

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

“Deepwater”

January 30, 2006

11:00 a.m.

Room 2167, Rayburn House Office Building

**Opening Statement of Chairman Elijah E. Cummings
on Deepwater Hearing**

Obviously, this is an ambitious agenda, and we begin today with a hearing on the Coast Guard’s Deepwater procurement program.

Deepwater is a program of procurements projected to cost \$24 billion and currently expected to take 25 years to complete. The procurements encompass the rehabilitation or new construction of 91 cutters, 124 small surface craft, and 244 new or converted aircraft, including both helicopters and fixed-wing airplanes.

This is the most complex procurement the Coast Guard has ever undertaken – and is made even more complex by the Coast Guard’s decision to employ a private-sector systems integrator team, comprised of Lockheed Martin and Northrop Grumman – rather than fulfilling that function with its own personnel.

Obviously, the Deepwater procurement process has had significant and highly publicized problems, including a failed effort to rehabilitate and modernize eight 110-foot legacy cutters and problems with the initial design of the Fast Response Cutter that required the design process to be halted.

The seriousness of the concerns about Deepwater have, however, now been raised to a whole new level.

The Department of Homeland Security's Office of the Inspector General (IG) has issued a report criticizing almost every aspect of the procurement of the National Security Cutter (the NSC) – the most expensive asset to be acquired under the Deepwater program.

The IG found that the NSC will likely not meet the performance standards specified by the Deepwater contract because its construction was guided by a flawed design.

The IG indicates that the senior leadership of the Coast Guard and of the Integrated Coast Guard Systems team was warned about the design flaws by numerous studies – including studies by the Coast Guard and the U.S. Navy –

yet refused to make design corrections or to slow the development of the cutter to respond to these concerns.

In other words, the DHS IG's report would suggest that the Coast Guard and its contractors have knowingly and willfully spent close to \$1 billion – a figure that is likely to rise – to build a flawed ship and that, as a result of this decision, the U.S. taxpayer is likely to now have to pay for repairs on brand new vessels – which may nonetheless still not serve their full anticipated service life.

The IG is unequivocal in stating that the design failures plaguing the NCS occurred specifically because the Coast Guard yielded too much authority for the NSC program to the ICGS. Further, the IG claims that the Coast Guard was resistant to its investigation – and that it has failed to

properly document the decisions taken during the development of the NSC.

This is one of the most troubling Inspector General reports I have read during my entire Congressional career.

The purpose of our hearing today is to understand the nature and causes of the problems that have been encountered in the Deepwater procurement program and to hear from the Coast Guard and from the two firms serving as the systems integrator, Northrop Grumman and Lockheed Martin, the specific steps that each party will be taking to correct this procurement process.

The DHS OIG's report – coupled with the previous failure of the 123-foot patrol boat – calls into serious question

whether we can trust the Coast Guard and its contractors to take the steps necessary to produce reliable assets that meet all quality standards.

Be sure that our Subcommittee will require accountability of the Coast Guard and of Northrop Grumman and Lockheed Martin. Our Subcommittee will not allow taxpayer money to continue to be wasted on failing projects.

I have read the testimony that our witnesses have provided.

I appreciate the detail of some of the testimony and hope that our witnesses will use this opportunity to begin to respond to the findings of the Homeland Security Department's Inspector General.

If the IG's findings are accurate, they demand that fundamental changes be implemented in the Deepwater procurement. In particular, they suggest that the Coast Guard must quickly move to hold the contractors implementing Deepwater to higher technical standards. I look forward to hearing from each of today's witnesses the specific corrective actions that will be taken going forward to establish systems capable of producing effective designs and managing reliable production processes for every asset to be rehabilitated or constructed through Deepwater.

As I previously said to Admiral Allen, it is also particularly important that the Coast Guard demonstrate it is capable of exercising effective control over Deepwater.

Ultimate responsibility for this procurement – and for the procurement model under implementation – rests with the Coast Guard and I look forward to hearing how the Coast Guard will meet this responsibility.