

**Statement of
The Honorable Elijah E. Cummings, Chairman
Subcommittee on the Coast Guard and Maritime Transportation
Hearing on
“Overview of Coast Guard Acquisition Policies and Programs”
March 24, 2009**

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 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.