

WRITTEN TESTIMONY OF

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**BEFORE THE UNITED STATES HOUSE COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION****Coast Guard Major Acquisitions**

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Chairman Hunter, Ranking Member Garamendi, and Members of the Committee — thank you for the opportunity to appear before you today on such an important topic. The Navy League is grateful for your leadership in bringing this issue to the nation's attention.

It is an honor and a privilege to be here to today talk about the Coast Guard, our fifth armed service.

The Navy League is one of the few advocates that act on behalf of the Coast Guard. The Navy League was founded in 1902 with the encouragement of President Theodore Roosevelt, and since then has provided a powerful, nonpartisan voice for stronger sea services to Congress and to the American people. The Navy League has grown into the foremost citizens' organization to serve, support, and stand with all the sea services -- the U.S. Navy, Marine Corps, Coast Guard and U.S.-flag Merchant Marine. The Navy League comprises 40,000 civilians in more than 240 councils around the world, working to support sea service members and their families. The Navy League has three missions: to enhance the morale of active-duty personnel and their families; to inform Congress and the American public on the importance of strong sea services; and to support youth through programs that expose young people to the

values of our sea services. We appreciate the opportunity to fulfill our mission of advocacy before this committee.

The U.S. Coast Guard is a truly unique service, with military and civil responsibilities, and humanitarian missions that have accrued by Acts of Congress since the service's founding in 1790. This extraordinarily broad mission portfolio continues to serve the United States well. The Coast Guard provides a complementary and non-redundant portfolio of operations that furthers the nation's maritime presence worldwide. Since 9/11, the Coast Guard has seen its area of responsibility grow to 11 statutory missions, but its budget growth has not kept pace with this increase, failing to match mission demand or be adjusted for inflation.

The Coast Guard faces many familiar but daunting challenges in a world that continues to threaten America on our own shores. 2014 was a year of many operational successes, including responding to 7,508 search and rescue cases and saving more than 3,400 lives; and seizing 91 metric tons of cocaine and 49 metric tons of marijuana, and detaining 344 suspected drug smugglers. The Coast Guard interdicted 3,587 undocumented migrants attempting to illegally enter the United States and responded to approximately 8,905 reports of pollution incidents. In addition, the service conducted 8,688 security boardings of small vessels in and around U.S. ports, waterways, and coastal regions.

While these were significant accomplishments for the Coast Guard, the world around us is changing, especially in our own hemisphere and in the Arctic. These changes will place even more stress on the Coast Guard and increase the service's operational tempo, stretching limited and aging assets to the very limit.

The instability of nations within our own Western Hemisphere is increasing and transnational crime from drug and human trafficking has spiked to intolerable levels, resulting in soaring murder rates and social unrest.

International economics has had its own effect on the world economy as oil prices have plunged, benefitting many nations but causing hardships in others. Within the United States, the

“shale revolution” has been an absolute boon that has caused the U.S. to lead the world in oil and gas production; however, this has seen the transportation of these energy commodities increase ten-fold over the years. Increased traffic on the Mississippi may lead to accidents, back up, and other issues in maritime transportation.

In the Arctic, the Coast Guard must adapt its operations as well. The abundant natural resources there, combined with an unforgiving environment have made Alaska a focal point of the Coast Guard’s fisheries management and search-and-rescue activities. Receding ice is, in effect, creating a new ocean that needs American stewardship.

Cyber attacks are crimes that know no boundaries, and could cripple the world’s economy. The Coast Guard will have a role to play in this new domain as we face unexpected challenges. This necessitates a buildup of information technology assets and intelligence capability.

These areas of change require the attention of our fifth armed service. The Coast Guard will face increasing demands for its unique capabilities, but the service will not be properly equipped to meet these challenges unless we make serious investments now. We need the Coast Guard to dissuade criminal networks in the Western Hemisphere, to protect the flow of commerce on the seas and inland waterways, meet cyber threats to the maritime domain, and prepare for increased activity in the Arctic.

Admiral Papp, the previous commandant, has testified before this committee that the Coast Guard needs an acquisition budget of \$2.5 billion per year, so that the service can continue to protect those on the sea, protect the nation from threats delivered by the sea, and protect the sea itself. Unfortunately, the Administration continually requests an acquisition budget that hovers at, or below, \$1 billion per year, with Congress always providing badly-needed extra funding. Given the fiscal climate, the Navy League recommends a budget of at least \$1.5 billion per year to help the Coast Guard achieve its recapitalization goals. This committee’s Coast Guard Authorization Act of 2015 authorizes appropriations at a level the Navy League supports, at just over \$1.5 billion per year.

The administration's continual budget requests of \$1 billion or less for Acquisition, Construction and Improvements (AC&I) over recent years represents the bare minimum in funding for the Coast Guard to accomplish its missions. The Navy League notes with disappointment that this proposed funding level and its plan for zero personnel increases in fiscal year 2016 is totally unsatisfactory and strongly proposes a steady acquisition budget of at least \$1.5 billion in FY2016 and annually thereafter.

The highest AC&I priority for the Coast Guard is to lay the groundwork for construction of the Offshore Patrol Cutter (OPC), which will replace fourteen 210-foot and thirteen 270-foot medium-endurance cutters built in the 1960s and 1980s, respectively. The importance of the OPC cannot be overstated: it will function as the service's operational workhorse to carry out the Coast Guard's primary missions over the next four decades. Given the magnitude of an impending capability gap caused by the forced decommissionings of existing high-endurance and medium-endurance cutters, the Navy League believes Congress should fund the construction of two OPCs annually.

Facing more complex challenges and a growing demand signal, the Coast Guard will need Fast Response Cutters (FRCs), acquired at six a year. Achieving a balance of decommissioning old and ineffective assets and replacing them at just the right time with newer, more-effective ones is one of the Coast Guard's main goals. The Navy League supports this goal. In FY16, the Coast Guard will decommission two Island-class patrol boats constructed in the 1980s. They will be replaced by new and more capable FRCs.

The National Security Cutter (NSC) acquisition is an excellent success story; these cutters work well in far, off-shore regions. This year will continue construction on the final three NSCs. These are the most technologically advanced white-hull patrol cutters the Coast Guard has used, and they have served them well. The NSC provides better sea-keeping, higher sustained transit speeds, greater endurance and range, and an increased array of mission versatility, among other benefits.

On the aviation front, sustainment and conversion work on fixed- and rotary-wing legacy aircraft, and missionization of the HC-27J aircraft received from the Air Force are a priority. The Coast Guard will retire three HC-130Hs for use in the U.S. Forest Service and will begin using the first of 14 C-27J aircraft received from the U.S. Air Force. This intra-service transfer of aircraft is a true success story for the taxpayer; it saves money for the Air Force and the Coast Guard. The Coast Guard saved about half a billion dollars in acquisition costs, a significant piece of a small pie.

In the near future, the Coast Guard will need to make significant investments in its Unmanned Aircraft Systems (UAS). The Coast Guard is still in the research phase of determining what system requirements will best provide maritime domain awareness with extended deployment. This will be a significant part of the total force package for major cutters like the NSC and the OPC.

As fast-paced operations continue, the Coast Guard must be not only effective through near-flawless mission execution, it also must efficiently manage its existing assets and act as a good steward of taxpayers' investments. Some new assets will be coming online in FY16, but at the same time the Coast Guard will have just decommissioned many aging assets and reduced the number of personnel associated with them. The Navy League appreciates the necessity of being good stewards of the taxpayers' dollar, but remains concerned with the increasing capability gap caused by the rapid decommissioning of operational assets before replacements are available. This cost-driven strategy is not in the best interests of homeland security. The answer is new ships sooner; the old ones cannot be run effectively, and, in some cases, safely.

And the Coast Guard has been a good steward, receiving a clean audit, increasing competition for major acquisitions, and its acquisition team has won multiple federal awards. The Coast Guard still faces many of the same challenges that come with every major acquisition program, including increased costs. However, these increased costs have not been met with increased funds—meaning program delays, which in turn mean increased costs for in-service vessel sustainment. This diverts already-limited funds from acquisition, further exacerbating the funding shortfall.

Shore infrastructure repairs are estimated to cost \$1.4 billion, but the Coast Guard has only been given about \$40 million a year for this needed investment—the costs are increasing faster than the Coast Guard can pay, yet another devastating cycle.

The need for a new polar ice breaker deserves special consideration. Ecotourism, exploitation of natural resources, and exploration are all expected to increase in the Arctic. The Coast Guard must have a sustained presence there: Russia is planning to, with a fleet of more than twenty icebreakers. An independent Coast Guard analysis shows that the service would need three heavy and three medium ice breakers to fully meet the needs of the United States,--- including the six different agencies with interests in the polar regions. Our current fleet of one heavy and one medium polar icebreaker is not enough. Starting in FY2013, the service has received about \$9.6 million for preacquisition activities for the new icebreaker. The estimated cost is \$1 billion. We need to invest more — but we cannot allow this investment to disrupt other planned recapitalization. The top line of the acquisition budget must increase. The committee could also consider a special fund outside the normal AC&I budget for an icebreaker, similar to what the National Defense Authorization Act of FY2015 created for the National Sea-Based Strategic Deterrent Fund. The alternative to not funding a polar ice breaker soon is the U.S. abdication of Arctic influence and responsibility. The ability to provide select and emergency services, such as fuel deliveries to Barrow and to Nome, Alaska will be impossible.

All of the major decision makers — the Coast Guard, the Department of Homeland Security, the Office of Management and Budget, Congress — have agreed that the Coast Guard's recapitalization and modernization plan at current funding levels will be extremely challenging to execute. We recognize that the entire federal government is working within very strict fiscal constraints, but given the unique role the Coast Guard plays — saving American lives every day, safeguarding our national security and contributing to our economic prosperity by ensuring the free flow of commerce — we believe the service deserves special consideration. A minimum of \$1.5 billion in AC&I funding is the very lowest acquisition funding should go. The administration's consistent requests of around \$1 billion or below are simply unacceptable. In his "State of the United States Coast Guard" address, Commandant Paul Zukunft stated that the

Coast Guard has “lost nearly 40 percent of our acquisition budget over the last four years.” This pattern can no longer continue. The Coast Guard needs the assets it requests in its Capital Investment Plan at a rate that it can execute the acquisitions. The current budget request falls short of that goal.

Legacy Coast Guard assets have exceeded their planned lifespan. By the time the first OPC is begun, many legacy cutters will be over 55 years old --- well beyond their intended life spans. Cutters are routinely being sent to costly, emergency, dry docks for unscheduled maintenance. The legacy ships are, as the Congressional Research Service describes, “manpower-intensive and increasingly expensive to maintain, and have features that in some cases are not optimal for performing their assigned missions.” This is an unnecessary risk for the men and women who already put their lives on the line for us every day. We do not want to increase that risk unnecessarily due to artificially low budgets created by sequestration and the Budget Control Act.

The new assets coming online are a significant and necessary improvement. The estimated total cost of the NSC, OPC, FRC is \$21.1 billion. The FY16 budget requests about \$449.9 million for these three major programs. The full program of record, 91 new ships, will replace 90 legacy cutters, and with their improved durability, reliability, and capabilities, will make our already successful Coast Guard even more adept at fulfilling its many missions. The entire recapitalization will be complete by 2034.

The Navy League of the United States supports:

- An AC&I budget of \$1.5 billion or greater in FY 2016 and growing larger in future years
- Technical review and analysis of preliminary and contract design phase deliverables for the OPC project with an eye to future funding for at least two OPCs annually
- Continued funding sufficient to procure at least six FRCs annually
- Funding to support spare parts necessary to maintain operational availability of the HC-144A Maritime Patrol Aircraft
- Continued support including spare parts for the HC-130J Long-Range Surveillance Aircraft

- Funding for C-27J spare parts in addition to funding for a C-27J simulator and for continued activities of the HC-27J Asset Project Office
- Continued modernization and sustainment of the Coast Guard's fleet of HH-65 helicopters, converting them to MH-65 Short Range Recovery helicopters
- Significant funding and investment for pre-acquisition activities for one new polar icebreaker
- \$101.4 million for various critical shore projects

The Navy League would like to thank this Committee for its leadership, and thank Congress for being supportive of the Coast Guard in ensuring they have the resources they need. We must be as good of shipmates to them as they have been to every American.