



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

Sam Graves
Chairman

Rick Larsen
Ranking Member

Jack Ruddy, Staff Director

Katherine W. Dedrick, Democratic Staff Director

July 21, 2023

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Subcommittee Hearing on “*Review of the Recapitalization of the United States Coast Guard Surface, Air, IT, and Shoreside Assets*”

I. PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation of the Committee on Transportation and Infrastructure will meet on Thursday, July 27, 2023, at 2:00 p.m. ET in 2253 Rayburn House Office Building to receive testimony on the “*Review of the Recapitalization of the United States Coast Guard Surface, Air, IT, and Shoreside Assets.*” Members will receive testimony on the United States Coast Guard’s (Coast Guard or Service) recapitalization efforts, specifically focusing on the Service’s efforts to modernize its surface assets, including the Offshore Patrol Cutters (OPC) and Polar Security Cutters (PSC), air assets, shoreside infrastructure, and Information Technology (IT).

II. BACKGROUND

The United States Coast Guard Recapitalization Program

Recognizing that many of its assets were nearing the end of their service lives or were technologically insufficient, in 2007 the Coast Guard approved a program of record to modernize its offshore assets and the communication systems that linked those assets.¹ The program of record has subsequently been updated to reflect budget realities and other factors.² However, the plan at the time failed to take into account IT systems, shoreside assets or Polar icebreakers. The Coast Guard is more than a decade into this recapitalization program and significant problems exist. In 2017, the Coast Guard released a new program of record that included Polar icebreakers and in-service vessel sustainment but failed to incorporate long term plans to recapitalize IT systems or shoreside assets.³

¹ UNITED STATES GOV’T ACCOUNTABILITY OFF., GAO-17-654T, COAST GUARD RECAPITALIZATION: MATCHING NEEDS AND CONTINUED RESOURCES TO STRAIN ACQUISITION EFFORTS (2017), available at <https://www.gao.gov/assets/690/685201.pdf>.

² *Id.*

³ *Id.*

The Coast Guard has successfully undertaken some of the procurement steps outlined in its 2007 recapitalization vision, such as the procurement and deployment of the Fast Response Cutter (FRC) and the National Security Cutter (NSC). Concerningly, however, other programs such as the OPC lag behind, while the PSC, rotary wing aircraft, shoreside infrastructure, and Information Technology (IT) still remain largely unaddressed due to underfunding, mismanagement, poor processes, and a lack of long-term planning on the part of the Coast Guard.⁴ These shortcomings have created serious capability gaps in the ability of the Service to field the assets required to fulfill its mission demands.⁵

Most notably, in 2014, the Government Accountability Office (GAO) estimated that a gap exists between the Coast Guard's recapitalization needs and the President's budget request — a trend that has continued in subsequent years.⁶ For example, in 2018, an \$800 million gap existed between the Coast Guard's needs and the President's budget request. In an effort to address the funding constraints it has faced annually, the Coast Guard has been reactive, reducing its capability by delaying new acquisitions but the Service does not have a plan to realistically set forth affordable priorities.⁷ These shortcomings have seriously jeopardized Coast Guard capabilities across several vital areas, including shoreside infrastructure and surface assets.

III. COAST GUARD SURFACE ASSET ACQUISITION

Offshore Patrol Cutter (OPC)

The Coast Guard has stated that the acquisition of the OPC is its highest investment priority as it will be the work horse of the Coast Guard's offshore presence.⁸ The Service intends to replace its 29 medium-endurance Cutters, all of which have far surpassed their planned service lives and are becoming increasingly expensive to maintain and operate, with 25 OPCs.⁹

The first four OPCs are being built by Eastern Shipbuilding Group (ESG) of Panama City, Florida.¹⁰ Unable to meet the terms of the contract signed in 2018, ESG sought a cash infusion from the Coast Guard in order to maintain operations at their yard.¹¹ The Department of Homeland Security subsequently authorized up to \$659 million in relief for the yard, including up to \$65 million for costs not related OPC construction, in order to shore up the yard's financial position.¹²

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at 12.

⁷ *Id.* at 13.

⁸ UNITED STATES COAST GUARD, *Acquisition Directorate, Offshore Patrol Cutter*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/Offshore-Patrol-Cutter/> [hereinafter COAST GUARD ACQUISITION DIRECTORATE]

⁹ CONG. RSCH. SERV., R42567, COAST GUARD CUTTER PROCUREMENT: BACKGROUND AND ISSUES FOR CONGRESS 1 (June 21, 2023), available at <https://crsreports.congress.gov/product/pdf/R/R42567/162> [hereinafter COAST GUARD CUTTER PROCUREMENT].

¹⁰ *Id.* at 10.

¹¹ *Id.* at 9-10.

¹² UNITED STATES COAST GUARD, OFFSHORE PATROL CUTTERS ACQUISITION: EXTRAORDINARY RELIEF (FY 2022, FOURTH QUARTER) REP. TO CONG. (Mar. 8, 2023) (on file with Comm.).

On June 30, 2022, the Coast Guard announced it had awarded the phase-II fixed-price incentive contract to Austal USA of Mobile, Alabama, to produce up to 11 OPCs.¹³ The Service’s proposed fiscal year (FY) 2024 budget requests \$579.0 million in procurement funding for the construction of the sixth OPC, the procurement of long lead-time materials (LLTM) for the seventh OPC, and other program costs.¹⁴

Although the OPC is labeled as a key priority for the Coast Guard, serious program mismanagement has led to long delays, cost overruns, and the emergence of a gap in the Coast Guard’s medium endurance capabilities. A June 2023 GAO report found that the OPC’s total acquisition cost estimate increased from \$12.5 billion to \$17.6 billion between 2012 and 2022.¹⁵ The program attributes the 40 percent increase to many factors, including restructuring the stage one contract [for OPCs one through four] and recompeting the stage two requirement [for OPCs five through 15].¹⁶ In addition, the program incurred a one and a half year delay in the delivery of the first four OPCs issues related to manufacturing the Cutter’s propulsion system.¹⁷ GAO also found indicators that the shipbuilder’s significant level of complex, uncompleted work may lead to further delays.¹⁸

The GAO attributed these delays and cost overruns to fundamental flaws in the Coast Guard’s design and construction process.¹⁹ The GAO found that the Coast Guard used a high-risk approach to the acquisition of the OPC that attempts to concurrently overlap the acquisition phases of technology development, design, and construction.²⁰ While some overlap is common in the industry, the Coast Guard has exceeded industry standards.²¹ Specifically, the Coast Guard does not require completion of basic and functional design, and maturity of all critical technologies, nor does it require completion of the design of distributive systems — systems that affect multiple zones of the ship — prior to construction of the lead ship.²² These approaches could, and likely will, result in the need for significant design rework late in construction, further increasing costs and delays.²³ This will subsequently extend the Coast Guard’s dependence on its current fleet of medium-endurance cutters, continuing to strain the Coast Guard’s budget with increased repair and maintenance costs.

Polar Security Cutter (PSC)

¹³ *Id.* at 13.

¹⁴ *Id.* at 1.

¹⁵ UNITED STATES GOV’T ACCOUNTABILITY OFF., GAO-23-105805, COAST GUARD ACQUISITIONS: OFFSHORE PATROL CUTTER PROGRAM NEEDS TO MATURE TECHNOLOGY AND DESIGN 28 (June 2023), *available at* <https://www.gao.gov/assets/gao-23-105805.pdf>.

¹⁶ COAST GUARD CUTTER PROCUREMENT, *supra* note 9, at 28.

¹⁷ *Id.* at 28.

¹⁸ *Id.* at 37.

¹⁹ *Id.* at 16.

²⁰ *Id.* at 15.

²¹ *Id.* at 15.

²² *Id.* at 24.

²³ *Id.* at 16.

The Coast Guard anticipates the need for enhanced Arctic capabilities in the coming years to support United States economic, security, and scientific interests.²⁴ The Polar Star is currently the Coast Guard's only operational heavy ice breaker. Commissioned in 1976, the Polar Star has far surpassed its regular service life and has been dependent on constant service life extension programs to allow it to function — heavily straining Coast Guard resources.²⁵

In 2019, the Coast Guard and United States Navy, operating through an integrated program office, awarded VT Halter Marine Inc. of Pascagoula, Mississippi, a fixed price incentive contract for the detail, design and construction of the lead PSC. The yard was subsequently purchased by Bollinger Mississippi. Construction on the first PSC was planned to begin in 2022, with contract delivery planned for the mid-2020s.²⁶ The contract includes financial incentives for earlier delivery. However, construction of the PSC has yet to begin due to design delays that have plagued the program, and the Coast Guard is unable to commit to a timeline for when the first PSC will be mission ready.²⁷

Waterways Commerce Cutter (WCC)

The Coast Guard maintains a fleet of inland water craft responsible for maintaining more than 28,200 marine aids to navigation throughout 12,000 miles of inland waterways, on which 630 million tons of cargo move annually.²⁸ The current fleet of inland tenders has been in operation for an average of more than 57 years, far exceeding their design service life.²⁹ The Coast Guard established the WCC Program after Congress provided funds to replace the capability provided by the inland tender fleet with 16 River Buoy Tenders, 11 Inland Construction Tenders, and three Inland Buoy Tenders.³⁰ To increase efficiency, these vessels will be self-propelled monohulls instead of the current tug-and-barge configuration.³¹

The Coast Guard has faced significant issues with the acquisition process as it relates to small business requirements. The initial contract was awarded to Birdon America, Inc., located in Denver, Colorado, in October of 2022. However, after the contract was awarded, challenges to the contract award were made based on the small business set aside requirements (FAR 52.219 14).³² Despite initially determining that Birdon met its small business requirements during its

²⁴UNITED STATES COAST GUARD, *Acquisitions Directorate, Polar Security Cutter*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/Polar-Icebreaker/> [hereinafter POLAR SECURITY CUTTER ACQUISITIONS].

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Review of Fiscal Year 2024 Budget Request for the Coast Guard: Hearing Before the H. Subcomm. on Coast Guard and Maritime Transp.*, 118th Cong. (2023) (response from Adm. Linda Fagan, Commandant of the United States Coast Guard).

²⁸ UNITED STATES COAST GUARD, *Acquisitions Directorate, Waterways Commerce Cutter*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/WCC/>.

²⁹ *Id.*

³⁰ *Id.*

³¹ CONG. RSCH SERV., IF11672, COAST GUARD WATERWAYS COMMERCE CUTTER (WCC) PROGRAM: BACKGROUND AND ISSUES FOR CONGRESS (2023), available at <https://crsreports.congress.gov/product/pdf/IF/IF11672>.

³² United States Coast Guard Briefing to Congress, Waterways Commerce Cutter (WCC) Contract Award Brief (June 21, 2023) (on file with Comm.) [hereinafter COAST GUARD CUTTER BRIEFING].

pre-decision evaluation, on May 26, 2023, the Small Business Administration (SBA) informed the Coast Guard that Birdon, under its WCC proposal, does not meet the status of a small business. The Coast Guard's legal analysis concluded that a new size determination does not prevent the Service from continuing contract performance; however, the Coast Guard continues to evaluate all potential options while the SBA proceedings progress.³³ As a result, the Service may be unable to count the WCC construction against its small business set-aside requirement.

National Security Cutter (NSC)

The Legend-class National Security Cutter (NSC) is the most capable cutter in the Coast Guard's fleet, capable of executing challenging operations, including supporting maritime homeland security and defense missions. The Coast Guard's Program of Record (POR) originally called for eight NSCs to replace the Service's fleet of 12 high endurance cutters.³⁴ The NSCs were originally intended to operate in excess of 185 days per year to maximize operational capability, but based on crew and maintenance concerns, the Coast Guard now intends to operate the vessels for a maximum of 185 days per year.³⁵ Congress has funded 11 vessels. The tenth vessel is scheduled for delivery later this year.³⁶ As the NSC program winds down, that opportunity to acquire additional NSCs has likely been missed.

IV. COAST GUARD AIR ASSET ACQUISITION

MH-65 Replacement Program

The MH-65 currently makes up the majority of the Coast Guard's rotary-wing fleet, and the Service is the largest single operation of the platform in the world. However, in 2018 Airbus Helicopters announced it was ending production of the civilian variant of the MH-65, impacting the supply chain and resulting in shortages of critical parts for the fleet.³⁷ The Coast Guard is part of the Department of Defense's (DOD) Future Vertical Lift (FVL) program, which is expected to reach initial operating capability by the late 2030's and full operating capability by the late 2040's.³⁸ The Service Life Extension Program (SLEP) for the MH-65 will not be able to cover this gap, leaving the Coast Guard with a critical air capability shortage.³⁹

The Coast Guard intends to replace its existing fleet of MH-65s with MH-60s, a platform which the Service currently operates. Furthermore, the Coast Guard plans to replace them on a basis of flight-hour parity.⁴⁰ Due to the MH-60's higher endurance in comparison to the MH-65,

³³ Email from Earl Potter, Commander, United States Coast Guard, to Subcomm. on Coast Guard and Maritime Transp. Staff (May 30, 2023, 17:07 EST) (on file with Comm.).

³⁴ COAST GUARD ACQUISITION DIRECTORATE, *supra* note 8.

³⁵ UNITED STATES COAST GUARD, REPORT TO CONGRESS: ANALYZING COST AND PERFORMANCE FOR NATIONAL SECURITY CUTTER OPERATIONAL EMPLOYMENT (2023) (on file with Comm.).

³⁶ POLAR SECURITY CUTTER ACQUISITIONS, *supra* note 24.

³⁷ United States Coast Guard Briefing to Congress, Coast Guard Rotary-Wing Fleet Transition (January 24, 2023) (on file with Comm.) [hereinafter COAST GUARD ROTARY-WING BRIEFING].

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

the Coast Guard believes it can downsize its fleet without losing mission capability.⁴¹ There is considerable risk, however, that downsizing the fleet would dangerously limit the Coast Guard's ability to respond to simultaneous emergencies or mass causality events. At the same time, the introduction of a folding-tail design, used on the Navy's variant, which is needed to accommodate the larger aircraft on Coast Guard surface vessels, has the potential to introduce increased maintenance and operational challenges.⁴²

HC-130J Acquisition

The Coast Guard uses fixed wing assets to provide heavy air transport and long-range maritime patrol capability.⁴³ Each aircraft is capable of serving as an on-scene command and control platform or as a surveillance platform with the means to detect, classify and identify objects, and share that information with operational forces across multiple domains.⁴⁴

The Coast Guard is acquiring a fleet of 22 new, fully missionized HC-130J aircraft to replace its legacy HC-130Hs.⁴⁵ Advances in engine and propeller technology incorporated in the HC-130J provides a 20 percent increase in speed and altitude, and a 40 percent increase in range compared to the outgoing HC-130H platform.⁴⁶ This will increase the Coast Guard's ability to respond to emergencies, conduct long range search and rescue, and counter illicit operations. H.R. 2741, *The Coast Guard Authorization Act of 2023*, which passed out of the Committee on April 26, 2023, authorizes \$138,500,000 for the acquisition or procurement of one missionized HC-130J aircraft.⁴⁷

V. INFORMATION TECHNOLOGY (IT)

The Coast Guard requires enhancements to its shoreside and cyber infrastructure to facilitate new assets and more complex mission sets. Currently, limitations in existing physical and data infrastructure have hindered newer platforms from utilizing the full scope of their capabilities. H.R. 2741, *The Coast Guard Authorization Bill of 2023*, authorizes \$36,300,000 to modernize the Coast Guard's IT systems.⁴⁸ The bill also provides additional funds for the Coast Guard to update the Merchant Marine Credentialing System, which will improve recruitment and retention efforts for Merchant Mariners.⁴⁹

Investment in IT capabilities will also allow the Service to better support its members. On April 9, 2018, DOD announced its intent to partner with the Coast Guard to deploy its electronic

⁴¹ *Id.*

⁴² *Id.*

⁴³ UNITED STATES COAST GUARD, *Acquisitions Directorate, HC-130J Long Range Surveillance Aircraft*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Air-Programs/LRS-HC-130J/>.

⁴⁴ *Id.*

⁴⁵ United States Coast Guard Briefing to Congress, Quarterly Acquisition Briefing (Feb. 2023) (on file with Comm.).

⁴⁶ COAST GUARD CUTTER BRIEFING, *supra* note 32.

⁴⁷ *Coast Guard Authorization Act of 2023*, H.R. 2741, 118th Cong. (2023).

⁴⁸ *Id.*

⁴⁹ *Id.*

health record (EHR) capability across the Service’s clinics and sick bays.⁵⁰ On June 7, 2018, the Coast Guard and the Defense Health Agency (DHA), the agency responsible for the DOD’s health care system, signed an Inter-Agency Agreement that formally established the partnership to deploy MHS GENESIS.⁵¹ The Electronic Health Records Acquisition (EHRA) will modernize the Coast Guard’s health care data management by acquiring an EHR solution in place of its primarily paper-based health record system.⁵² Having an EHR capability will make patient record retrieval easier and faster, reduce administrative errors, and allow electronic information exchange with the DOD, the Department of Veterans’ Affairs, and commercial care providers.⁵³ The Coast Guard’s EHR program, once fully implemented, will service all Coast Guard clinics and sick bays — ashore and afloat.

In November of 2021, the Coast Guard deployed the MHS GENESIS electronic health records (EHR) system to 26 clinics and 48 ashore sickbays within the Coast Guard Atlantic Area, completing the first segment of EHR system implementation for the service. With Segment A now complete, a total of 43 ashore clinics and 67 ashore sick bays are using MHS GENESIS for EHR management. The Pacific wave was completed earlier this fall. The program will now move to the next segment of the deployment strategy, known as Segment B. Segment B includes modernization of the Coast Guard’s entire medical and dental radiology system. The Coast Guard is targeting completion for Segment B for early summer 2024. The final segment, Segment C, will extend an EHR capability to all afloat sickbays; that schedule is still being determined.⁵⁴

VI. SHORESIDE INFRASTRUCTURE

The Coast Guard owns or leases more than 20,000 shore facilities, such as piers, docks, boat stations, air stations, and housing units at more than 2,700 locations.⁵⁵ Coast Guard shoreside infrastructure is aging rapidly, with 40 percent of its buildings being 50 years or older.⁵⁶ These buildings and infrastructure are also exposed to harsh environments, with salt air, high winds, and water contributing to their corrosion.⁵⁷

The Coast Guard’s Office of Civil Engineering sets agency-wide civil engineering policy, which includes facility planning, design, construction, maintenance, and disposal of real

⁵⁰ UNITED STATES COAST GUARD, *Acquisitions Directorate, Electronic Health Records*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/C4ISR-Programs/Electronic-Health-Records-Acquisition/> [hereinafter ELECTRONIC HEALTH RECORDS DIRECTIVE].

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ UNITED STATES COAST GUARD, *Coast Guard launches electronic health records system in Atlantic Area*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Newsroom/Latest-Acquisition-News/Article/2838468/coast-guard-launches-electronic-health-records-system-in-atlantic-area/>.

⁵⁵ UNITED STATES GOV’T ACCOUNTABILITY OFF., GAO-19-82 COAST GUARD SHORE INFRASTRUCTURE, available at <https://www.gao.gov/assets/700/697012.pdf>.

⁵⁶ Mike Gooding, “USCG Commandant says infrastructure ‘antiquated’ and ‘crumbling,’” 13NEWSNOW, (Feb. 20, 2020), available at <https://www.13newsnow.com/article/news/national/military-news/uscg-commandant-says-infrastructure-antiquated-and-crumbling/291-80c90197-1e82-4ecd-92f7-c6a9b07f954a>.

⁵⁷ *Id.*

property.⁵⁸ The Service's Shore Infrastructure Logistics Center (SILC), established in 2009, is tasked with the management and coordination of infrastructure condition assessments via six regional Civil Engineering Units (CEUs), along with other divisions and offices, in addition to implementing shore infrastructure policies.⁵⁹ The condition of individual shore infrastructure assets is determined by CEU personnel and civil engineers in the field.⁶⁰ According to the Service, every facility is to be inspected by a CEU representative every three years.⁶¹

A 2019 GAO report stated that the Coast Guard has more than a \$2.6 billion backlog in deferred or overdue maintenance, repair, and recapitalization work for its shoreside infrastructure.⁶² Importantly, the Service estimates that when factoring in recapitalization projects for which it has not made cost estimates on, the recapitalization backlog likely exceeds \$3 billion.⁶³ The *2023 Coast Guard Authorization Act* authorizes \$400,000,000 for maintenance, construction, and repairs for Coast Guard shoreside infrastructure.⁶⁴

VII. WITNESSES

Vice Admiral Paul Thomas
Deputy Commandant for Mission Support
United States Coast Guard

Marie Mak
Director, Contracting and National Security
United States Government Accountability Office

⁵⁸ ELECTRONIC HEALTH RECORDS DIRECTIVE, *supra* note 50.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ COAST GUARD ROTARY-WING BRIEFING, *supra* note 37.