an acquisition force, trying to bring more Government employees in, whether you are perhaps relying on contractors because you don't have any short-term alternative. But, for me, the question then becomes what are you doing if you want to use Government people to build towards that total civilian acquisition support?

Mr. CUMMINGS. On that note, I was reading your report, and on Page 8 you had talked about one of the problems with regard to piggy-backing on what you just said, one of the problems with why you want to have your own people. You talked about conflicts of interest—when you contract out, that is—conflicts of interest, improper use of personal service contracts.

Mr. HUTTON. That is correct.

Mr. CUMMINGS. Increased costs are also potential concerns with reliance on contractors. Those are other things that you are concerned about?

Mr. HUTTON. Mr. Chairman, you are hitting the issues that are real key if you are going to be using contractors for certain types of acquisition support activities.

Just to use an example, in some work we did over at DOD, we found that they were using contractors for contract specialist support. The issue there was when you have a blended workforce and you have the contractors working side by side with Government employees, you do want to keep it separate. You don't want the Government, if it is not a personal service contract, telling a contractor what to do. Their own people ought to be telling them what to do to perform under the contract.

But in that work, we did find that one of the issues was, and there is no magic number for this, whether the Government has sufficient capacity to oversee and ensure that they are getting products that are in the Government's best interest, and that requires trained personnel.

I believe the DAU may have put out a notional 25 percent for contract specialists, meaning that you want to keep a Government contractor ratio no lower than, say, Government, 75 percent and contractor provided contract specialists, 25 percent. That is just a number they put out. I don't have the right number.

But I think what is key to this is when the Government decides to use contractors for those types of activities, they have to know what they are asking the contractor to do. They have to understand it.

They have to have people that are going to be taking that input from the contractor and understand that: I am getting this from a contractor, I am not getting it from a Government employee. So, therefore, I have to be sure that I protect the Government's interest when I think about the information and make decisions on that.

So it is very important that the Government has a basic inherent capacity in the acquisition workforce.

There are several organizations that might prefer to have just Government only. However, they may feel at a particular time they can't grow their workforce fast enough to do that. So, to complete the mission, they might have to use contractors.

Mr. CUMMINGS. This is the last question. One of the things that bother me tremendously is when we see a contract, and then we see the cost overruns. It seems like President Obama is trying to get to this.

But these cost overruns, I mean you get to a point where I am sure there are situations in Government where the cost overruns can actually be more than the original contract which is crazy. I mean we are approaching that in some instances. I think I just mentioned one where it started off at $250 million and ended up to be $1.1 billion.

I am just trying to figure out. Just help us through what do we need to do? I mean how does that relate to what we are talking about right now with regard to acquisitions?

Mr. HUTTON. Sure. I appreciate that question.

Mr. CUMMINGS. Because we need to get the most bang for our buck. This was a $24 billion program, and you just heard the Admiral say we are up now to $26 billion at the rate we are going, but that probably really means about at least 34—probably, at least, I mean when you take it all the way out.

I just don't want us to be in a situation where we are lying to ourselves.

Go ahead.

Mr. HUTTON. Well, thank you. You remarked about the President's memorandum on contracting, and I think the President mentioned a lot of issues that our work is focused on and talked about over a decade and beyond. It all has to do with the way Government goes about contracting for things.

If I take it to the Deepwater as an example, I think oftentimes—and also DOD—it gets back to requirements. Do we know what we are buying, do we have a good understanding of what we are buying, and do we basically try to hold to that requirement as best we can so that you can then carry through?

There are situations in contracting where the Government may not have a clear understanding of what they are buying. They

might feel because of the urgency of the mission they go and, say, for example, allow the contractor to proceed with certain ceilings. Well, in those situations, the risk is on the Government, and the faster the Government can lock into the requirements the better it is for protecting the taxpayers' interests.

More specifically about Deepwater, I think one of the major changes that you are seeing here from what was perhaps two years ago is that the Coast Guard is now committed and is planning on adhering to their Major Systems Acquisition Manual, which is a very disciplined process that requires clear documentation from the standpoint of operational requirements, acquisition program baselines and the whole nine yards.

Also, if they adhere to that process and they also have sufficient DHS overview of the Coast Guard activities, then I think the Government is in a better place than they were, say, three years ago.

Three years ago, the Coast Guard bought a solution. They had a dollar value, but I don't think for each individual asset under that solution they could probably really give you much insight into the costs and schedule of each of those assets.

Now that they have taken the Program in-house and are trying to apply this more disciplined approach, I think you are finding that there is some discovery going on and better understanding, better granularity into what they are actually buying.

Mr. CUMMINGS. Thank you very much.

Mr. LoBiondo.

Mr. LOBIONDO. Thank you, Mr. Chairman.

I wanted to keep going on this cost overrun issue just a little bit. As the Chairman said and as we have talked about, the Coast Guard has experienced quite a few cost overruns. In your mind, is there a single, most dominating contributing factor to these cost overruns or is it asset by asset, situation by situation?

Mr. HUTTON. I think to date it is still a little early because they are, as I mentioned, starting to adhere to a more disciplined process where they are getting visibility on an asset basis versus a systems basis.

For example, to get a cost breach for a $24 billion program, there is a lot of stuff that could be happening in the program and you really wouldn't understand it because it was all basically sitting on the Lead Systems Integrator side. By looking at it on an asset by asset basis, to look at a 10, 20 percent cost breach, it is going to be much more visible, much more apparent sooner than it would have otherwise. So I think that is important from the standpoint of, again, using a very disciplined process.

Mr. LOBIONDO. With where we are going now?

Mr. HUTTON. I forgot the other part of your question, sir. I think for the NSC increases I believe it is in part because there are economic factors for materials and things like that. I think some of it had to do with a little bit of the understanding the implications of some of the requirements changes early on and things of that nature.

But I think as they start looking at it on an asset by asset basis, they are going to be able to provide you all with more insights as to where they see those individual assets as it relates to cost-schedule performance.

Mr. LOBIONDO. So you feel that if they are diligent with this new approach, that could prove to be very beneficial?

Mr. HUTTON. Yes. I do think if they weren't applying that approach, I don't think some of these specifics that you might be hearing about today, particularly I think the Admiral or maybe the Chairman mentioned these acquisition program baselines. It is my understanding they didn't have those on the individual assets per se.

They are working towards getting those acquisition program baselines. So what that is doing is just giving more visibility on an asset, insights into what they are buying and what is the cost and schedule implications. I think that is a good thing.

But I do want to stress as part of your oversight, I know the Coast Guard programs are a big part of it. But we issued a report last November, and we looked at the entire DHS process for their acquisitions, the review of acquisitions. We looked at over 40, 50 systems, and we found that while they had a process they weren't executing the process.

We know that some programs might have prepared an acquisition program baseline. It would go up to the DHS, and it would either take a long time to get approved or it would never get approved. So there wasn't the discipline in executing that broader DHS process.

They made modifications to their process, and they made some improvements. But my question is, and I think it is a good oversight question for this Committee: When the Coast Guard prepares these documentations that we have been talking about and they have to provide them to DHS, does DHS have the resources to ensure that they are giving those Coast Guard programs good scrubs and getting the timely response back to the Coast Guard to keep these acquisitions on track?

I personally think looking at the broader DHS acquisition review process is a piece of this because that is going to give you some added insight into what is going on at the component level.

Mr. LOBIONDO. That is good. Thanks.

Under Deepwater, the Lead Systems Integrator has selected command and control systems that include proprietary software under the control of one of the prime contractors. How do you think this impacts the Coast Guard's ability to modify and add new components to the systems installed aboard Deepwater assets?

Mr. HUTTON. I think you are hitting on a very important issue here. We were talking about C4ISR earlier, and I think Mr. Larsen had raised the question about where the Coast Guard was versus where we were.

We are currently looking at the C4ISR as an update to our work last year, but what I wanted to say was that the Coast Guard, they are still looking at and analyzing what they bought from the Lead Systems Integrator to date for a C4ISR solution. So I don't think they are quite there yet. They are looking at it.

But when you bring into the issue of data proprietary rights, I think that is a very key issue, and I don't recall the current status, but we are looking at that issue as part of our ongoing work right now.

Mr. LOBIONDO. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you very much.

Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. Hutton, I am curious. Who in the GAO can tell us what either an LCS or National Security Cutter should cost? Do you have a name?

Mr. HUTTON. Well, sir, we can tell you what the Coast Guard says their current estimate of what it costs. GAO doesn't have an independent estimate of that.

I believe the Coast Guard is using third party entities to help do some of this independent cost estimating, but we don't have a GAO estimate on that.

Mr. TAYLOR. I am just curious. How do you determine someone else isn't getting a bargain if you don't really know what something should cost?

Mr. HUTTON. Well, we take a look at the approach.

Mr. TAYLOR. You are looking at processes.

Mr. HUTTON. Yes.

Mr. TAYLOR. I very much agree with you about the conflict of interest. The private sector's job is to make money. Ours is just the opposite. Ours is to get the best value for the taxpayer, and so I appreciate that.

Mr. HUTTON. Yes, sir.

Mr. TAYLOR. Again, I am trying to understand. I am frustrated both with the 123 program and the LCS program. So all this is very real.

Does anyone in the GAO go to either to the Coast Guard or the Navy and say: The price of aluminum is half of what is was two years ago. The price of steel is half of what it was two years ago. The price of titanium is down a third from two years ago. What are you guys doing to get a better deal for the taxpayer?

Is that your function?

Mr. HUTTON. Those are very detail-specific questions. That is drilling down into a particular asset. We have not been at that level for this program.

I know that the IG previously had done some work looking at the NSC as a particular platform. We did look at the overall process and the Government's ability to manage the acquisition, but I don't have that detail, sir.

Mr. TAYLOR. Okay. So, unless you are tasked by either Congress or the Administration, you don't voluntarily look over another agency's shoulder and say, you can do better? Is that correct?

Mr. HUTTON. Generally, I think that is our protocols.

But I might add, Mr. Taylor, for example, on the Fast Response boat that they just awarded a contract, it is my understanding that is a fixed price contract. With competition, the principles are that hopefully the Government is getting a good price.

But, the NSC and the previous ships were handled by the systems integrator, and I think that was one of the issues we were pointing out early on was the extent to which the Government could ensure that there is sufficient competition on these assets. So, by bringing it in-house and doing their own, I think there is an opportunity to rely on market forces to a greater extent than they may have in the past.

Mr. TAYLOR. Did your team visit Bollinger Shipbuilding?

Mr. HUTTON. For this current work that we are doing right now, no, sir.

Mr. TAYLOR. I am told that there are unused equipment packages for the 123s that were not converted still sitting there. I don't know it for a fact because I haven't set foot on Bollinger's property. But who in your organization could determine that that is the case and who in your organization would say let's find another good use for them because the taxpayers have already paid for them?

Is that your job or do you have to be tasked to do that?

Mr. HUTTON. Sir, that is something that we could look at as part of our work right now and ask that very question that you are asking, but I don't believe we have an answer to that right now.

Mr. TAYLOR. Okay. But I want to go back to this because it troubles me that it seems like every time the price of materials go up someone who is representing someone who does business with the Government pays a visit on my office and says, we need more money.

I am particularly troubled when the price of aluminum tanks, the price of steel tanks, the price of titanium tanks. Every vendor in America is looking for work. No one is walking through my door, saying, we can make you a better deal.

I am trying to find the agency in the Government that ought to be tracking those things and telling Congress you ought to be getting a better deal. Are you that agency or do we have to task someone else to do that?

Mr. HUTTON. Well, I believe that agencies can perhaps solicit some support from, say, an institution like the Defense Contract Management Agency. I know that they may have people in the plants or they may look at some of those issues that you are referring to.

Mr. TAYLOR. But it is not you?

Mr. HUTTON. We have not, in our current work, been at that level, sir.

Mr. TAYLOR. All right. Thank you, Mr. Chairman.

Mr. CUMMINGS. Thank you.

Mr. Olson.

Mr. OLSON. Thank you very much, Mr. Chairman.

Mr. Hutton, thank you for coming today to testify and for providing us with some of your insights to the problems and the solutions to the Coast Guard's acquisition process.

I would like to talk about the use of contract personnel in the acquisition process. In your report, you highlighted several positive steps the Coast Guard has taken to increase the transparency and the accountability of the acquisitions process and particularly the use of contract personnel, and you do remain concerned with that if I understood a comment you made earlier.

Right now, the Coast Guard has about 25 percent contract personnel, and you mentioned earlier about 25 percent may be a good limit for that.

So my question is what are the risks associated using contract personnel to support Federal acquisitions and what can the Coast Guard continue to do to reduce those risks?

Mr. HUTTON. I think the greatest risk is if the Government is having a contractor supporting an acquisition and they haven't paused for a moment to understand that, hey, we are using a contractor, say, to write a statement of work. There is an implication to that, I think, in terms of a Government interest.

That brings it back to the question of it is not that you can't use contractors. I mean it is not forbidden, but it puts a higher, in my mind, premium on the Government's capacity to understand what the implications are, so that when they look at contractor input, they are thinking about it as a taxpayer and thinking about and understanding what they have so that they can make the best decision basically to protect the taxpayers' interest. So I think that is one of the key instances.

I think if they feel like in the short term they have to use a contractor, my immediate thought would be, okay, but if you don't want to be in this situation two years from now, you want to be in a different place, what are you doing to get there? Have you developed a strategy?

What specific skills do you need? Where do you think you are going to get them? How are you going to grow them?

I mean there are a lot of human capital aspects to it.

So it is not so much perhaps that. I mean I don't know. Right now, where the Government is I am not sure how they would accomplish a lot of their missions without, say, for example, some support of the contractors.

But what would worry me is if they weren't considering the inherent risks. Having the skilled people in the chain from the Government side is going to ensure that the taxpayers' interests are protected.

Mr. OLSON. Thank you for that answer. Are there any additional oversight mechanisms that you would suggest to ensure that contractors are not inappropriately performing inherently Government roles?

Mr. HUTTON. No. I think it just takes it back to who has the requirement and how are they fulfilling that requirement.

And, if they are using a contractor, I think at that level that is where the deepest understanding should be as to what are the potential ramifications and how are we going to mitigate any risks that we might have talked about earlier, whether it be conflicts or whether it is going to cost more or is it going to cost less.

Well, we have to get the mission done and if it costs more, then maybe that is not where we want to be long-term. So what is our strategy to move from there?

So I kind of see it as that decision point is really the important part.

Mr. OLSON. Thank you very much, sir.

I have no further questions, Mr. Chairman. I yield back my time.

Mr. CUMMINGS. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

Mr. Hutton, back to C4ISR. You heard Admiral Blore read your report. Can you review your response to what the Admiral testified to?

Mr. HUTTON. Sure. I think that, as we said in our June, 2008 report, and you think about it right now. I think the Coast Guard

is still trying to determine and analyze what it is that they are originally getting from the Lead Systems Integrator, what is all involved in that.

I do think it is a very positive step not only in the area of C4ISR but also engineering that the Coast Guard now has technical authority over those issues. Previously, they didn't. If someone in the Coast Guard perhaps had some questions to raise about the C4ISR under the previous scenario, I am not sure the person had much authority to do anything. By instilling the authority, the technical authority in those types of functions is a big step.

And, of course, like anything else, that is only part of it. It is in the execution.

But I do think that they are still in some discovery of understanding what it is they are getting. They have to think about how they are going to connect all these different assets. They have to think about the space requirements on the assets for these types of systems.

Mr. LARSEN. Do you think this approach to an asset by asset approach for the platform combined with call it an umbrella approach to the C4ISR acquisition is a better approach because that is the end state they are headed for? Do you think that is appropriate?

Mr. HUTTON. Yes. I think the assets are, hopefully, if you have a firmly defined operational requirement and you are taking that back to a mission need and you have all these different assets. That connection is important, but what is bridging across is this connection of the command, control and communication computers, the C4ISR type things. So you have to kind of look at that holistically.

So I think they are thinking about it in a way that I think is a good approach. I think it is not an easy solution, and they have to work it hard, but I think they are potentially in a better place than they were before.

Mr. LARSEN. I am intrigued by Page 5, the headline there: "Consequences of prior Deepwater acquisition approach may be costly." I think the Committee has concluded it is costly, but I understand GAO's approach.

Actually, it is the first sentence ends with basically the problems of the past are likely to pose continued problems such as increased costs. Has GAO done kind of an out-year assessment of what the legacy costs of the legacy problems of the Deepwater program are going to be?

Mr. HUTTON. I kind of view that as almost the question the Admiral was getting. Right now, we are looking at $26 billion, I think was the figure tossed out here. Is that what it is going to be?

Mr. LARSEN. Right.

Mr. HUTTON. And I think you have asked that similar question in a different way.

From my point of view, say, three years ago, I don't think that the Coast Guard would have as much insight into what it is going to cost for the different assets than they do now only because they are committed to apply their new disciplined approach which requires them to do these basic documents.

Some of the assets that are out there that they are buying right now, they are still planning on going back and doing some of these

documents because I think it is important to understand for that particular asset how it is going to fit in the mix in the future.

So I think that right now we have some ongoing work looking at where some of the different assets are. We plan to report out in the summertime. But I think you will find that it is really about discovery because they are applying this new disciplined approach, and they are going to get more insights as they move along.

Mr. LARSEN. I ask that question not to dig up the sins of the past because over the last couple years we know that the Coast Guard is making the changes that some folks have implored them to make to the Deepwater acquisition program, but I also think if we can get some level of estimate on the costs of those mistakes it might help us move on in the future as well and provide some discipline, maybe some lessons for other agencies.

Finally, I will make this quick here. In 2008, you recommended that DHS rescind the Coast Guard's acquisition decision authority. It has since taken place. But now, of course, that means that Homeland Security has decision authority as opposed to the Coast Guard.

In a recent report, you criticized Homeland Security's ability to oversee major acquisition programs. Is DHS itself adequately equipped to oversee the Coast Guard's acquisition programs?

Mr. HUTTON. That is at the crux of what I was speaking to earlier, sir, when I talked about the fact that in the past, whether you are the Coast Guard or any other component, the DHS at the departmental level did not have a well-executed review board process for investments across. I mean we have billions of dollars of investments across DHS.

We felt that it was important, and we recognized we had the ongoing work that there was a lack of execution of this acquisition review process. But we felt it was important that there be someone outside of the component that is looking at the questions, looking at the cost estimates, looking at the plans and really asking the real hard questions perhaps from outside the component to apply perhaps some additional pressures and insight to do the right thing.

My only concern right now, while the DHS has come out with a new directorate and I think it is improved. I think they are providing more consistent guidance across the components. It has given them more insights as to what we want to see in an acquisition program, basically, what we want to see in a test and evaluation master plan, things like that. I think that is all good.

My little worry is that if these components have to provide these documentations and get it through the DHS for departmental review, does the Department have the capacity to execute their process? In the past, that was what the problem was. They weren't executing their process. They didn't have sufficient staff.

Right now, it is my understanding that they believe they need to be around 56 staff to help manage and run this acquisition review process, and I don't believe at the moment they have even half that. So I just think that.

Again, as I mentioned to the Chairman earlier, I think this is one particular area that as part of your oversight of Coast Guard it would be interesting to know: How is that working in the Coast

Guard? When you are preparing these acquisition program baselines, are you getting them returned in a reasonable amount of time or are they delaying you? Are you getting that kind of support?

Mr. LARSEN. All right. Well, thank you, Mr. Chairman.

I apologize if that was asked before. I guess the lesson there is that in the future, when we are looking at this, let's be sure we are asking the right agency the right question.

If this doesn't work, it may not be the Coast Guard's fault. It may be DHS's fault. We just need to be sure we are pointing the finger in the right place and getting the right answers from the right folks.

Mr. CUMMINGS. Ms. Richardson.

Ms. RICHARDSON. Thank you, Mr. Chairman.

I am catching a cold, sitting, waiting here.

Mr. Hutton, let me just briefly ask you a question.

Mr. Chairman, I would find it really interesting. I have only been here less than two years. I think it would be particularly helpful when we are operating I think in more of an oversight perspective to have, for example, the Rear Admiral stay to hear these comments, so we could maybe one day get at making some headway instead of he testifies, you testify.

I am sure he has staff here, but I think there should be an ownership, particularly if we are in response to a problem that occurred. The Admiral, out of all due respect to him and his schedule, we all have busy schedules. I think it might be kind of intriguing to actually have people stay and hear the testimony.

Mr. CUMMINGS. I think so. As a matter of fact, it is amazing you said that. I have thought about the same thing.

Ms. RICHARDSON. Yes, because with these comments.

To further build upon that, Mr. Hutton, is there anything that you heard in the testimony that the Rear Admiral presented that you would like to share a different perspective that you think this Committee should know?

Mr. HUTTON. No, ma'am. I think that the Admiral highlighted a lot of the things that we independently believe are good steps as well.

I have been mentioning this adherence to their new disciplined process. I think that is a huge thing. They weren't doing that before. They were doing it for the other systems but not the Deepwater.

I think their consolidation of the acquisition function is a big step because now they are going to be able to leverage their resources across all their acquisitions. They have a chief acquisition official that is going to be able to provide that oversight across the Coast Guard. I think that is a good thing.

I think their use of third party independent analyses is another good thing. That is a way to augment perhaps some specialties that you need to help provide the proper oversight, although we do mention in our statement that human capital is a big area.

So I think, for example, even their Blueprint. The Admiral mentioned the Blueprint for Acquisition Reform. What I thought was key about that is they use heavily GAO's framework for agencies'

abilities to assess their own acquisition workforce, and we think that is a good thing.

They looked at their organizational alignment and the leadership. They looked at their human capital needs. They looked at their policies and processes, and they looked at the knowledge and information they need to manage their acquisitions.

I just think that the structured approach they took is in line with a lot of what we see are some of the best approaches for an agency to independently assess itself are all positive things. So I think they are taking steps.

The thing that I think we need to keep watching for is the execution and the continued leadership and the continued pressing to do the right thing.

I do think at the moment they have made great strides. Yes, they are getting more insights into their acquisitions, but I do think that definitely it is a change in course, and they are heading in the right direction.

Mr. CUMMINGS. One other question, the Commandant is quoted in the Coast Guard's Blueprint for Acquisition Reform as stating that "The Coast Guard must become the model for mid-size Federal agency acquisition process, workforce and capability."

I want you to comment on how the Coast Guard's acquisition processes, workforce and current capabilities compare to the mid-size agencies. Are there any best practices from other mid-size agencies that are not currently being implemented by the Coast Guard's acquisition directorate and are there specific actions recommended in the Blueprint that the Coast Guard is not yet implementing?

Mr. HUTTON. That is a great question. It is hard for me to compare the Coast Guard's acquisition structure, say, to another mid-size organization. I just don't have that kind of insight across the Government like that.

As I mentioned to Ms. Richardson, the fact that they used the framework that we have put out there for agencies to make an assessment about their acquisition function is a good thing.

When you asked about the key steps remaining, in my mind, one is to continue to build and maintain that acquisition workforce. I think that is part of the human capital piece of the framework that I mentioned.

I think that they need to continue bringing all their assets into compliance with the Major Systems Acquisition Manual.

I do think—and this is a departmental level issue as well—making sure that they are aligning the budget to the acquisition process. That is another key piece.

And I think their Blueprint also mentioned that they would be conducting internal control reviews, and I just think that is a good practice as well.

Mr. CUMMINGS. Well, thank you very much.

I take it there are other reports forthcoming?

Mr. HUTTON. Yes, sir. We expect sometime this summer to issue a report that is going to, basically, our June, 2008 report. We have jumped off from the issues that we developed in that report, and we are just taking them further down the road as the program evolves, and we hope to provide some additional information I

think will be very useful to this Committee in conducting its oversight.

Mr. CUMMINGS. Your comments about DHS should concern all of us because it seems as if you don't have folk, if they are supposed to be sort of overseeing these types of things, and they are not doing it. That is a major problem, isn't it?

Mr. HUTTON. Yes, sir. I do point out that even in the last year and a half you have seen some positive steps in terms of trying to get that departmental review process on firmer footing. I mean this new directive isn't a small piece.

I mean it required a lot of interaction across all the components. The components have different language. They are in different places, different experiences. They buy different things. But I do think that was a huge step in coming out with this directive.

My only worry, again—and this is just because I am an accountability organization—is are they going to have the capacity to execute that new process because the capacity I think was one of the reasons why the other acquisition review process didn't work. To me, in my mind, that is the key.

Mr. CUMMINGS. I just don't want us as a Committee to sit here and to hear this kind of testimony. I mean it seems that we would almost have to get something. I am sure they already know this, what you are saying.

Mr. HUTTON. Well, we issued a report in November that laid this out. We will be happy to get that report to whomever you would like on the Committee.

Again, the Department has come out with that directive. It is not a small deal. But I am just kind of looking forward because they had a process before, but it wasn't being executed.

So my question is let's make sure that we can position ourselves at the departmental level to execute this process the way it is designed.

Mr. CUMMINGS. You are saying that the plan is great. I mean it is nice. It is okay.

Mr. HUTTON. Yes. I think that what they have done is a good thing in terms of this new directive, and I think it is providing better guidance to the components. So it is a more systematic process.

My only little concern, and I think it is just a matter of time because this just came out just before the holidays. I think it was in November.

Mr. CUMMINGS. November, yes.

Mr. HUTTON. Does DHS right now have the people they need to manage that process and, if not, do they have a plan to get there and is that a good plan? That would be my area of interest.

Mr. CUMMINGS. Well, one of the things I have often said is that a lot of times we kind of fool ourselves in Government, and we say, when the rubber meets the road everything is going to be fine. Then when it comes time for the rubber to meet the road, we discover there is no road.

And so, I just want to make sure. In other words, I am thinking about maybe getting a letter off to the President or somebody, Ms. Napolitano, just reiterating some of the things that you have said here today and that it sounds like we have a good plan, but we are

concerned about making sure that there are requisite personnel to carry out the plan.

Mr. HUTTON. Yes, sir.

Mr. CUMMINGS. The plan means nothing if you are not carrying it out.

Did you have anything on that, Mr. LoBiondo?

Mr. LOBIONDO. No. I think you are right on the mark. If DHS doesn't have the personnel or isn't interested in keeping an eye on this, then the Coast Guard has a big problem.

Mr. HUTTON. From my standpoint, sir, being an objective, nonpartisan organization, I am just looking at it from the standpoint of the taxpayer.

Mr. CUMMINGS. Right.

Mr. HUTTON. We do think the report laid out some problems over the last several years in terms of the departmental oversight. We do acknowledge that they came out with a new directive which we aren't basically raising real concerns about. We think it follows a lot of the good best practices and things like that.

But just looking forward, we can't say today. It is just like a word of caution that I just wanted to put out there for this Committee to think about because I think that is an important piece of work we issued in November.

Mr. CUMMINGS. Very well.

Thank you very much.

Mr. HUTTON. Thank you.

Mr. CUMMINGS. This hearing is now adjourned.

[Whereupon, at 11:55 a.m., the Subcommittee was adjourned.]

Statement by Congressman Henry E. Brown, Jr.
Coast Guard Subcommittee Hearing – March 24, 2009

Mr. Chairman and Ranking Member LoBiondo, thank you for holding today's hearing to review the Coast Guard's acquisition policies and programs. As the representative for coastal South Carolina and the ports of Georgetown and Charleston, the Coast Guard plays an important role in ensuring the continued economic vitality of my district. One of the hallmarks of the Coast Guard's work in my district is how well it works with not only state and local officials, but also with the many members of the private sector.

In addition to being home to Sector Charleston and the innovative port security center Project SeaHawk, Charleston is also the home port for the High Endurance Cutters the *GALLATIN* and the *DALLAS*. While they are the only large cutters on the East Coast and play an important role in Coast Guard drug and migrant interdiction missions, in addition to support for all other Coast Guard missions, the two ships have been docked for months due to significant hull deterioration. Both ships recently entered dry dock for repairs, which will hopefully be completed within the next six months and will allow the ships to continue service.

The challenges facing the *GALLATIN* and the *DALLAS* are stories that are repeated all over the Coast Guard. Ships that were intended for 25 year service lives are now coming up on the 40th birthdays and aircraft are seeing mission hours well beyond their intended design standards. And all of this is coming while the Coast Guard faces a significant increase in its mission requirements and operating activities. From piracy in the Middle East to delivering humanitarian supplies to flying hours aloft in search of drug-runners, many of the current assets of the Coast Guard are being pushed to their limits.

One area where the limit has already been reached is in the Coast Guard's fleet of maritime patrol aircraft (MPA). Mission demands for the MPA are high, especially after the Coast Guard re-benchmarked the Deepwater program following the 2001 terrorist attacks. However, the current MPA fleet of HC-130s and HU-25 Falcons is aging, and there are significant delays in the replacement aircraft program. In 2004, the Coast Guard determined that 61,600 patrol hours per year would be required by the Coast Guard's MPA fleet. At the time that analysis was done, the Coast Guard was tens of thousands of hours away from meeting the initial Deepwater MPA requirement of 44,000 patrol hours per year, and that was before the retirement of HU-25 Falcons increased and more HC-130s were brought off-line or recapitalization. Indeed, the Coast Guard is nearly 50% below the 2004 hours requirement, and it is not set to even reach the 1998 requirement until 2018.

The Deepwater acquisition program designated the HC-144A as the new medium range search aircraft for the Coast Guard. Under current plans, 36 HC-144As will be purchased by the Coast Guard, with acquisition completed by 2020. The HC-144A program, while often held up as a success within Deepwater, has been plagued by the same types of delays and technical problems as other Deepwater programs. The delays have only increased as the Coast Guard has had to come to grips with issues coming out of the prior Deepwater acquisition structure. I am significantly concerned by these delays, especially when I hear that areas like Puerto Rico have no dedicated patrol aircraft and that smugglers continue to make use of semi-submersible craft to smuggle in drugs. I have been proud to work with Mr. Young and Mr. Tiahrt to bring light to these issues and work with our colleagues on the Appropriations Committee to include funding in the Fiscal Year

2009 Appropriations bill to help with short-term mitigation of the MPA gap while the Coast Guard works through acquisition delays.

However, one additional piece of disturbing news regarding the MPA program came out just a month ago yesterday. The baseline cost for the HC-144A program has increased by some $500 million since the end of 2006. That puts the per-unit cost of a HC-144A at over $61 million. Under some estimates, this represents an increase of close to $30 million per aircraft, putting the unit cost on track to be compared with the F-22 or other acquisition programs that have raised the significant concerns of Congress and the Government Accountability Office. While the HC-144A was not an off-the-shelf aircraft for the Coast Guard, the airframe and much of the electronics that make up the mission system pallet were already in use by other maritime patrol agencies around the world.

While the HC-144A represents an important new tool for the Coast Guard to meet its important mission, it remains unclear when the HC-144A will be in full operational status. Because of the important role that the HC-144A will play in the future of the Coast Guard, I strongly support continued work on the program; however, I am hopeful that the Subcommittee will increase its level of oversight towards the HC-144A's acquisition and the significant gap in MPA patrol hours. This is an important issue for the Subcommittee as we begin work on the Coast Guard Authorization bill, and I look forward to working with my colleagues on the Committee to address these important needs.

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

"Overview of Coast Guard Acquisition Policies and Programs"

Opening Statement of Chairman Elijah E. Cummings

The hearing will come to order [gavel].

Today's hearing will enable us to conduct a comprehensive examination of the significant reforms the Coast Guard has made to its acquisition management policies and procedures. I note that this hearing is being conducted as one of several hearings that meet the oversight requirements under clauses 2(n), (o), and (p) of Rule XI of the Rules of the House of Representatives.

In the past, this Subcommittee and indeed the full Committee on Transportation and Infrastructure have looked in great detail at the Coast Guard's $24 billion Deepwater acquisitions – which comprise the largest single acquisition series the Coast Guard has undertaken in its history.

In the 110th Congress, the Subcommittee held two hearings directly on Deepwater and an additional hearing that focused in part on Deepwater. The full Committee held an 11-hour investigative hearing to examine the failure of the effort to lengthen 110-foot patrol

boats to 123 feet – a project which was implemented through one of the first delivery orders issued under the Deepwater IDIQ.

Without a doubt, the Deepwater program is a poster child illustrating how NOT to design, manage, and contract a major acquisition effort.
By the Coast Guard's own account, at the time the service signed the first Deepwater contract, its acquisition management capability "lagged behind" its "expanded operational requirements" and was in no way equal to the rapid growth that occurred in its capital budget after 9/11.

The service lacked standardized acquisition processes. It lacked a collaborative and proven process to guide the generation of asset requirements, designs, and acquisition strategies. And it had only limited acquisition management capability among its staff. Additionally, the Coast Guard intentionally removed Deepwater from those established acquisition management practices that it did have in place – further limiting the oversight that the service was prepared to exercise when it initiated that program.

In an effort to move ahead with what were – and what unquestionably remain – critical acquisitions to replace its aging assets, the Coast Guard decided to follow the lead of the Department of Defense and hire a private firm to serve as a Lead Systems Integrator. Without adequate oversight – including mechanisms for requiring *and* measuring performance – the lead systems integrator essentially took the Coast Guard for a ride.

This same pattern also occurred on the Rescue-21 project, which is being built to improve the service's ability to locate mariners in distress. On that project, a different private sector entity serving as a Lead Systems Integrator took the Coast Guard for another ride that has resulted in substantial cost overruns and extended schedule delays.
The original acquisition baseline for the Rescue-21 project was adopted on April 16, 1999; at that time, the system was projected to cost $250 million and the acquisition was projected to be completed in fiscal year 2006. The baseline for this project has now been revised five times and the estimated cost to complete the system by 2017 is nearly $1.1 billion.

Fortunately, I do believe that under the leadership of Commandant Thad Allen, the Coast Guard is retaking the wheel and developing the processes and systems that will enable it to effectively manage its own acquisition efforts. The purpose of our hearing today is to assess the Coast Guard's readiness to drive.

I emphasize that we are **not** here to look backward. Investigations of the past now properly reside with the federal entities that are apparently examining whether any laws were broken in past procurements.

The Coast Guard has responded to the extensive criticisms of the early Deepwater effort and the Rescue-21 program by creating a new Acquisitions Directorate, issuing and continuing to revise a "Blueprint for Acquisition Reform" which guides the acquisition

management systems it is building, and extracting Deepwater from the ICGS team and bringing the Lead Systems Integration functions back in-house.

Today's hearing is intended to enable us to understand whether these steps are adequate to correct what the Coast Guard has identified as its past acquisition management challenges and to prepare itself to manage what will likely be more than $1 billion in annual acquisition efforts for years to come.

We also want to understand what challenges remain unresolved, what steps the Coast Guard is taking to resolve them, and whether the Coast Guard has the resources it needs to build the acquisition management systems it envisions.
In a memorandum issued earlier this month announcing new efforts to improve the Federal government's management of its contracting efforts, President Obama noted that "it is essential that the Federal Government have the capacity to carry out robust and thorough management and oversight of its contracts in order to achieve programmatic goals, avoid significant overcharges, and curb wasteful spending."

It is among the highest priorities of this Subcommittee to ensure that the Coast Guard meets this basic standard and that, as President Obama also said, it can perform its

acquisition "functions efficiently and effectively while ensuring that its actions result in the best value for the taxpayers."

To that end, I have worked with the Chairman of the Full Committee, Chairman Oberstar, the Ranking Member of the full Committee, Congressman Mica, and our Subcommittee Ranking Member, Congressman LoBiondo, to draft the *Coast Guard Acquisition Reform Act of 2009*, H.R. 1665, which would build on the reforms the Coast Guard has already implemented.

Specifically, the legislation would bar the Coast Guard's use of a private sector lead systems integrator by September 30, 2011.

It would require the appointment of a Chief Acquisition Officer who, at the Commandant's choice, can be either a civilian or military officer but who must be a Level III-certified program manager and have at least 10 years of professional experience in acquisition management.

And it would require the appointment of Level III-certified program managers to manage the Coast Guard's largest acquisitions.

Additionally, the legislation would formalize procedures intended to ensure that the service effectively defines operational requirements before initiating acquisition efforts; that trade-offs among performance, cost, and schedule are understood and assessed for

each acquisition; and that all assets undergo thorough development and operational testing to ensure that they meet all contractual requirements and pose no safety risk to Coast Guard personnel.

I emphasize that this legislation is intended to institutionalize best practices within the Coast Guard – and to ensure that the service develops and maintains the expertise within its workforce that it will need to effectively and efficiently implement all acquisition efforts it undertakes in the future.

With that, I recognize the Ranking Member, Congressman LoBiondo, for his opening remarks and thank him and also his staff members for their work with me and Chairman Oberstar on H.R. 1665.

####

U. S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: CG-0921
Phone: (202) 372-3500
FAX: (202) 372-2311

DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

REAR ADMIRAL GARY BLORE
ASSISTANT COMMANDANT FOR ACQUISITION

ON AN

OVERVIEW OF COAST GUARD ACQUISITION POLICIES & PROGRAMS

BEFORE THE

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE

U. S. HOUSE OF REPRESENTATIVES

MARCH 24, 2009

Good morning Mr. Chairman and distinguished members of the Subcommittee. I appreciate the opportunity to meet with you to discuss the Coast Guard's acquisition enterprise and future outlook for ongoing and much-needed recapitalization projects. As the Coast Guard's Assistant Commandant for Acquisition, I am accountable to the Commandant, this Subcommittee, and the American taxpayer to ensure each of our major acquisition projects are developed, executed and completed in the most cost-effective manner possible, and delivered systems and assets meet mission requirements.

A little more than two years ago, our Commandant, Admiral Allen, sat before this Subcommittee and outlined the beginnings of a comprehensive acquisition reform effort within the Coast Guard—reforms this Subcommittee helped initiate. Key to those reforms was a fully integrated Coast Guard acquisition community taking over as the Lead Systems Integrator for all major acquisition projects. We recognized those reforms were necessary to avoid repeating the problems we encountered early in the Deepwater program and ensure proper oversight and management of each acquisition project. It has not been easy. And reforms cannot be implemented overnight – it takes time to disentangle or close-out the existing contractual Lead Systems Integrator (LSI) relationships prudently, while minimizing additional costs or schedule delays.

REFORMED ACQUISITION

In a speech in 2008, Admiral Allen remarked what a difference a year had made when referring to the status of Coast Guard acquisition, particularly in the projects initially begun with the Integrated Deepwater System program. It was in July 2007 when those projects and all of Deepwater were integrated with other major acquisition projects under a fully unified acquisition structure. Business improvements associated with the organizational realignment and other reform efforts have led to a number of high profile project successes. We must remain committed to those improvements to continue our positive momentum in the years to come.

By implementing this transformation in acquisition and modernization writ large, our accomplished reforms are benefiting all projects.

For example, improvements in the lines of communication among headquarters offices have set the tone for cooperation. After consolidating the project offices from the former acquisition and Deepwater organizations, the next step was to clarify the roles of key players in acquisition, including program managers, technical authorities and sponsors representatives. Then, it was crucial to record the changes in policies and processes, so these innovations could become part of the culture of acquisition. Likewise, having contracting policy, research and development, and foreign military sales within the same directorate has yielded both increased capacity and innovation.

Our efforts have been informed by input from the Defense Acquisition University, experts in the field of acquisition, as well as the Government Accountability Office and the DHS Office of the Inspector General and framed by the Coast Guard's *Blueprint for Acquisition Reform*—our strategic plan—which outlines business process improvements to shape our acquisition and contracting capabilities. We update the *Blueprint* annually to document progress and ensure effective future planning. With each update, new action items and objectives, building on those completed in previous versions, are outlined. This way, our efforts result in continuous improvement in business practices and functions at every level of the organization.

Another core policy document that has shaped our acquisition work is the recently updated *Major Systems Acquisition Manual* [*MSAM*], which serves as a valuable reference for program and project managers. Whereas the *Blueprint* provides a strategic framework within which the Coast Guard's acquisition reforms and improvements are taking place, the *MSAM* provides a standardized publication of current and new acquisition procedures, roles and responsibilities and processes. Each of our acquisition projects is bettered by our having standard, repeatable and documented processes. Later, I will discuss the *Blueprint* and *MSAM* in greater detail.

Deepwater and other programs have drawn on lessons learned from past acquisition disappointments, but have also focused on lessons learned from the most successful projects in the Coast Guard's investment portfolio, including the Response Boat-Medium and the 87-foot Marine Protector-class patrol boat. The Deepwater-funded Mission Effectiveness Project, which is conducting systems recapitalization on 14 Reliance-class and 13 Famous-class medium endurance cutters and 20 of the service's 110-foot Island-class patrol boats, also has served as a model for projects that are within budget, on schedule, and performing as planned.

Thanks largely to the support this Subcommittee has provided, we are now a completely revitalized and improved acquisition organization—better-equipped to oversee costs, manage schedules, and ensure delivered assets meet operational requirements. No longer does the Deepwater program operate separately from other Coast Guard oversight elements. We are one Coast Guard team working together. I do not make any major decisions without coordinating with our sponsor [the Capabilities Directorate] and our technical authorities [including the Human Resources; Engineering and Logistics; and Command, Control, Communications and Information Systems Directorates]. The *MSAM* appropriately assigns everyone a role, and with early input on every project and our personnel working together on acquisition in concert, the Coast Guard will be better-served for years to come.

In fact, the problems with the 123-foot patrol boat conversion and early National Security Cutter design may have been avoided if our newly integrated acquisition organization had existed then. In today's reformed acquisition organization, the final design and asset certification is accomplished by Coast Guard technical authorities, rather than industry third party entities, often using other government personnel, such as the Naval Sea Systems Command (NAVSEA), to assist with any analysis. Further, the acquisition command structure is on equal footing with the operational sponsor and technical authorities for decisions. Future acquisition success depends on continued dedication to these checks and balances.

In whole, these reforms are helping us complete the transition to the Coast Guard being the Lead Systems Integrator (LSI) for all acquisition projects. For all practical purposes, the Coast Guard is the LSI today. The role of Integrated Coast Guard Systems (ICGS) is reduced drastically over what it was two years ago and we are continuing to phase out all reliance on a private sector LSI for Deepwater program assets entirely. Any remaining instances of ICGS involvement as a LSI are based on the need to close-out pre-existing contractual relationships or gain rights to system designs and plans. We will not renew the current LSI award term contract when it expires in 2011, at that point the Coast Guard will complete its transition to being the LSI for all programs and projects. Let there be no doubt about our commitment, we are currently modifying the existing award term contract by removing the option for continuing the contract beyond 2011.

What we have found through these reforms is we have a lot of good projects that have shown we really do know how to do acquisition. With this in mind, we are focused to answer the following questions: What constitutes this process we call acquisition, and what are the things we do right, so we can identify and capture them as best practices.

CORNERSTONES FOR SUCCESSFUL ACQUISITION

The reason our projects are well-run now is because we accept and are practicing eight fundamental cornerstones of successful acquisition. Doing acquisition right means adhering strictly to each cornerstone. I appreciate the support of this Committee, most recently described in its published Views and Estimates Letter for Fiscal Year 2010, as we have reformed our processes and business practices to embrace these cornerstones. In fact, much of our effort has been guided directly by recommendations from this Committee and its staff.

The eight cornerstones for successful acquisition include many of the process changes that we have already instituted, such as independent review and inter-agency technical authority approval of designs, onsite government inspection at production facilities, and close partnerships with Department of Homeland Security (DHS), with the U.S. Navy, and with the Coast Guard's own technical authorities. Each of the eight cornerstones is listed below:

1. System of checks and balances between the operational sponsor, technical authorities and acquirers;
2. Reliance on organic Coast Guard final certification of asset and system operational capabilities;
3. Reliable, standard reference for acquisition management (*MSAM*);
4. Robust strategic planning (*Blueprint*);
5. Commitment to transparency through comprehensive reporting;
6. Avoidance of duplication of effort through partnerships with similar DHS and Navy organizations;
7. Independent validation through use of third party assessments to inform final Coast Guard decisions and certification; and,
8. Renewed departmental oversight through DHS approval of key project decisions as defined in DHS policy and the *MSAM.*

(1) Checks and Balances

The principle of checks and balances, achieved through the integration now in place between the acquisition organization, the operational sponsor and each of three technical authorities, is critical to ensuring assets and systems are designed and built to meet unique Coast Guard mission requirements. Additionally, it enhances our ability to control costs effectively, manage each asset contract properly, and exert appropriate contractor oversight. Under this structure, each project decision effectively balances performance requirements, cost and schedule to achieve best value for the taxpayer.

From requirements development to contract award and construction to delivery, each key decision depends on balancing input from each integrated partner. Adherence to the system of checks and balances means no one organizational entity is more important or influential than the others in acquisition decision processes. Each has defined roles and responsibilities, outlined in

the *Major Systems Acquisition Manual*, and identified participation throughout the acquisition process. Because each partner now is recognized and valued equally throughout the acquisition process, no single entity has a more direct line to the Commandant than the others.

An example of this participation is the current assignment of technical authority engineers at production facilities to provide technical guidance to the project teams. Those engineers work side-by-side with our on-site project management staff to oversee the construction process. Technical authority system managers and product lines at the Coast Guard's Aviation Logistics Center have been assigned for each aviation acquisition project. Through that direct involvement, the technical authority provides engineering expertise, inspection, certification, configuration management and logistics throughout the acquisition process. And, technical authority engineers are also assigned full time to our Project Resident Office Gulf Coast in Pascagoula, Miss., where they assist in the oversight of shipbuilding efforts for Coast Guard projects.

Another example is our new process for procuring major systems. Prior to issuing any Request for Proposal (RFP) for an acquisition project, the operational sponsor, technical authorities, and acquirers work in a collaborative effort to define requirements and establish each acquisition project strategy. Once proposals are received, each is reviewed within that same collaborative group. Contractor past performance is evaluated, proposed designs are assessed for viability, and cost and schedule projections are examined. Final award determination is made after consideration of input from each collaborative partner, based on the decision criteria articulated in the RFP.

(2) Organic Coast Guard Certification

The Coast Guard's mission set is unique among all federal agencies. When the environment is at its worst, we need to be at our best. Whether standing atop the watchman's tower in our ports, rescuing the stranded sailor at sea, protecting our maritime resources, stopping illegal drugs and migrants from reaching our shores, deploying to our flood-soaked cities, or literally sailing into the eye of the storm, our men and women need assets and systems ready to safely and effectively accomplish the mission. As an operational agency, with accountability to its personnel and the public, the Coast Guard must be responsible for all asset and system final certifications.

As an active aviator in past career assignments, I relied on my fellow Coast Guard colleagues to certify my aircraft and its systems each time I entered the cockpit. I knew the expertise of those colleagues and gained confidence knowing they had vouched for the equipment employed by me and my crew. What's more, I knew that if anything ever did need repair or replacement, those same colleagues were on-call and on-duty to ensure that my aircraft was ready each and every time I lifted off for a mission. That confidence would have been gone if I had been forced to rely on a remote third party to certify my aircraft based on an independent schedule not necessarily linked to Coast Guard priorities.

If certification responsibility is not held inviolate by the Coast Guard, mission execution will be threatened through lengthened schedules and increased cost across acquisition projects. For example, in the area of patrol boats, the Coast Guard engineers and operators are the foremost recognized experts in the world. Even the U.S. Navy, as expressed in a letter

from the Secretary of the Navy, does not have the current capacity to certify Coast Guard assets and systems. Additionally, it is the Coast Guard's organic maintenance forces that help inform certification standards and vice versa.

Ultimately, unless the Coast Guard maintains responsibility for asset and system certification, our ability to manage acquisition projects, control schedules and cost, and ensure operational safety and effectiveness will be severely weakened. We must remain accountable for the assets and systems we operate. We ensure that accountability through certification by Coast Guard engineers and operators.

(3) Standard Reference for Acquisition Management

Major system acquisitions are complex and require standardized processes and procedures to ensure successful delivery. What we found as we began our reform efforts was standardization did not exist across all our major acquisition projects. Key decisions were managed differently, with vastly different levels of data and documentation.

We've fixed that and now have firm, standard processes that are applied throughout each project. Our program and project managers have a reliable source for management procedures, the *Major Systems Acquisition Manual (MSAM)*. That guidebook establishes processes for each aspect of acquisition project management, as well as defining roles and responsibilities of all participants in the process. It establishes documentation procedures and ensures adequate oversight of contractor deliverables. It mandates proven acquisition procedures and ensures that each acquisition project is managed through sustainable and repeatable processes. Recently, we updated the MSAM to ensure compliance with the most recent departmental instructions.

(4) Robust Strategic Planning

Development of a strategic plan, and tracking successful completion of objectives under that plan, is essential to any organizational dedicated to continuous improvement. For Coast Guard acquisition transformation, the *Blueprint for Acquisition Reform* is our multi-year strategic plan. Developed by our acquisition community to further implement the Commandant's vision of a reformed and consolidated acquisition community, the *Blueprint* focuses on improved organization and business practices, and guides our efforts to further establish the capability to organically acquire assets and services.

We developed the *Blueprint* through consideration of numerous studies (e.g., General Accounting Office (GAO) and DHS Office of the Inspector General (OIG) assessments), acquisition best practices, lessons-learned, and input from the Defense Acquisition University. It aligns with the Office of Federal Procurement Policy (OFPP) "*Guidelines for Assessing the Acquisition Function*" published in May, 2008 and is based on GAO's "*Framework for Assessing the Acquisition Function at Federal Agencies.*" Acquisition reform

initiatives in the *Blueprint* target each of the four areas with the greatest impact on efficient and effective acquisition as identified in the OFPP *Guidelines,* which include: 1) organizational alignment and leadership; 2) human capital; 3) policies and processes; and 4) information management and stewardship.

Our first publication of the *Blueprint* was completed at the standup of the new acquisition organization in July 2007. That publication, Version 2.0, included an action plan of 102 acquisition reform items. With each annual update, we continue to improve acquisition processes and introduce best practices into the *Blueprint.* Each updated version incorporates insight from new studies and assessments, lessons learned from previous and ongoing acquisitions, input from acquisition personnel, and additional feedback from Congress and other federal oversight agencies (e.g., GAO).

During the 2008 *Blueprint* annual update (Version 3.0), 61 new items were added to existing acquisition transformation efforts already underway, resulting in a total of 163 acquisition reform actions to be implemented. Additionally, the 2008 update included a summary of directorate objectives to be completed within one year. To date, 64 percent (104 of 163 items) of the acquisition reform actions have been completed, 87 percent of the directorate objectives (21 of 24 items) have been met, and all other actions are being tracked to ensure they are completed on schedule.

Today, your Coast Guard has a more efficient, effective, and disciplined approach to acquisition, largely due to reform measures implemented in fulfillment of the *Blueprint,* that include:

- Establishing and issuing comprehensive financial metrics, with financial, schedule, and earned value management reports for program and project managers to provide project information and updates to senior Coast Guard leadership, DHS and Congress.
- Preparing and submitting standard quarterly project reports to Coast Guard leadership, DHS and Congress.
- Updating the *Major Systems Acquisition Manual* (*MSAM*), with standardized organization-wide repeatable processes and written guidance for program managers.
- Establishing an Office of Acquisition Workforce Personnel within the acquisition directorate to promote hiring and certification of government personnel and acquisition professionals, which had been identified as a key weakness in the old acquisition organization. We've built a larger acquisition staff (about 850 total) and hired over 100 acquisition personnel into critical acquisition positions (program management, engineering, and contracting).
- Hiring a Senior Executive Service Head of Contracting Activity to strengthen contracting, centralize procurement, and ensure alignment with DHS policy.
- Identifying a Senior Executive Service Competition Advocate to promote competition, challenge overly restrictive requirements, and identify opportunities for Coast Guard-wide needs.

These *Blueprint* accomplishments mean that, for all practical purposes, the new reformed Coast Guard acquisition organization is fully operational, as shown in the successful management of acquisition projects. In fact, the *Blueprint for Acquisition Reform* has been highlighted by GAO and the DHS Chief Procurement Officer as a model for reforming acquisition practices.

(5) Commitment to Transparency

No acquisition program could be managed successfully without full transparency in its processes and procedures. Without transparency, the government could not provide the oversight necessary to effectively manage acquisition functions—whether that oversight comes from the Coast Guard, DHS or Congress, nor could it maintain confidence in the integrity of the government's business processes. We've worked hard during the last few years to improve our transparency to Congress and the public. I hope that, through success in this area, we have fostered increased information flow, better understanding of complex acquisition projects, identified areas for continuous improvement, and elevated trust among congressional and public stakeholders.

A particular challenge in this area is ensuring that appropriate oversight information is shared with each responsible oversight organization, whether at the agency, departmental, Administration or Congressional level. Each year, legislative requirements mandate completion and delivery of numerous additional acquisition reports to various congressional committees. I've been concerned for some time over the effort necessary to create these different reports for separate committees to share virtually the same information. This is especially true given that project staffs are limited in size, with their priority being to properly execute complex projects. Increasing reporting requirements place immense pressure on limited project management resources and necessitate an ever-growing, fully dedicated report completion staff.

That said, I also recognize the absolute necessity for transparency and appreciate the value gained through effective program oversight.

So, in an effort to better facilitate that oversight through improved information flow, we have worked over the last two years to develop a comprehensive, regular project reporting structure aimed at providing necessary information to all stakeholders, including this Subcommittee. We examined current and past congressional reporting requirements, reporting requirements in DHS acquisition policy, and best reporting recommendations from DAU and other acquisition experts to properly capture the types of useful information necessary for effective oversight.

The result is our *Quarterly Project Report* (*QPR*) within the *Quarterly Acquisition Report to Congress*, a comprehensive written report that provides robust cost, schedule and performance information, as well as identification of recent successes, upcoming milestones and most pressing challenges for each project. The *QPR* provides updated information at useful intervals and enables readers to monitor project trends and identify future areas for increased attention. At each publication, the *QPR* is provided to senior Coast Guard, DHS and Administration leaders, as well as Congressional committees. The usefulness of the *QPR's* reporting structure has even prompted DHS to implement a requirement for similar reports from each component agency.

I hope the *QPR* can aid this Subcommittee in its oversight responsibilities. If you find the report lacks any necessary information, please let me or my staff know. Our desire is to continually improve our reporting efforts as part of our commitment to complete transparency.

(6) Avoidance of Duplication of Effort

While unique as a complete set, many of our Coast Guard missions are similar in some ways to other federal agencies. As such, opportunities exist to leverage similar efforts instead of duplicating them independently. Avoidance of duplication encompasses two areas—acquisition services and project execution. For example, we are not interested in recreating a Naval Sea Systems Command for the Coast Guard. Instead, we manage our acquisition projects and, when acquisition activities outside of Coast Guard core competencies are needed, we arrange to use NAVSEA and capitalize on its expertise for our projects.

An example of leveraging project execution efforts is our current effort with the U.S. Navy and Customs and Border Patrol to develop a viable unmanned aerial system approach useful to each agency. Coast Guard operational requirements call for an unmanned aerial vehicle, capable of vertical launch from the deck of our cutters, for surveillance and reconnaissance in a cutter's patrol area. To assess the technological viability of a Vertical (Take off & Landing) Unmanned Aerial Vehicles, our Research and Development Center has joined with the Navy in its assessment of the most likely platforms to meet mission requirements. Because the Navy was already conducting this effort, it made sense for us to join them, rather than duplicate the cost and time necessary to run a separate assessment of the same platforms. Likewise, rather than duplicating Customers and Border Protection efforts already underway, we've joined with them to examine viable mid-altitude unmanned systems.

This type of collaborative effort does more than just save government money and time. It also enables better interoperability and logistics support across agencies, which ultimately enhances mission execution.

(7) Independent Validation

While we maintain the absolute criticality for final asset and system certification conducted by the Coast Guard, we've also renewed our commitment to independent validation in our projects through third party experts. Independent validation assessments, in many cases, provide invaluable input into the Coast Guard's own certification process, allowing our engineers and other professionals to make better-informed decisions regarding designs and operational capabilities of assets and systems. This independent validation also avoids the duplication of effort I mentioned above by leveraging available expertise of government and private organizations to inform our decision making and certification processes.

Specifically, as I have mentioned, we continue to benefit from a robust partnership with the Navy, where we leverage our relationship for better acquisition governance, planning, oversight and testing through a variety of close working partnerships.

Our current Navy partnerships include:

- Naval Sea Systems Command (NAVSEA);
- Naval Surface Warfare Center (NSWC);
- Program Executive Officer (PEO) Ships;

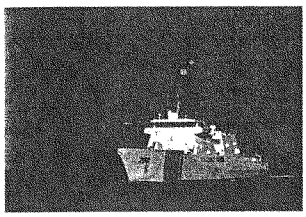
- PEO Integrated Warfare Systems (PEO IWS);
- Naval Air Systems Command (NAVAIR);
- Space & Naval Warfare Systems Command (SPAWAR);
- Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP);
- Commander, Operational Test and Evaluation Force (COMOPTEVFOR); and,
- Board of Inspection and Survey (INSURV).

(8) Renewed Departmental Oversight

In the early days of the Deepwater program, already in existence when DHS stood up, some normally departmental authority at key decision points was delegated. We have now re-established those oversight processes and have fully embraced the DHS's role in our acquisition management processes. All Level I acquisition projects (valued at greater than $1 billion total life-cycle cost) now require a DHS decision at each key decision point before proceeding further, a procedure regularly followed in the Coast Guard's legacy (non-Deepwater) acquisition projects. And, as I mentioned earlier, we provide regular project status updates to DHS through our *QPR*. Additionally, DHS officials are regularly briefed on acquisition projects status and challenges.

VISIBLE RESULTS

For Deepwater, the results of our acquisition reform efforts speak for themselves.



In the National Security Cutter project, we've delivered the first cutter, *CGC Bertholf*, which was commissioned in August of last year. We have been actively running *Bertholf* through her paces during the operational test and evaluation process now underway and have received very positive feedback from her crew and the Coast Guard's operational community. Of particular note, *Bertholf* has conducted her first operational patrols and completed flight deck dynamic interface testing and attained interim flight deck certification. Additionally, *Bertholf* recently conducted towing exercises with *CGC Morgenthau*, a fueling at sea evolution with *USNS Kaiser*, and testing of the 57mm deck gun and close-in weapon system against high-speed maneuvering surface targets and unmanned aerial vehicles. The second National Security Cutter (NSC), *Waesche*, is on track for delivery late in 2009, with fabrication begun and the keel laying for the third cutter, *Stratton*, scheduled for summer 2009.

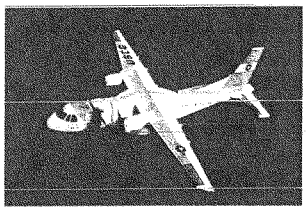
We continue to see real progress in the areas of Information Assurance, which includes TEMPEST, on the NSC. Our technical authority, with support from the Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) and NSC project managers, conducted TEMPEST certification inspections prior to preliminary acceptance of *Bertholf* in May 2008. Those pre-delivery inspections have contributed to building a TEMPEST baseline, which will serve as a reference point for all future TEMPEST-related activities. Using the test-fix-test methodology, we now have resolved all 122 visual TEMPEST discrepancies identified during that pre-acceptance process. We are conducting additional

instrumented TEMPEST surveys using a National Security Agency (NSA) approved contractor to prepare for final TEMPEST testing, which is scheduled to be conducted by SPAWAR in April 2009.

We continue to build on lessons learned and are making some significant improvements to the *Stratton,* including construction process efficiencies, enhanced functionality and better hull design. One of the most notable process improvements is a significant reduction in the number of grand blocks—multiple units stacked together in large assembly halls away from the waterfront—used to assemble the ships hull. We used 29 grand blocks to assemble *Bertholf*, but expect to use as few as 14 to assemble *Stratton.* This will enable more sub-assembly work in each grand block in a controlled environment and potentially lead to fewer construction hours compared to the process for *Bertholf.*

Other improvements include an enhanced replenishment at sea station, which incorporates a redesigned refueling area that will be more efficient and ergonomic for cutter personnel. We are also improving the gas turbine removal route, which will make it easier to remove and repair the gas turbine modules that power the cutter. And we have enhanced the hull fatigue design on *Stratton*, ensuring she will achieve a 30 year fatigue life.

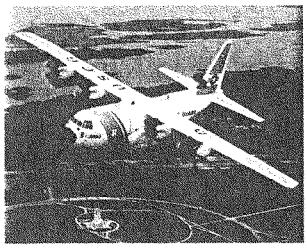
We are currently working toward production award for the fourth NSC, *Hamilton.* In line with accomplished acquisition reforms and our efforts to become the lead systems integrator, the production award for *Hamilton* will occur outside the Integrated Coast Guard Systems (ICGS) LSI construct and include a fixed price contract structure.



Our HC-144A Ocean Sentry maritime patrol aircraft project is also experiencing significant success. We have already taken delivery of seven HC-144 aircraft, with four more on order. We have also taken delivery of three mission system pallets, with nine more on order. We continue working with the contractor to refine software and hardware interface issues and are looking at ways to minimize those issues with future deliveries.

The operational value of this extremely capable aircraft is already being shown. On February 6, 2009, the HC-144A Ocean Sentry officially stood the watch for the first time on a scheduled operational patrol. During that patrol, the aircraft crew was able to respond to a distress notification from a 78-foot fishing vessel approximately 228 miles southwest of Mobile, Ala., in the Gulf of Mexico. The crew received the distress call on the aircraft's new emergency direction finding equipment. Once on scene, the crew quickly established communications with the vessel and determined the boat was not in actual distress—the crew had accidentally activated the vessel's electronic distress beacon. But, the case illustrated the aircraft's ability to quickly hone in on distress signals and respond to the scene.

In another instance, a HC-144A crew in a normal training mission in January 2008 diverted and responded to the crash of two U.S. Air Force F-15 fighters in the Gulf of Mexico. In that case, the crew was able to quickly arrive on scene, locate a survivor using the aircraft's enhanced bubble search window, establish communications with potential Good Samaritan vessels in the area and, as On Scene Commander (OSC), coordinate the search and rescue response between the Air Force, Coast Guard, and other federal and state agencies.



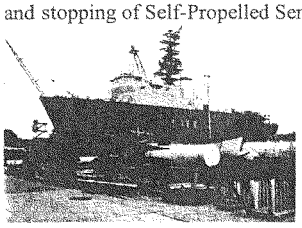
We have installed new surface search radars on five HC-130H Hercules long range surveillance aircraft, and completed the installation of other new mission systems aboard three HC-130Js, with two more in modification.

One example of the capabilities of this upgraded platform occurred on September 4, 2008, when a Coast Guard HC-130H from Air Station Clearwater, Fla., used the aircraft's newly installed Selex radar system to locate and identify three people atop an overturned 15-foot boat 47 nautical miles northwest of Puerta Plata, Dominican Republic. The boat was carrying four passengers from the Dominican Republic en route to Puerto Rico when it capsized, separating the fourth passenger from the boat. After locating the boat and passengers, the aircrew vectored a Coast Guard HH-65C helicopter. They also used the onboard Automatic Identification System (AIS), which is integrated with the SELEX radar, to identify a nearby Good Samaritan vessel, the cruise ship *Carnival Destiny.* The *Destiny* made best speed to assist as needed but finally continued to its original course after the Coast Guard HH-65C crew completed the rescue of the three surviving passengers. The Coast Guard returned the survivors to the Dominican Republic, where they received medical treatment for severe dehydration.

Having upgraded the engines and transmissions on all HH-65C helicopters, we are now also delivering MH-65C Dolphin multi-mission cutter helicopters to air stations across the nation with newly installed airborne use of force capabilities. Eventually, all Coast Guard HH-65C helicopters will be upgraded and re-designated as our Multi-Mission Cutter Helicopter.

The Coast Guard's Helicopter Interdiction Tactical Squadron (HITRON) received delivery of its first MH-65C in October 2007. Pilot and crew training began almost immediately and the first MH-65C deployed aboard *CGC Dallas* in January 2008. In March 2008, the MH-65C interdicted a 'go-fast' boat carrying 3,286 pounds of cocaine. Since then, the MH-65C has been involved in 15 interdictions. So far in fiscal year 2009, the MH-65C has successfully interdicted 11 go-fasts, resulting in the seizure of more than six tons of cocaine and more than two tons of marijuana; having a combined estimated street value of more than $178 million. The MH-65C has cemented its place at the forefront of our nation's efforts to stop illegal drugs from reaching our streets.

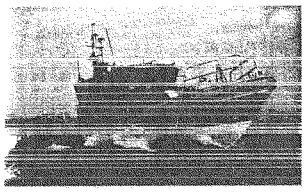
Additionally, these helicopters have proven extremely valuable in assisting with identification and stopping of Self-Propelled Semi-Submersible (SPSS) vessels.



The Mission Effectiveness Project, which is completing systems recapitalization for our 110-foot, 210- foot and 270-foot in-service cutters, continues to progress on schedule and on budget. In March of 2008, we completed the MEP availability for *CGC Seneca*, the seventh of 26 total 270-foot Medium Endurance Cutter availabilities (13 cutters with two availabilities each). In November 2008, *CGC Resolute*

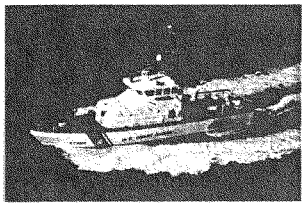
completed its MEP availability, the seventh of 14 total 210-foot cutter availabilities. And in December 2008 we completed the MEP availability of *CGC Sitkinak*, the seventh of 20 total 110-foot patrol boat availabilities. Currently, six cutters are at the Coast Guard Yard undergoing MEP availabilities—three 210-foot cutters and three 110-foot patrol boats.

And our reform efforts are directly measured in the recent contract award for the critically needed Fast Response Cutter Sentinel-class patrol boat. Initially planned as part of the Deepwater program, to be delivered through Integrated Coast Guard Systems, we took this project back within the Coast Guard to ensure full and open competition and responsible program management. We have abided strictly to our reformed acquisition processes, conducting a deliberative proposal review and award determination with integrated participation from technical authorities and the operational community. Based on the cornerstones for successful acquisition, this project also adheres to *MSAM* guidelines, full reporting, independent assessment and validation, leveraging internal and external partnerships, and robust departmental oversight.



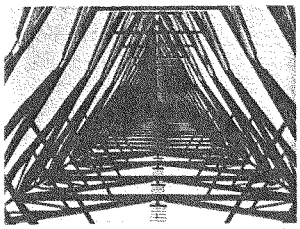
For other programs, those not originally affiliated with Deepwater, adherence to sound acquisition processes likewise has had positive results.

For example, the Response Boat-Medium (RB-M) project is in low rate initial production (LRIP) and has delivered seven of an eventual 180 new boats, with the eighth delivery scheduled for later this week. We have 36 RB-M's on order, with plans in place to order an additional 30 in FY2009. To support those orders, the contractor opened a second production facility outside of Green Bay, Wis. in September 2008. These boats, already making a difference in some high-profile real-world search and rescue cases, are helping Coast Guard Sectors across the nation carry out an operational evaluation to inform future production decisions. For example, a RB-M recently delivered to Coast Guard Sector New York responded to the U.S. Airways passenger jet that ditched in the Hudson River on January 15, 2009. And, the RB-M delivered to Coast Guard Sector Key West was recently featured prominently on the television show *America's Most Wanted* for its dramatic operational capabilities.



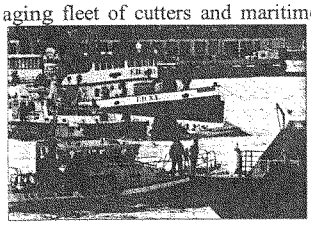
The 87-foot Coastal Patrol Boat project is completing delivery of the final cutters of the class, which are replacing the decommissioned fleet of 82-foot Point class cutters. Two 87-foot Coastal Patrol Boats were commissioned this month—*CGC Alligator* in St. Petersburg, Fla., on March 9 and *CGC Reef Shark* in San Juan, PR on March 23.

The Rescue 21 project, our maritime "911" service, is also making good progress, having recently delivered the 19th of 39 sectors, with Sector North Carolina coming online. Once that Sector's Rescue 21 system is fully operational, we will be providing search and rescue radio and direction finding coverage along 27,649 miles of U.S. coastline. Our operational men and women have already reported numerous lives saved due to the increased capabilities the Rescue 21 systems provides.



For example, on January 14, 2009, an 18-foot recreational fishing boat capsized with six men onboard in the frigid waters around the Chesapeake Bay Bridge-Tunnel near Hampton Roads, Va. When the boat began taking on water in rough January seas, the men only had time to grab a handheld radio and call, "Mayday! Mayday! Mayday!" Shortly thereafter, the boat capsized and all six men were plunged into the 43-degree water. Coast Guard Sector Hampton Roads received the mayday call at 9:09 AM, but was unable to communicate with the men over the radio. Using the recently installed Rescue 21 system, with its improved direction finding capabilities, Coast Guard watchstanders were able to quickly pinpoint the vicinity where the mayday call originated using only the lone mayday transmission. A nearby Coast Guard HH-60 helicopter responded to the location and dropped a rescue swimmer into the water. Overhearing the radio transmissions and seeing the Coast Guard helicopter, a Maryland pilot boat also came to aid in the rescue. The "mayday" call came in at 9:09 AM. The Coast Guard helicopter arrived on-scene at 9:29 AM and all six fishermen were out of the water by 9:42 AM. Four of the men survived the hypothermic temperatures after being rescued. Without Rescue 21, the Coast Guard would have been unable to locate the stricken fishing boat so quickly and more men likely would have died.

As the Acquisition Directorate motto states, "mission execution begins here." Success at headquarters has had a real impact on the Coast Guard men and women in the field, giving them the tools they need to serve the nation. Without our acquisition programs, there would be no Rescue 21; no upgraded or armed HH-65C helicopters; no Response Boat-Medium; no upgraded mission systems onboard our HC-130 fleet; and no prospect for replacement for our severely aging fleet of cutters and maritime patrol aircraft. Mission execution really does begin with effective acquisition.



The news picture of the ditched US Airways flight in the Hudson River, with the RB-M in the foreground, really brings home the notion that it is not just about a paper contract. At the end of the day, when we get those assets deployed, we are saving lives, or interdicting illegal drugs off our coast, or stopping illegal migrants.

ADDRESSING PROJECT CHALLENGES

In addition to enabling current and future project success, our reform efforts are facilitating the successful resolution of past and current project challenges.

One such challenge is the fatigue lifespan of the National Security Cutter—which the Coast Guard insists be at least 30 years—meaning at least 30 years before the onset of major repairs due to normal mission use. In 2007, in accordance with the acquisition success cornerstones and working through our technical authority for engineering and logistics, the Coast Guard arranged to work with the Navy's Naval Surface Warfare Center, Carderock Division to provide independent third party analysis of fatigue design solutions developed by Coast Guard naval engineers. Using the newest available computer fatigue modeling software, Carderock reached two main conclusions in its final report, presented to the Coast Guard earlier this year.

First, Carderock determined Coast Guard-developed design fatigue enhancements for the hulls of NSCs three through eight will achieve the desired 30-year fatigue life, while also recommending monitoring of localized stress in several structural details. Second, the report identifies major improvements with fatigue life after completing identified modifications to hulls one and two, but the Carderock transmittal letter recommends more data be gathered for several areas which are still modeling a less-than 30-year fatigue life.

We agree with Carderock's assessments. In fact, we have already outfitted *CGC Bertholf* with strain gauge sensors to measure actual encountered stresses and collect data to enable more precise design modeling. Our technical authority is also reviewing each area identified by Carderock, based on Coast Guard missions and the planned operational profile of the NSC, and will develop a plan to address those concerns prior to implementing any related design fix. Plans are to gather data and modify design enhancements over a span of multiple years, even after NSCs one and two transition to full operations, as the upgrades are completed over potentially several future yard availabilities. We plan to continue to collaborate with Carderock to conduct further analysis, including possible re-validation of changes to the proposed design as a result of the recommendations in their report.

Another persistent challenge is controlling costs in complex, multiple-year projects - especially those costs driven by economic factors outside the Coast Guard's control, more specifically, those types of cost increases recently impacting the National Security Cutter and Maritime Patrol Aircraft projects. Current economic conditions have seen a steady six-month decline in the cost of commodities such as nickel, steel and copper. However, when we award production contracts, our contract price reflects commodity prices at the time of award. In the case of the National Security Cutter we are executing production contracts for NSCs two and three and the long lead time materials contract for NSC four that were priced based on historically high commodity and fuel prices in effect during the summer of 2008. Likewise, when current NSC and MPA contracts were awarded, the value of the U.S. dollar was at a record low when compared to other foreign currencies, meaning all foreign components necessary for production were more expensive.

While the government will never be able to eliminate these types of cost changes completely, we have taken steps to minimize their impact within Coast Guard acquisitions. Once again, by building on the cornerstones for acquisition success, we have established a firm commitment to independent cost estimates within each project to validate projected program costs. We have initiated more rigorous government oversight of contractor performance and cost accounting, including renewed emphasis on Earned Value Management data. And we continue to work with industry to balance risk and ensure affordable acquisition programs at best value for the government.

Within our fixed wing aircraft acquisition projects, we are successfully addressing mission system reliability issues. As we have steadily increased the operational tempo of our three missionized HC-130J aircraft, we have experienced some mission system reliability issues—both software (reboots) and hardware (computer card replacements). While separate, we are addressing similar reliability issues with the mission system pallet aboard the HC-144A. In both cases, we are working within our system of checks and balances directly with our technical authority and operational sponsor to aggressively resolve the issues with the contractors. Where applicable, our efforts include warranty work with the contractor. In both cases, we are working

closely with the contractor on minor hardware replacements and software upgrades that we expect to complete this year, and already have achieved significant success. We continue to see improved reliability through our ongoing operator training, updates to operational procedures, and increased operator familiarity with each system.

With regard to the 123-foot patrol boats, the Department of Justice (DOJ) and the DHS OIG are continuing their investigations into the project. In February 2009, DOJ informed a federal court in Texas its investigation was not yet complete and it could not make a determination on whether to intervene in a pending Qui Tam false claims action on behalf of the government within the deadline established by the court. When the court declined to extend its deadline, DOJ advised the Court it would not intervene at the time, but would continue its investigation. This decision does not prevent the Qui Tam action from proceeding, or foreclose DOJs intervention. The Coast Guard continues to support those investigations as the most probable course for any government recovery of funds.

Simultaneous to our support of the DOJ investigation, we have also undertaken an independent engineering analysis through the Navy's Naval Sea Systems Command, which we expect to be completed sometime this summer. Additionally, we are working with the Department of Justice to release five of the eight patrol boats to salvage systems, equipment and parts still of value to the Coast Guard. The remaining three cutters would remain untouched for evidence purposes in support of the ongoing investigations.

ACQUISITION WORKFORCE

As acquisition policy and process improvements have promoted project successes, one persistent set of challenges has been the recruitment, development, and retention of a highly qualified acquisition workforce. We have accomplished much in our reforms of contracting, business and financial management, program management, systems engineering and other key disciplines. But, like other federal agencies, we must work hard to attract and retain the best and brightest in a highly competitive market.

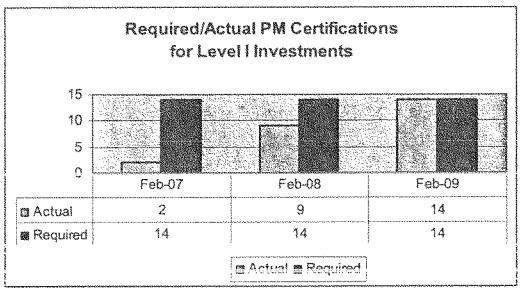
In the 1990s, the level of investment in Coast Guard acquisition was approximately $200 million. Today it is approximately $1.5 billion. This growth in investment has required our professional workforce to grow to ensure adequate program management and contractor oversight and management. We have worked hard to build capacity. Today the Acquisition Directorate has 855 military and government civilian personnel, and is continuing to grow—including 104 new hires in CY2008 and 10 new hires thus far in CY2009.

With many agencies competing for qualified acquisition professionals, it is critically important for the Coast Guard to remain competitive in the labor market. The Coast Guard must be able to use all hiring and workforce management tools effectively and expeditiously.

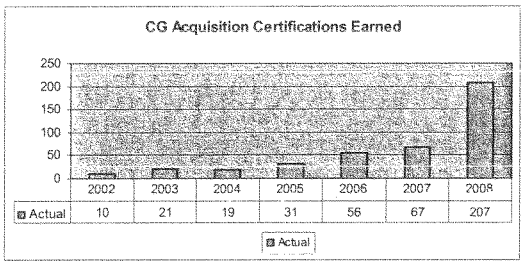
Once hired, however, another challenge is ensuring the appropriate training, skills, and career progression for our workforce. As a government manager, I have an obligation to properly equip my personnel with the skills and tools they need to accomplish their missions.

One of the areas where we have placed enormous pressure is on our training and certification programs. A couple of years ago we had a lot of people who might have had the right experience

but had not completed required training or certification, so it was difficult to see standardized skills across projects. We have addressed this challenge. Today, of the 14 Level I investments in our acquisition portfolio (valued at greater than $1 billion total life cycle cost), 100 percent are led by DHS Level III (senior) certified program managers, as illustrated in the graph below:



Additionally, we have encouraged our entire acquisition workforce to achieve appropriate certifications. Those efforts have also been very successful, with dramatically increased numbers of certifications achieved as shown below:



We have also developed a new *Human Capital Strategic Plan* that outlines several goals aimed at improving the skills of our workforce. An overarching objective is to raise the profile of Coast Guard acquisition as a profession with well-defined career paths for both uniformed and civilian employees. That strategy sets goals for training and educational opportunities, using internal resources as well as reaching out to third parties, such as the Defense Acquisition University and the Naval Postgraduate School, to provide additional support.

The goal in these efforts is to improve the career path that can be followed by uniformed and civilian employees, ultimately narrowing the gap between the complexity of acquisition tasks and the availability of skilled workers to accomplish them.

LOOKING TO THE FUTURE

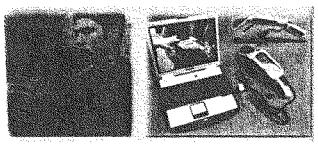
With acquisition reform firmly taking root, the future of Coast Guard acquisition is bright. We have learned from the past, but our focus remains on the future. Reformed processes have

already led to acquisition success, but I am confident our greatest successes lay ahead, if we remain committed to the foundational principles and acquisition cornerstones that have driven our reforms. As the Coast Guard's mission support organization is established fully, those principles will become further engrained in our mission support and acquisition culture.

The future will see new requirements for ever new assets and systems. In fact, we will soon begin the largest single acquisition project in our history—the Off-Shore Patrol Cutter. Now that our reforms are in place, I am confident that and other future projects will be managed effectively and efficiently.

A key element of future acquisition success is the integration of the Coast Guard's Research and Development (R&D) Program with the acquisition community. It is here technologies, assets, and systems can be tested and evaluated prior to initiating a full acquisition program of record. In this way, the R&D Program enables more efficient project planning as developmental efforts are handled by dedicated and objective research and development professionals, rather than project management staff.

The R&D Center recently achieved a major milestone last month when it moved to a new facility. Its new home will better support the growth and additional resources necessary to meet the Coast Guard's current and future R&D needs. And by working to meet those needs, the R&D Center is contributing to today's operational mission demands. Through strategic partnerships with research laboratories—such as John's Hopkins University Applied Physics Laboratory and Sandia National Laboratories—the R&D Center is well-positioned to link operational sponsors and acquisition program managers through pre-acquisition activities, as well as explore modern real-world concepts and technologies for operational and regulatory programs.



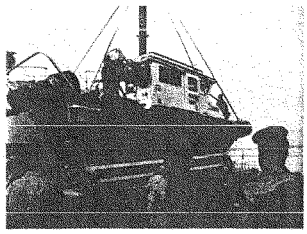
For example, in 2005, after recognizing a need among Coast Guard operational units, the R&D Center began work on a biometrics project to enhance identification efforts by deployed Coast Guard personnel. As part of a collaborative effort that includes the Department of Homeland Security Science and Technology Directorate, US-VISIT, Customs and Border Protection, Immigration and Customs Enforcement, the U.S. Attorney's Office, and Coast Guard operational community representatives, the R&D center has led development and delivery of a biometrics at sea program that has had a significant impact on our ability to identify and prosecute persons attempting to re-enter the country illegally, those suspected of being alien smugglers, wanted felons, and known or suspected terrorists. Since the R&D Center's biometrics program began in 2006, the Coast Guard has collected over 2,500 biometrics signatures to date, with over 25 percent of those signatures returning a positive match, resulting in over 250 successful prosecutions. During that same period, we have seen a 75 percent reduction in the migrants trying to navigate the Mona Pass—one of the busiest migrant thoroughfares in the Caribbean.

Additionally, the R&D Center is conducting an evaluation of the capabilities of the most effective unmanned aerial system to operate from the deck of the National Security Cutter. The R&D Center effort on this project includes collaboration with Coast Guard operational sponsors and acquisition program managers, as well as external partners and contractors, including the Navy's Naval Air Systems Command, ABS-G Consulting, the Federal Aviation Administration

and Sandia National Laboratories. Specific R&D Center Unmanned Aerial Systems (UAS) activities include: participation in tests with the Defense Advanced Research Projects Agency (DARPA) and U.S. Special Operations Command; participation in shipboard UAS tests aboard the National Oceanic and Atmospheric Administration ship *Oscar Dyson*; and completion of a dry-fit of a UAS on *CGC Bertholf*. We also participated in lessons learned from Navy Vertical Unmanned Aerial Systems experience with the *USS McInerney*. Ultimately, these efforts will enable the R&D Center to objectively recommend those platform attributes most likely to meet Coast Guard mission requirements.

The Department recently approved our UAS strategy and authorized a ship-based UAS demonstration, as well as the planning of land-based UAS advanced concept technology demonstrations (ACTD) in coordination with CBP-led efforts. Therefore, in addition to the R&D Center's ship-based UAS efforts currently underway, its researchers also will explore viable solutions to meet Coast Guard needs for land-based mid- and high-altitude unmanned aerial systems.

Another critical contributor to our current and future acquisition success is the Coast Guard's active Foreign Military Sales (FMS) office. Begun as part of the Coast Guard's Office of International Affairs to handle excess defense article transfers to allied nations, our FMS office completed its first new procurement case in 2001 through the Navy's International Programs Office (IPO). In fact, more than 80 percent of our FMS management and execution is funded through the Navy IPO from the Department of Defense FMS administration trust fund, a pooled fund supplied via a surcharge assessed to foreign purchasers on every FMS case. In 2005, the Coast Guard's FMS office was transferred to the Deepwater Program Executive Officer and became part of the larger acquisition directorate in July 2007. During the past three years, our active FMS projects have more than doubled to $100 million, and annual new FMS projects have increased from $10 million to more than $50 million.

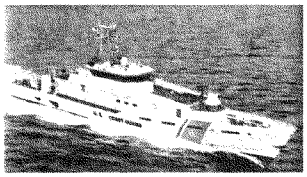


Recently, our FMS staff reached a major milestone—transfer of the 200th vessel. Those transfers include deliveries to 37 nations of such platforms as 25-foot Defender-class response boats to 210-foot Reliance-class cutters. Delivery of these assets has been critical to the development of allied navies and coast guards around the world. Some of our strategic allies who have received assets include: Argentina, Chile, Columbia, Ghana, Nigeria, Tunisia, Iraq, Yemen, Bangladesh, and Pakistan. In addition to saving the Coast Guard $25 million in disposal costs, these deliveries are strengthening U.S. national security in the maritime domain by building capacity for our international partners. By continuing these transactions, we are building enduring partnerships that enhance our capability to pursue cooperatively shared maritime safety and security goals.

CONCLUSION

Today, I am pleased to represent a wholly reformed acquisition organization, with processes and procedures in place to ensure successful program management and oversight. That statement does not imply that I do not expect there will be challenges ahead - there assuredly will be. But, it expresses my confidence that, by following the processes now in place and adhering to the cornerstones of successful acquisition, we will be able to meet and address those challenges

successfully to facilitate delivery of assets and systems with capabilities to meet the mission needs of today and tomorrow.



The most pointed example of the success of our reformed acquisition processes is the recently awarded contract for our Fast Response Cutter Sentinel-class patrol boat. With a total potential contract value of more than $1 billion, it was a highly competitive process. Our selection was deliberate and thorough to ensure an absolutely fair, full and open competition resulting in a patrol boat contract award that was the best value to the government. A post-award protest was filed with GAO, where our process and award determination were carefully and objectively reviewed. Our actions passed the review - and the protest was denied. Another post-award protest was then filed with the U.S. Court of Federal Claims, where it was later withdrawn by the protestor and "dismissed with prejudice" by the judge - again showing, through an external and objective review, that our robust acquisition process was beyond reproach.

As the yard stick by which to measure the success of our reformed acquisition enterprise, the Sentinel project provides a number of assurances - all built on the cornerstones for successful acquisition - for its own and future acquisition management successes, including:

- Establishment and maintenance of a direct Coast Guard relationship with the contractor, rather than through a separate lead systems integrator;
- Development of detailed technical requirements, and firm adherence to those requirements throughout the proposal design evaluation process and construction;
- Classification of cutters to established and recognized standards (i.e., American Bureau of Shipping and High Speed Naval Vessel Rules);
- Use of parent craft designs where applicable, with parent craft designer and builder co-located on engineering team;
- On-site government staff at production facilities;
- Fixed price contract structure;
- Extensive involvement of technical authority throughout acquisition and delivery process;
- Independent validation (i.e., independent cost estimates and design assessments);
- Leveraging Navy and other government partnerships; and,
- Ability to re-compete thru options for data and licensing.

The Sentinel project has become the model for all current and future Coast Guard acquisition programs. By adopting needed reforms, and guided by this Subcommittee, we've demonstrated the right way to develop and manage an acquisition project. With those reforms solidly in place, the foundation for continued success is firm.

Thank you. I look forward to your questions.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Tuesday, March 24, 2009

COAST GUARD

Observations on Changes to Management and Oversight of the Deepwater Program

Statement of John P. Hutton, Director
Acquisition and Sourcing Management

GAO
Accountability * Integrity * Reliability

GAO-09-462T

March 24, 2009

GAO
Accountability • Integrity • Reliability

Highlights

Highlights of GAO-09-462T, a testimony before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

COAST GUARD

Observations on Changes to Management and Oversight of the Deepwater Program

Why GAO Did This Study

GAO has a large body of work examining government agencies' approaches to managing their large acquisition projects. GAO has noted that without sufficient knowledge about system requirements, technology, and design maturity, programs are subject to cost overruns, schedule delays, and performance that does not meet expectations.

The Deepwater Program, intended to replace or modernize 15 major classes of Coast Guard assets, accounts for almost 60 percent of the Coast Guard's fiscal year 2009 appropriation for acquisition, construction and improvements. GAO has reported over the years on this program, which has experienced serious performance and management problems such as cost breaches, schedule slips, and assets designed and delivered with significant defects.

To carry out the Deepwater acquisition, the Coast Guard contracted with Integrated Coast Guard Systems (ICGS) as a systems integrator. In April 2007, the Commandant acknowledged that the Coast Guard had relied too heavily on contractors to do the work of government and announced that the Coast Guard was taking over the lead role in systems integration from ICGS.

This testimony reflects our most recent issued work on Deepwater, specifically our June 2008 report, *Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain*, GAO-08-745.

View GAO-09-462T or key components. For more information, contact John P. Hutton at (202) 512-4841 or huttonj@gao.gov.

What GAO Found

Over the past two years, the Coast Guard has reoriented its acquisition function to position itself to execute systems integration and program management responsibilities formerly carried out by ICGS. The acquisition directorate has been consolidated to oversee all Coast Guard acquisitions, including the Deepwater Program, and Coast Guard project managers have been vested with management and oversight responsibilities formerly held by ICGS. Another key change has been to manage the procurement of Deepwater assets on a more disciplined, asset by asset approach rather than as an overall system of systems, where visibility into requirements and capabilities was limited. For example, cost and schedule information is now captured at the individual asset level, resulting in the ability to track and report breaches for assets. Further, to manage Deepwater acquisitions at the asset level, the Coast Guard has begun to follow a disciplined project management process that requires documentation and approval of program activities at key points in a program's life cycle.

These process changes, coupled with strong leadership to help ensure the processes are followed in practice, have helped to improve Deepwater management and oversight. However, the Coast Guard still faces many hurdles going forward and the acquisition outcome remains uncertain.

- The consequences of not following a disciplined acquisition approach for Deepwater acquisitions and of relying on the contractor to define Coast Guard requirements are clear now that assets, such as the National Security Cutter, have been paid for and delivered without the Coast Guard's having determined whether the assets' planned capabilities would meet mission needs.
- While the asset-based approach is beneficial, certain cross-cutting aspects of Deepwater—such as command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) and the overall numbers of each asset needed to meet requirements—still require a system-level approach. The Coast Guard is not fully positioned to manage these aspects.
- One of the reasons the Coast Guard originally contracted with ICGS as the systems integrator was the recognition that the Coast Guard lacked the experience and depth in workforce to manage the acquisition itself. The Coast Guard has faced challenges in building an adequate government acquisition workforce and, like many other federal agencies, is relying on support contractors—some in key positions such as cost estimating and contract support. GAO has pointed out the potential concerns of reliance on contractors who closely support inherently governmental functions.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss Coast Guard acquisitions, specifically its Deepwater Program, the largest acquisition in the Coast Guard's history. GAO has a significant body of work examining government agencies' approaches to managing their large acquisition projects, including Department of Defense weapon systems, Department of Homeland Security (DHS) major investments, and large, high-risk information technology investments across the government. We have pointed to the need for more discipline and accountability in the acquisition process to help ensure that programs are not initiated until sufficient knowledge exists about system requirements, technology, and design maturity. Without this knowledge, programs are subject to cost overruns, schedule delays, and performance deficiencies. The Deepwater Program represents the largest portion of the Coast Guard's appropriation for acquisition, construction, and improvements—almost 60 percent in fiscal year 2009.[1] Unfortunately, Deepwater has experienced serious performance and management problems such as cost breaches, schedule slips, and assets designed and delivered with significant defects.

The Deepwater Program is intended to replace or modernize 15 major classes of Coast Guard assets—five each of vessels and aircraft, and five other projects, including command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) systems. To carry out this acquisition, the Coast Guard awarded a contract in June 2002 to Integrated Coast Guard Systems (ICGS), a joint venture formed by Lockheed Martin Corporation and Northrop Grumman Ship Systems, as a systems integrator. In April 2007, the Coast Guard Commandant acknowledged that the Coast Guard had relied too heavily on contractors to do the work of government and that government and industry had failed to control costs. He announced several major changes to the acquisition approach to Deepwater, the key one being that the Coast Guard was taking over the lead role in systems integration from ICGS, with future

[1]The Coast Guard's fiscal year 2009 appropriation includes an additional $300 million for acquisition, construction, and improvements for necessary expenses related to the consequences of 2008 natural disasters and flooding. In addition, the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009, authorized $98 million for the Coast Guard to spend on, among other things, "priority procurements due to materials and labor cost increases." The Coast Guard is required to submit an expenditure plan to Congress within 45 days after enactment.

work on individual assets potentially bid competitively outside of the existing contract.

My statement today will focus on the progress the Coast Guard has made in improving its acquisition approach to the Deepwater Program and the challenges it continues to face. We have ongoing work on Deepwater acquisitions issues—specifically, the Coast Guard's acquisition workforce, the cost of the Deepwater Program, and challenges associated with C4ISR and other "system-of-systems" aspects—for the House and Senate appropriations committees and expect to issue a report later this summer. We also have ongoing work for the same committees examining the potential operational gaps the Coast Guard may encounter based on delays in delivery of the National Security Cutter (NSC) and its accompanying package of small boats and unmanned aircraft systems; the Coast Guard's mitigation strategies for addressing these potential gaps; and how the Coast Guard plans to handle maintenance of the NSC while still operating and maintaining its legacy high endurance cutters. That report is also expected to be issued this summer.

This statement is based on our issued work on the Coast Guard's Deepwater Program, specifically the information in our June 2008 report, *Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain*.[2] That work was conducted in accordance with generally acceptable government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Coast Guard is a multimission, maritime military service within DHS. The Coast Guard's responsibilities fall into two general categories—those related to homeland security missions, such as port security and vessel escorts, and those related to non-homeland security missions, such as search and rescue and polar ice operations. To carry out these responsibilities, the Coast Guard operates a number of vessels and aircraft and, through its Deepwater Program, is currently modernizing or replacing

[2]GAO, *Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain*, GAO-08-745 (Washington, D.C.: June 24, 2008).

those assets. At the start of Deepwater in the late 1990s, the Coast Guard chose to use a system of systems acquisition strategy that was intended to replace the assets with a single, integrated package of aircraft, vessels, and communications systems. As the systems integrator, ICGS was responsible for designing, constructing, deploying, supporting, and integrating the assets. The decision to use a systems integrator for the Deepwater Program was driven in part because of the Coast Guard's lack of expertise in managing and executing an acquisition of this magnitude. Under this approach, the Coast Guard provided the contractor with broad, overall performance specifications—such as the ability to interdict illegal immigrants—and ICGS determined the specifications for the Deepwater assets. According to Coast Guard officials, the ICGS proposal was submitted and priced as a package; that is, the Coast Guard bought the entire solution and could not reject any individual component.

Deepwater assets are in various stages of the acquisition process. Some, such as the NSC and Maritime Patrol Aircraft, are in production. Others, such as the Fast Response Cutter, are in design, and still others, such as the Offshore Patrol Cutter, are in the early stages of requirements definition.

Coast Guard Has Made Improvements but Faces Continued Challenges in Managing Deepwater Acquisitions

Since the Commandant's April 2007 announcement that the Coast Guard was taking over the lead role in systems integration from ICGS, the Coast Guard has undertaken several initiatives that have increased accountability for Deepwater outcomes within the Coast Guard and to DHS. The Coast Guard's *Blueprint for Acquisition Reform* sets forth a number of objectives and specific tasks with the intent of improving acquisition processes and results. Its overarching goal is to enhance the Coast Guard's mission execution through improved contracting and acquisition approaches. One key effort in this regard was the July 2007 consolidation of the Coast Guard's acquisition responsibilities—including the Deepwater Program—into a single acquisition directorate. Previously, Deepwater assets were managed independently of other Coast Guard acquisitions within an insulated structure. The Coast Guard has also vested its government project managers with management and oversight responsibilities formerly held by ICGS.

The Coast Guard is also now managing Deepwater under an asset-based approach, rather than as an overall system-of-systems as initially envisioned. This approach has resulted in increased government control and visibility. For example, cost and schedule information is now captured at the individual asset level, resulting in the ability to track and report cost

breaches for assets.[3] Under the prior structure, a cost breach was to be tracked at the overall Deepwater Program level, and the threshold was so high that a breach would have been triggered only by a catastrophic event.

To manage Deepwater acquisitions at the asset level, the Coast Guard has begun to follow a disciplined project management process using the framework set forth in its *Major Systems Acquisition Manual*. This process requires documentation and approval of program activities at key points in a program's life cycle. The process begins with identification of deficiencies in Coast Guard capabilities and then proceeds through a series of structured phases and decision points to identify requirements for performance, develop and select candidate systems that meet those requirements, demonstrate the feasibility of selected systems, and produce a functional capability. Previously, the Coast Guard authorized the Deepwater Program to deviate from the structured acquisition process, stating that the requirements of the process were not appropriate for the Deepwater system-of-systems approach. Instead, Deepwater Program reviews were required on a schedule-driven—as opposed to the current event-driven—basis.

Further, leadership at DHS is now formally involved in reviewing and approving key acquisition decisions for Deepwater assets. We reported in June 2008 that DHS approval of Deepwater acquisition decisions as part of its investment review process was not required, as the department had deferred decisions on specific assets to the Coast Guard in 2003. We recommended that the Secretary of DHS direct the Under Secretary for Management to rescind the delegation of Deepwater acquisition decision authority. In September 2008, the Under Secretary took this step, so that Deepwater acquisitions are now subject to the department's investment review process, which calls for executive decision making at key points in an investment's life cycle.

We also reported this past fall, however, that DHS had not effectively implemented or adhered to this investment review process; consequently, the department had not provided the oversight needed to identify and address cost, schedule, and performance problems in its major investments.[4] Without the appropriate reviews, DHS loses the opportunity

[3]DHS requires cost breaches of 8 percent or higher to be reported to the department.

[4]GAO, *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight*, GAO-09-29 (Washington, D.C.: Nov. 18, 2008).

to identify and address cost, schedule, and performance problems and, thereby, minimize program risk. We reported that 14 of the department's investments that lacked appropriate review experienced cost growth, schedule delays, and underperformance—some of which were substantial. Other programs within DHS have also experienced cost growth and schedule delays. For example, we reported in July 2008 that the Coast Guard's Rescue 21 system was projected to experience cost increases of 184 percent and schedule delays of 5 years after rebaselining.[5] DHS issued a new interim management directive on November 7, 2008, that addresses many of our findings and recommendations on the department's major investments. If implemented as intended, the more disciplined acquisition and investment review process outlined in the directive will help ensure that the department's largest acquisitions, including Deepwater, are effectively overseen and managed.

Consequences of Prior Deepwater Acquisition Approach May Be Costly

While the decision to follow the *Major Systems Acquisition Manual* process for Deepwater assets is promising, the consequences of not following this acquisition approach in the past—when the contractor managed the overall acquisition—are now apparent for assets already in production, such as the NSC, and are likely to pose continued problems, such as increased costs. Because ICGS had determined the overall Deepwater solution, the Coast Guard had not ensured traceability from identification of mission needs to performance specifications for the Deepwater assets. In some cases it is already known that the ICGS solution does not meet Coast Guard needs, for example:

- The Coast Guard accepted the ICGS-proposed performance specifications for the long-range interceptor, a small boat intended to be launched from larger cutters such as the NSC, with no assurance that the boat it was buying was what was needed to accomplish its missions. Ultimately, after a number of design changes and a cost increase from $744,621 to almost $3 million, the Coast Guard began to define for itself the capabilities it needed and has decided not to buy any more of the ICGS boats.

[5]See GAO, *Information Technology: Agencies Need to Establish Comprehensive Policies to Address Changes to Projects' Cost, Schedule, and Performance Goals*, GAO-08-925 (Washington, D.C.: July 31, 2008). Rescue 21 is a command, control, and communication system that improves mission execution in coastal zones to help the Coast Guard meet its search and rescue program goals. It is intended to result in improved response to distress calls and better coordination and interoperability with other government agencies and first responders.

- ICGS had initially proposed a fleet of 58 fast response cutters, subsequently termed the Fast Response Cutter-A (FRC-A), which were to be constructed of composite materials (as opposed to steel, for example). However, the Coast Guard suspended design work on the FRC-A in February 2006 to assess and mitigate technical risks. Ultimately, because of high risk and uncertain cost savings, the Coast Guard decided not to pursue the acquisition, a decision based largely on a third-party analysis that found the composite technology was unlikely to meet the Coast Guard's desired 35-year service life. After obligating $35 million to ICGS for the FRC-A, the Coast Guard pursued a competitively awarded fast response cutter based on a modified commercially available patrol boat. That contract was awarded in September 2008.

System-Level Aspects Pose Additional Challenges under Revised Acquisition Approach

Although the shift to individual acquisitions is intended to provide the Coast Guard with more visibility and control, key aspects still require a system-level approach. These aspects include an integrated C4ISR system needed to provide critical information to field commanders and facilitate interoperability with the Department of Defense and DHS—and decisions on production quantities of each Deepwater asset the Coast Guard requires to achieve its missions. The Coast Guard is not fully positioned to manage these aspects under its new acquisition approach but is engaged in efforts to do so.

C4ISR is a key aspect of the Coast Guard's ability to meet its missions. How the Coast Guard structures C4ISR is fundamental to the success of the Deepwater Program because C4ISR encompasses the connections among surface, aircraft, and shore-based assets and the means by which information is communicated through them. C4ISR is intended to provide operationally relevant information to Coast Guard field commanders to allow the efficient and effective execution of their missions. However, an acquisition strategy for C4ISR is still in development. Officials stated that the Coast Guard is revisiting the C4ISR incremental acquisition approach proposed by ICGS and analyzing that approach's requirements and architecture. In the meantime, the Coast Guard is continuing to acquire C4ISR through ICGS.

As the Coast Guard transitions from the ICGS-based system-of-systems acquisition strategy to an asset-based approach, it will need to maintain a strategic outlook to determine how many of the various Deepwater assets to procure to meet Coast Guard needs. When deciding how many of a specific vessel or aircraft to procure, it is important to consider not only the capabilities of that asset, but how it can complement or duplicate the capabilities of the other assets with which it is intended to operate. To that

end, the Coast Guard is modeling the planned capabilities of Deepwater assets, as well as the capabilities and operations of existing assets, against the requirements for Coast Guard missions. The intent of this modeling is to test each planned asset to ensure that its capabilities fill stated deficiencies in the Coast Guard's force structure and to inform how many of a particular asset are needed. However, the analysis based on the modeling is not expected to be completed until the summer of 2009. In the meantime, Coast Guard continues to plan for asset acquisitions in numbers very similar to those determined by ICGS, such as 8 NSCs.

Challenges in Building an Acquisition Workforce

Like many federal agencies that acquire major systems, the Coast Guard faces challenges in recruiting and retaining a sufficient government acquisition workforce. In fact, one of the reasons the Coast Guard originally contracted with ICGS as a systems integrator was the recognition that the Coast Guard lacked the experience and depth in its workforce to manage the acquisition itself.

The Coast Guard's 2008 acquisition human capital strategic plan sets forth a number of workforce challenges that pose the greatest threats to acquisition success, including a shortage of civilian acquisition staff , its military personnel rotation policy, and the lack of an acquisition career path for its military personnel. The Coast Guard has taken a number of steps to hire more acquisition professionals, including the increased use of recruitment incentives and relocation bonuses, utilizing direct hire authority, and rehiring government annuitants. The Coast Guard also recognizes the impact of military personnel rotation on its ability to retain people in key positions. Its policy of 3-year rotations of military personnel among units, including to and from the acquisition directorate, limits continuity in key project roles and can have a serious impact on acquisition expertise. While the Coast Guard concedes that it does not have the personnel required to form a dedicated acquisition career field for military personnel, such as that found in the Navy, it is seeking to improve the base of acquisition knowledge throughout the Coast Guard by exposing more officers to acquisition as they follow their regular rotations.

In the meantime, the lack of a sufficient government acquisition workforce means that the Coast Guard is relying on contractors to supplement government staff, often in key positions such as cost estimators, contract specialists, and program management support. While support contractors can provide a variety of essential services, when they are performing certain activities that closely support inherently governmental functions their use must be carefully overseen to ensure that they do not perform

inherently governmental roles. Conflicts of interest, improper use of personal services contracts, and increased costs are also potential concerns of reliance on contractors.[6]

Concluding Observations

In response to significant problems in achieving its intended outcomes under the Deepwater Program, the Coast Guard leadership has made a major change in course in its management and oversight by re-organizing its acquisition directorate, moving away from the use of a contractor as the systems integrator, and putting in place a structured, more disciplined acquisition approach for Deepwater assets. While the initiatives the Coast Guard has underway have begun to have a positive impact, the extent and duration of this impact depend on positive decisions that continue to increase and improve government management and oversight.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or members of the subcommittee may have at this time.

GAO Contact

For further information about this testimony, please contact John P. Hutton, Director, at 202-512-4841 or huttonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

[6]The issue of support contractors in acquisition is not unique to the Coast Guard. In our March 2008 report on the acquisition of major weapons systems in the Department of Defense, we found that it too relies heavily on contractors to perform roles in program management, cost estimation, and engineering and technical functions. GAO, *Defense Acquisitions: Assessments of Major Weapons Programs*, GAO-08-467SP (Washington, D.C.: Mar. 31, 2008).

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission	The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.
Obtaining Copies of GAO Reports and Testimony	The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."
Order by Phone	The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, http://www.gao.gov/ordering.htm. Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537. Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.
To Report Fraud, Waste, and Abuse in Federal Programs	Contact: Web site: www.gao.gov/fraudnet/fraudnet.htm E-mail: fraudnet@gao.gov Automated answering system: (800) 424-5454 or (202) 512-7470
Congressional Relations	Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400 U.S. Government Accountability Office, 441 G Street NW, Room 7125 Washington, DC 20548
Public Affairs	Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

Please Print on Recycled Paper

BALTIMORE COUNTY
MARYLAND

JAMES T. SMITH JR.
County Executive

EDWARD C. ADAMS, JR., *Director*
Department of Public Works

July 9, 2009

The Honorable Elijah Cummings
U. S. House of Representatives
754 Frederick Road
Catonsville, Maryland 21228

Re: Owings Mills Boulevard South Extension

Dear Congressman Cummings:

Baltimore County is in the final planning stage of the *Owings Mills Boulevard South Extension*, which is integral to the transportation network of the Owings Mills Growth Area and the Liberty Road Revitalization District.

Part of this preliminary construction process requires that the County seek permits from the Maryland Department of Environment and the Army Corps of Engineers and that all parties involved, including their elected representatives, be fully informed. To that end I am attaching a copy of a letter the Department of Public Works has sent to every property owner along the future road alignment of Owings Mills Boulevard.This letter describes the particulars of the permitting process, as well as the responsible agencies, and notifies all concerned of a public meeting which will be scheduled within forty-five days.

So that you may keep abreast of developments which impact your constituents, we will notify you of the meeting schedule. Should you have questions about the process, please do not hesitate to contact my office.

Very truly yours,

Edward C. Adams, Jr., P.E.
Director

111 West Chesapeake Avenue | Towson, Maryland 21204 | Phone 410-887-3306
www.baltimorecountymd.gov

MARYLAND
DEPARTMENT OF
NATURAL RESOURCES

Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
John R. Griffin, Secretary
Eric Schwaab, Deputy Secretary

FACSIMILE TRANSMITTAL SHEET

DATE 7/21/09

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: John Cruikshank

DIVISION:

PHONE #

FAX # 202 226 8068

THIS FACSIMILE MESSAGE IS BEING SENT BY:

NAME: CAPTAIN ROBERT DAVIS

AGENCY: MARYLAND NATURAL RESOURCES POLICE

PHONE: # 410 260 8841 FAX #: 410 260 8878

****

NUMBER OF PAGES: 3 INCLUDING COVER SHEET

MESSAGE:

Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
John R. Griffin, Secretary
Eric Schwaab, Deputy Secretary

July 20, 2009

The Honorable Elijah E. Cummings
Chairman
House Subcommittee on Coast Guard and Maritime Transportation
United States House of Representatives
2235 Rayburn House Office Building
Washington, DC 20515

Re: Coast Guard Reauthorization, Access for Personal Watercraft in the Intracoastal Waterway within Biscayne National Park

Dear Chairman Cummings:

I am writing to express support from the Maryland Department of Natural Resources for amended language included in the recent mark-up of the Senate Coast Guard Reauthorization bill. This amendment will rectify an unintended consequence of a federal rule that presents a serious boating safety hazard in Biscayne National Park in Florida. I hope, under your leadership, the House Subcommittee on Coast Guard and Maritime Transportation will include this same provision in its bill. This amendment is supported by the National Association of State Boating Law Administrators, the National Safe Boating Council and other nationally recognized safe boating organizations.

Senate bill S.1194, Section 703 (Access for Personal Watercraft), restores access for personal watercraft in the Intracoastal Waterway (ICW) through Biscayne National Park. As is the case for *all other* sections of the ICW along the eastern seaboard, personal watercraft operators are allowed to navigate the Intracoastal Waterway for the express purpose for which it was intended - to provide safe passage for ***all*** vessels. The 17-mile stretch of the Waterway within Biscayne National Park is the only area of the federally maintained, Coast Guard managed, waterway where personal watercraft are currently not permitted. This was not the direct intent of a National Park Service rule issued in 2000 that restricted the use of these vessels in many of its units. As an unintended consequence, however, these boaters are now forced to circumvent the park's boundary and travel 10 - 12 miles offshore. On boats 12 feet in length or less, this situation can be unsafe at best, and life-threatening, at its worst. Our agency believes this inequity should be resolved swiftly, so that personal watercraft operators can once again navigate the Intracoastal Waterway in this area.

Maryland Natural Resources Police • Tawes State Office Building • 580 Taylor Avenue • Annapolis, Maryland 21401
410.260.8DNR or toll free in Maryland 877.620.8DNR • www.dnr.maryland.gov • TTY users call via Maryland Relay

The Honorable Elijah E. Cummings
July 20, 2009
Page Two

Thank you for your consideration as your Committee prepares to consider Coast Guard Reauthorization legislation. I understand that representatives from the Personal Watercraft Industry Association will be meeting with staff from your office and the Committee to further brief them on this issue. Should you have any questions or desire additional information, please do not hesitate to contact me.

Sincerely,

Colonel George F. Johnson IV
Superintendent

cc: Mr. John Cullather, Majority Chief of Staff

○