TESTIMONY OF

Randolph "Tex" Alles
Deputy Under Secretary for Management
U.S. Department of Homeland Security

For a Hearing

BEFORE

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Committee on Homeland Security
Subcommittee on Transportation and Maritime Security

ON

"Building the Fleet: Assessing the Department of Homeland Security's Role in the United States Coast Guard's Acquisitions Process"

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INTRODUCTION

Chairman Gimenez, Ranking Member Thanedar, and distinguished Members of the Subcommittee:

It is a privilege to appear before you today to represent the Department of Homeland Security (DHS or the Department) and its Management Directorate.

My name is Randolph "Tex" Alles, and I have served as the Deputy Under Secretary for Management (DUSM) since July 2019. In my capacity as DUSM, I oversee Department-wide management and oversight for all mission support functions, such as Information Technology, budget and financial management, procurement, acquisition, human capital, security, and asset management. In addition to my role as DUSM, I serve as the Chief Acquisition Officer for the Department.

I am pleased to be joined today by my colleague from the United States Coast Guard (USCG), Vice Admiral Paul Thomas, Deputy Commandant for Mission Support. The Management Directorate works collaboratively with the USCG to oversee the acquisition of maritime and aviation fleets needed by our frontline employees to protect our homeland.

As Chief Acquisition Officer for the Department, I recognize the critical role effective acquisition management plays in meeting mission needs. Being proactive in security efforts across the Department's various mission sets requires the acquisition community to work hard to streamline efforts without sacrificing our ability to execute the Department's missions. DHS's acquisition programs vary in size, scope, and cost. Collectively, the Department's acquisition program portfolio works together to provide security for our nation's borders, both land and maritime.

As the Commandant of the USCG has previously conveyed, we have never experienced a greater demand for USCG services, and we anticipate this demand to grow in the future. At the Department, we are focused on facilitating the delivery of capabilities to meet these demands and confront the dynamic and complex challenges faced by USCG personnel. New and more capable cutters; aircraft; boats; and command, control, and communications systems are required to support mission execution domestically and in some of the most challenging environments around the world, including the Polar Regions, Indo-Pacific region, and Persian Gulf.

Recapitalization of the USCG is an important priority of the Department, and we are focused on providing effective program oversight and governance to ensure that investment in our critical assets has the greatest opportunity to meet the mission needs, at an affordable cost, and in a timely manner to support our personnel.

THE HOMELAND SECURITY ACQUISITION ENTERPRISE

As the Chief Acquisition Officer of the Department, I am responsible for the management, administration, and oversight of the Department's acquisition programs and acquisition management systems. I am proud to lead a talented team of professionals that facilitate the

acquisition of necessary capital assets, infrastructure, and systems across all of the Department's operational Components. These acquisitions require executable strategies that consider the need to plan and scope acquisitions before work begins; to oversee the design and production processes; and to prepare future crews and the maintenance community for the delivery and future operation of new capabilities. By teaming with the Component Acquisition Executives, program managers, and other acquisition professionals, the Department's goal is to enhance these acquisition activities, while providing the appropriate number of checks and balances to promote better outcomes in achieving program success.

U.S. COAST GUARD SHIPBUILDING

Among the active USCG shipbuilding efforts, DHS is currently governing six of these programs as major acquisitions, either as Level 1 programs with lifecycle costs exceeding $1 billion or Level 2 programs with lifecycle costs exceeding $300 million. These programs are in various stages of the Department's Acquisition Lifecycle Framework, from established programs at the tail end of production, such as our National Security Cutters (NSC) and Fast Response Cutters (FRC), to more recent programs in an earlier phase of the acquisition lifecycle, such as the Polar Security Cutters (PSC) and Waterway Commerce Cutters (WCC).

Of the USCG's white-hull cutter fleet, the NSC is the largest and most technologically sophisticated. The USCG accepted delivery of the 10th NSC on October 13, 2023, and construction of the 11th and final NSC is currently underway in Pascagoula, Mississippi. We also continue to deliver FRCs into the fleet. Just this March, USCG accepted delivery of the 56th of the planned 65 FRCs. The fiscal year (FY) 2024 appropriations provided funding for another two FRCs which we plan to put under contract soon.

The Offshore Patrol Cutter (OPC) remains a top acquisition priority for the Department and is vital to recapitalizing the capability provided by our legacy fleet of 210-foot and 270-foot Medium Endurance Cutters (MEC). The program is progressing, with production of OPCs 1-4 underway with the Stage 1 contractor. Additionally, we are continuing with design activities on the Stage 2 contract, which will lead to the future production of up to 11 additional OPCs. As a bridging strategy to maintain mission capabilities until the OPCs are delivered, USCG has undertaken a service life extension program that will address key systems and component obsolescence on board the legacy MECs, many of which already exceed 50 years in service.

We are also investing in the acquisition of the nation's first new heavy polar icebreakers in over four decades. PSC design activities are ongoing, and initial long lead-time material has been delivered to the shipyard. Recognizing the critical need for these assets, the USCG is working closely with the prime contractor to mitigate schedule risks and ensure production readiness. When fully operational, PSCs will provide the global reach and icebreaking capability necessary to project U.S. sovereignty and influence, conduct missions in the high latitudes, and advance our national interests in the Arctic and Antarctic regions. The USCG Cutter POLAR STAR is the nation's only remaining heavy polar icebreaker. She was commissioned in 1976, along with her sister ship, POLAR SEA. The PSC will be considerably larger at 22,900 tons displacement compared to the 13,200-ton displacement of the previous polar icebreakers, to meet modern habitability and environmental standards and provide additional multi-mission spaces.

On October 5, 2022, the USCG awarded the WCC contract for the design and future production of the river buoy tender and inland construction tender variants. The contract includes options for production of up to 27 cutters, and a separate effort is planned to deliver three inland buoy tenders to achieve a total fleet of 30 WCCs. The prime contractor began design activities earlier last year. Investment in our inland fleet is critical to the continued operation of the nation's Marine Transportation System, which accounts for more than $4 trillion in annual economic activity. The legacy fleet is approaching obsolescence, and maintenance costs are rising. Continued progress toward delivering these new assets and replacing the legacy fleet, which has an average age of over 55 years, is critical to maintaining the USCG's capability to execute this important mission.

SHIPBUILDING CHALLENGES

The USCG's new shipbuilding programs include ongoing construction at five private shipyards across the United States, with a preponderance of the activities for building the major cutters centered in the Gulf Coast region of Louisiana, Mississippi, Alabama, and Florida. We recognize that the U.S. shipbuilding industry as a whole is facing pressure from a diminished industrial base capacity. The main issues limiting private shipbuilders in the long term lies in lack of personnel, rising costs of materials, and fluctuating acquisition priorities. Along with the rest of the industry, our USCG programs are also seeing challenges caused by these issues. Two of our highest priority programs – the OPC and PSC – have faced, and are continuing to face, significant schedule delays and cost increases.

While it is common to see cost growth on first-in-class ships across the industry, the OPC program experienced unprecedented events early in the design process. The catastrophic effects of Hurricane Michael in 2018 as well as COVID-19-era inflation have resulted in the acquisition cost estimate increasing significantly since the initial estimate in 2012. We have increased Department-level oversight of the OPC Program, and I am briefed by the Program Manager regularly to stay up to date on the program status. The USCG is working closely with the OPC shipbuilders to establish an updated baseline and schedule to determine what it will realistically take to get the first and follow-on OPCs in operation.

The PSC program is now years behind the original schedule, without having attained the level of maturity we require prior to authorizing the start of construction. In addition to the general lack of U.S. experience designing and building polar icebreakers, the prime contractor suffered from organizational instability and has undergone managerial restructuring following its acquisition by a competitor shipyard in 2022. With the new management in place, we are now expecting to complete the Critical Design Review later this year, allowing us to start construction soon thereafter. In addition to enhancing our oversight and analysis of design metrics, in May 2022, I approved the USCG's plan to begin construction on up to eight prototype units of the cutter that will eventually be incorporated into the construction of the first icebreaker. These prototype units are intended to allow the yard to exercise their fabrication processes in a controlled environment and are expected to reduce future production and schedule risk. Four of the eight prototype units are now under construction and are, as we hoped, yielding valuable lessons for the craft workers to incorporate into the future full production. Additionally, the USCG received $125 million in FY 2024 appropriations for the acquisition of a commercially available icebreaker to increase its

near-term presence in the Arctic. We are streamlining the processes to acquire this capability with the goal of providing some degree of operational presence in the Arctic within the next 24 months.

CONCLUSION

Chairman Gimenez, Ranking Member Thanedar, and distinguished Members of the Subcommittee, thank you again for your attention to this important mission and for the opportunity to discuss the Management Directorate's governance of critical USCG shipbuilding efforts. As the legacy cutters continue to age, maintaining the older ships will be more of a challenge due to cost and obsolescence. With that in mind, we continually strive to improve our acquisition process with a focus on meeting mission performance, at an affordable cost, and within the required schedule. I look forward to answering your questions.