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HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

STATEMENT OF  
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BEFORE THE  
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE  
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION  
HEARING ON  
COAST GUARD READINESS: EXAMINING CUTTER, AIRCRAFT, AND  
COMMUNICATIONS NEEDS  
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Chairman Hunter, Ranking Member Garamendi, distinguished members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Coast Guard's FY2014 Five Year Capital Investment Plan (CIP) and Coast Guard acquisition programs.

## Overview of Funding Levels in FY2014 Five Year CIP

The Coast Guard's FY2014 Five Year (FY2014-FY2018) CIP includes a total of about \$5.1 billion in acquisition funding, which is about \$2.5 billion, or about 33%, less than the total of about \$7.6 billion that was included in the Coast Guard's FY2013 Five Year (FY2013-FY2017) CIP. (In the four common years of the two plans—FY2014-FY2017—the reduction in funding from the FY2013 CIP to the FY2014 CIP is about \$2.3 billion, or about 37%.) This is one of the largest percentage reductions in funding that I have seen a five-year acquisition account experience from one year to the next in many years.

About twenty years ago, in the early 1990s, Department of Defense (DOD) five-year procurement plans were reduced sharply in response to the end of the Cold War—a large-scale change in the strategic environment that led to a significant reduction in estimated future missions for U.S. military forces. In contrast to that situation, there has been no change in the Coast Guard's strategic environment since last year that would suggest a significant reduction in estimated future missions for the Coast Guard.

One factor that has changed for the Coast Guard since last year is the emergence of a possibility for transferring newly built Air Force C-27 transport aircraft to the Coast Guard. The possible transfer of these aircraft, which the Air Force has judged to be excess to its needs, is addressed by Section 1091 of the FY2013 National Defense Authorization Act (H.R. 4310/P.L. 112-239 of January 2, 2013), which sets forth conditions for transferring certain excess DOD aircraft to the Forest Service and Coast Guard.

C-27s transferred to the Coast Guard could be used by the Coast Guard as Medium Range Surveillance (MRS) aircraft, obviating the need for the Coast Guard to procure new HC-144A aircraft for this role. The Coast Guard has testified this year that it would need to receive at least 14 of the Air Force's 21 C-27s for the transfer to make economic sense for the Coast Guard, since 14 is the minimum number that the Coast Guard would need to equip multiple Coast Guard air stations.<sup>1</sup> If the Coast Guard were to receive 14 or more of the C-27s, the Coast Guard could stop HC-144A procurement at the current total of 18, and forego procuring the 18 additional HC-144As that the Coast Guard had planned to acquire.

Whether the Coast Guard will receive at least 14 of the C-27s is not clear—the terms of Section 1091 of H.R. 4310/P.L. 112-239 do not appear to guarantee this outcome. The Coast Guard's FY2014 CIP, however, appears to bank on this outcome by almost zeroing out funding for the HC-144A program: The FY2014 CIP includes \$36 million for the HC-144A program—\$887 million, or 96%, less than the \$923 million that was included for the program in the FY2013 CIP. (The reduction in HC-144A funding in the four common years of FY2014-FY2017 was \$844 million, or once again 96%.)

Setting aside the \$887 million reduction in HC-144A funding, the remaining reduction in the FY2014 CIP's total funding compared to the total funding level in the FY2013 CIP becomes about \$1.6 billion—a reduction of about 22% from the level in the FY2013 CIP. (In the four common years of the two plans, the other-than-HC-144A reduction is \$1.5 billion, or about 23%.) This percentage reduction, though smaller than the 33% figure (37% in the four common years) cited above, is still quite large in the absence of a large-scale reduction in the Coast Guard's estimated future missions. The other-than-HC-144A funding reduction of \$1.6 billion would be enough to procure roughly one and a half polar icebreakers, or two National Security Cutters (NSCs), or a few Offshore Patrol Cutters (OPCs), or more than two dozen Fast Response Cutters (FRCs).

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<sup>1</sup> See, for example, the remarks of Admiral Robert Papp, the Commandant of the Coast Guard, before this subcommittee on April 16, 2013.

The FY2014 CIP averages about \$1.02 billion per year, compared about \$1.53 billion per year under the FY2013 CIP. A Coast Guard acquisition funding level of about \$1 billion per year would likely require the Coast Guard to reduce annual procurement rates of new platforms, such as FRCs or OPCs, below rates that previous Coast Guard plans have anticipated. Reduced procurement rates would increase unit procurement costs, lengthen the time needed for new cutters to replace old ones (and thus the time needed to achieve desired improvements in Coast Guard mission capabilities and capacity), and possibly compel the Coast Guard to continue operating existing aged cutters even longer than now planned, which could lead to increased cutter operation and support costs, potentially leaving still less funding available for procuring new platforms. If Coast Guard acquisition funding were to continue at about \$1 billion per year, the likely eventual result would be a smaller and/or older Coast Guard with less mission capability and capacity than called for in the Coast Guard's program of record (POR).

In this sense, the FY2014 CIP raises a fundamental question for Congress about the Coast Guard's ability to recapitalize its assets in a timely manner and adequately perform its statutory missions in coming years. The large change in the FY2014 CIP compared to the FY2013 CIP raises an additional potential oversight question for Congress concerning year-to-year stability of Department of Homeland Security (DHS) budget planning and the reliability of DHS budget projections for future fiscal years.

**Table 1** shows percentage changes in funding in the FY2014 CIP compared to the FY2013 CIP. As shown in the table, compared to the FY2013 CIP, the FY2014 CIP reduces funding for all categories, particularly aircraft (in large part because of the reduction to the HC-144A program) and Shore and ATON (aids to navigation). In terms of individual line items, the FY2014 CIP increases funding for the NSC program (to acquire NSCs 7 and 8), the Unmanned Aircraft System (UAS) program, and C4ISR<sup>2</sup> systems, while reducing funding, in some cases quite deeply, for several other line items, including In-Service Vessel Sustainment, the FRC program, the polar icebreaker, the HC-144A program (in apparent anticipation of the C-27 transfer), the HH-65 Conversion/Sustainment program, the CH-130H/J program, the line item for Major Shore, Military Housing ATON and S&D (survey and design) projects, and Major Acquisition Systems Infrastructure.

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<sup>2</sup> C4ISR is command and control, communications, computers, intelligence, surveillance, and reconnaissance.

**Table 1. FY2014 CIP: Percentage Changes in Funding Compared to FY2013 CIP**

Figures rounded to nearest percent

<b>Funding category or line item</b>	<b>Percentage change in 5-year funding (FY2014-FY2018 compared to FY2013-FY2017)</b>	<b>Percentage change in 4 common years of FY2014-FY2017</b>
<b>Funding category</b>		
Vessels	-15%	-14%
Aircraft	-81%	-83%
Other	-14%	-18%
Shore and ATON	-72%	-76%
Personnel and Management	-3%	-4%
<b>TOTAL</b>	<b>-33%</b>	<b>-37%</b>
<b>Selected procurement/sustainment line items (those with larger annual funding amounts)</b>		
<b>Vessels</b>		
In-Service Vessel Sustainment	-16%	-35%
NSC	+106%	+\$1.364 billion (see notes)
OPC	+47%	no change
FRC	-67%	-72%
Polar icebreaker	-73%	-85%
<b>Aircraft</b>		
MPA (HC-144A)	-96%	-96%
HH-65 Conversion/Sustainment	-21%	-21%
LRS (C-130H/J)	-86%	-89%
Unmanned Aircraft System (UAS)	+100%	+100%
<b>Other</b>		
C4ISR	+17%	+15%
<b>Shore and ATON</b>		
Major Shore, Military Housing ATON and S&D	-70%	-76%
Major Acquisition Systems Infrastructure	-78%	-81%

**Source:** Table prepared by CRS based on FY2013 and FY2014 CIPs.**Notes:** **ATON** is aids to navigation. The increase for the NSC in the 4 common years is shown as a dollar increase rather than a percentage increase because the 4-year dollar total under the FY2013 CIP was zero, and dividing by zero gives an undefined answer for percentage change.

## Program of Record Force Relative To Future Coast Guard Missions

In assessing the operational implications of a future Coast Guard with less mission capability and capacity than called for in the Coast Guard POR, it can be noted, as a starting point, that the POR force itself falls considerably short of the force of cutters and aircraft that the Coast Guard has calculated would be needed to fully perform the Coast Guard's statutory missions in coming years. For example, the Coast Guard has calculated that fully performing its missions in coming years would require 9 NSCs, 49 OPCs, and 91

FRCs (149 cutters in total), or about 64% more than the 8 NSCs, 25 OPCs, and 58 FRCs (91 cutters in total) that are included in the POR force. Although the POR force would have considerably more mission capability and capacity than the Coast Guard's legacy force, the Coast Guard has estimated that the POR force would nevertheless have capability or capacity gaps for performing six of the Coast Guard's 11 statutory missions in coming years—search and rescue; defense readiness; counter-drug operations; ports, waterways, and coastal security; protection of living marine resources; and alien migrant interdiction operations. The Coast Guard has judged that some of these mission performance gaps would be “high risk” or “very high risk.” The mission performance gaps of the POR force, which have not been emphasized in public discussions of Coast Guard planning and budgeting, are discussed in some detail in the CRS report on Coast Guard cutter procurement.<sup>3</sup> If limits on Coast Guard acquisition funding lead to a future Coast Guard with fewer and/or older platforms than called for under the POR, the mission performance gaps noted above will be greater still.

## How Much Acquisition Funding Should the Coast Guard Receive Each Year?

Although the annual amounts of acquisition funding that the Coast Guard has received in recent years are one potential guide to what Coast Guard acquisition funding levels might or should be in coming years, it is not clear that they should be the sole guide, since other potential guides are conceivable. Nor is it clear that past annual amounts of acquisition funding would be the most appropriate guide, since the Coast Guard has entered a period during which it is seeking to replace multiple classes of assets that in past budget years were not yet in need of replacement. A reliance on past funding levels as the sole guide to future funding levels could short-circuit the policymaking process, limit options available to congressional and executive branch policymakers, and hamper the ability of congressional and executive branch policymakers to alter the composition of federal spending over time to meet changing federal needs.

In seeking other potential guides for determining how much acquisition funding the Coast Guard should receive each year, comparisons with procurement funding levels for the nation's other maritime military service—the Navy—are potentially illuminating, particularly in terms of assessing whether Coast Guard funding for acquisition is appropriately sized in relation to other parts of the Coast Guard's budget and Coast Guard end strength. In comparing the Coast Guard's budget to the Navy's budget, some initial observations that might be made include the following:

- In the FY2014 budget for the Department of the Navy (DoN), which includes the Navy and Marine Corps, funding for procurement (about \$43.5 billion) is about 39% as large as all other DoN funding (about \$112.3 billion). If the same 39% figure were applied to the Coast Guard's Acquisition, Construction, and Improvements (AC&I) account, the AC&I account for FY2014 would be about \$3.4 billion, or more than three times the average of \$1.02 billion per year under the FY2014 CIP.
- If per capita Coast Guard acquisition funding (i.e., acquisition funding per uniformed person) were set equal to per capita DoN procurement funding under the FY2014 budget, then the Coast Guard's AC&I account for FY2014 would be about \$3.5 billion.
- If per capita Coast Guard acquisition funding for vessels were set equal to per capita Navy shipbuilding funding in the FY2014 budget, then the vessels portion of the Coast Guard's AC&I account would be about \$1.8 billion, or more than twice the average of about \$731 million per year for vessels under the FY2014 CIP.

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<sup>3</sup> See the section entitled “Adequacy of Planned NSC, OPC, and FRC Procurement Quantities” in CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

- If per capita Coast Guard acquisition funding for aircraft were set equal to per capita DoN aircraft procurement funding, then the aircraft portion of the Coast Guard's AC&I account would be about \$1.5 billion, or more than 20 times the average of about \$64 million per year for aircraft under the FY2014 CIP.

DoN performs a set of missions different from that of the Coast Guard. Consequently, DoN's procurement portfolio includes certain items that are not included in the Coast Guard's acquisition portfolio, such as nuclear-powered submarines and aircraft carriers, amphibious ships and craft, high-performance tactical aircraft, complex ship and aircraft combat systems, and sophisticated missiles. Conversely, the Coast Guard's acquisition portfolio includes certain items that are not included in DoN's procurement portfolio, including polar and Great Lakes icebreakers, seagoing and coastal buoy tenders, and numerous patrol boats, rescue craft, and inland waterway craft. The implied funding figures in the above bullets might be discounted to take into account the higher-cost items in the Navy's procurement account that are not present in the Coast Guard's acquisition portfolio.

If, for example, the implied funding figures of \$3.5 billion, \$1.8 billion, and \$1.5 billion, respectively, in the second, third, and fourth bullets above were discounted by one-third or one-half (an arbitrary discounting range that is used here simply for illustrative purposes), then the implied funding figure for the Coast Guard's AC&I account would become roughly \$1.75 billion to \$2.3 billion, the implied funding figure for the vessels portion of the AC&I account would become roughly \$900 million to \$1.2 billion, and the implied funding figure for the aircraft portion of the AC&I account would become roughly \$750 million to \$1 billion.

One might argue that whatever the discounting factor used for the implied funding figures in the second, third, and fourth bullets, the \$3.4 billion implied funding figure in the first bullet might not need to be discounted as deeply, because the items in DoN's procurement portfolio that cost more to procure also frequently cost more to operate and support, which drives up the \$112.3 billion figure for non-procurement funding that is used to calculate the 39% figure on which the \$3.4 billion figure in the first bullet is based. Comparisons of the DoN and Coast Guard budgets present many apples-vs.-oranges issues, but may nevertheless be of value in providing one cross check in assessing whether Coast Guard funding for acquisition is appropriately sized in relation to other parts of the Coast Guard's budget and Coast Guard end strength.

The Coast Guard on occasion has offered its own views on how much acquisition funding would be needed each year to recapitalize the Coast Guard's assets on a timely basis. At an October 4, 2011, hearing before this subcommittee, for example, Admiral Robert Papp, the Commandant of the Coast Guard, stated:

If you look at our complete portfolio, the things that we'd like to do, when you look at the shore infrastructure that needs to be taken care of, when you look at renovating our smaller icebreakers and other ships and aircraft that we have, we've done some rough estimates that it would really take close to about \$2.5 billion a year, if we were to do all the things that we would like to do to sustain our capital plant."<sup>4</sup>

At a May 9, 2012, hearing before the Homeland Security subcommittee of the Senate Appropriations Committee, Admiral Papp stated: "I've gone on record saying that I think the Coast Guard needs closer to \$2 billion dollars a year [in acquisition funding] to recapitalize—[to] do proper recapitalization."<sup>5</sup>

An April 18, 2012, blog entry stated:

If the Coast Guard capital expenditure budget remains unchanged at less than \$1.5 billion annually in the coming years, it will result in a service in possession of only 70 percent of the assets it possesses today, said Coast Guard Rear Adm. Mark Butt.

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<sup>4</sup> Transcript of hearing.

<sup>5</sup> Transcript of hearing.

Butt, who spoke April 17 [2012] at [a] panel [discussion] during the Navy League Sea Air Space conference in National Harbor, Md., echoed Coast Guard Commandant Robert Papp in stating that the service really needs around \$2.5 billion annually for procurement.<sup>6</sup>

At a May 14, 2013, hearing before the Homeland Security subcommittee of the Senate Appropriations Committee, Admiral Papp stated that an acquisition funding level of \$1 billion per year “almost creates a death spiral for the Coast Guard....”<sup>7</sup>

## **Multiyear Procurement (MYP) and Block Buy Contracting As Options For Reducing Coast Guard Acquisition Costs**

The Navy makes substantial use of multiyear procurement (MYP) and block buy contracting to reduce ship and aircraft procurement costs. Indeed, the Navy now uses these two forms of multiyear contracting for all three of its year-to-year ship procurement programs (the Virginia class submarine program, the DDG-51 destroyer program, and Littoral Combat Ship [LCS] program). The Navy also uses or has recently used MYP for a number of its aircraft procurement programs, including F/A-18E/F strike fighters and EA-18G electronic attack aircraft, V-22 tilt rotor aircraft, E-2C airborne early warning aircraft, and H-60 helicopter variants. Compared with estimated costs under annual contracting, estimated savings for DOD programs being proposed for MYP have ranged from less than 5% to more than 15%, depending on the particulars of the program in question, with many estimates falling in the range of 5% to 10%. Potential savings under block buy contracting can be less than those under MYP, but can still amount to several percent.

MYP and block buy contracting are discussed in detail in a CRS report.<sup>8</sup> There are various factors to weigh in considering whether to use MYP or block buy contracting in an acquisition program, including some potential reasons for not using them, and the statute that governs MYP (10 U.S.C. 2306b) sets forth specific requirements that a program must meet to qualify for MYP. Use of MYP or block buy contracting must be approved in each instance by Congress.

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<sup>6</sup> David Perera, “The Coast Guard Is Shrinking,” *FierceHomelandSecurity.com*, April 18, 2012, accessed June 19, 2013, at <http://www.fiercehomelandsecurity.com/story/coast-guard-shrinking/2012-04-18>.

<sup>7</sup> When asked to discuss the difference in Coast Guard acquisition funding under the Coast Guard’s proposed FY2014 budget compared to the level of funding in the FY2013 budget, he stated:

Well, Madam Chairman, [the difference of] \$500 million—a half a billion dollars—is real money for the Coast Guard. So, clearly, we had \$1.5 billion in the '13 budget. It doesn't get everything I would like, but it—it gave us a good start, and it sustained a number of projects that are very important to us.

When we go down to the \$1 billion level this year, it gets my highest priorities in there, but we have to either terminate or reduce to minimum order quantities for all the other projects that we have going.

If we're going to stay with our program of record, things that have been documented that we need for our service, we're going to have to just stretch everything out to the right. And when we do that, you cannot order in economic order quantities. It defers the purchase. Ship builders, aircraft companies—they have to figure in their costs, and it inevitably raises the cost when you're ordering them in smaller quantities and pushing it off to the right.

Plus, it almost creates a death spiral for the Coast Guard because we are forced to sustain older assets—older ships and older aircraft—which ultimately cost us more money, so it eats into our operating funds, as well, as we try to sustain these older things.

So, we'll do the best we can within the budget. And the president and the secretary have addressed my highest priorities, and we'll just continue to go on the—on an annual basis seeing what we can wedge into the budget to keep the other projects going.

(Transcript of hearing.)

<sup>8</sup> CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke and Moshe Schwartz.



10 U.S.C. 2306b makes MYP available with congressional approval not only to DOD, but to other government departments, including DHS, the parent department of the Coast Guard.<sup>9</sup> Similarly, Congress could grant the Coast Guard the authority to use block buy contracting for specific ship or aircraft acquisition programs, just as Congress granted the Navy the authority to use block buy contracting for the first four Virginia class submarines and for ships 5 through 24 in the LCS program.

Although MYP is explicitly available to the Coast Guard through 10 U.S.C. 2306b and block buy contracting is implicitly available to the Coast Guard through the example of the Virginia class submarine and LCS programs, the Coast Guard is not using MYP or block buy contracting for any of its ship or aircraft acquisition programs. (The Coast Guard does use contracts with options, but such contracts are not the same as MYP or block buy contracts and do not offer the types of savings possible with MYP and block buy contracts.) The difference between the Navy's substantial use of MYP and block buy contracting and the Coast Guard's non-use of these contracting mechanisms is striking. The non-use of MYP and block buy contracting for Coast Guard acquisition programs in past years may in some cases represent lost opportunities for reducing Coast Guard acquisition costs.

Current Coast Guard acquisition programs that might be considered candidates for MYP or block buy contracting include but are not necessarily limited to the NSC program (an MYP contract for NSCs 7 and 8), the OPC program (block buy contracting at first, followed by MYP), and the FRC program (MYP). If the polar icebreaker program were expanded to include a second new ship, it could become a potential candidate for block buy contracting. A May 10, 2013, press report quotes Michael Petters, the CEO of Huntington Ingalls Industries (the builder of NSCs), as stating:

We basically have proposed that if we really want to save some money, we should do multiyears [i.e., an MYP contract] on [the] National Security Cutter. We've not had any commitment to that from the Congress, and so those [contracts] are one ship at a time.<sup>10</sup>

## Cutter Acquisition Programs

### National Security Cutter

The FY2013 CIP did not include funding for acquiring NSCs 7 and 8. The FY2014 CIP reinstates funding for acquiring the two ships in FY2014 and FY2015. Although the FY2014 CIP includes full funding for NSC 8 in FY2015, it does not include any funding in FY2014 for procurement of long lead time materials (LLTM) for NSC 8. Providing this funding—which might amount to about \$77 million, based on the amount of LLTM funding provided in FY2012 for NSC 6—would improve the construction sequence for NSC 8 and thereby reduce its total acquisition cost by \$30 million to \$35 million, the Coast Guard estimates.<sup>11</sup> As noted above, acquisition costs for NSCs 7 and 8 might be further reduced by using an MYP contract for NSCs 7 and 8.

### Offshore Patrol Cutter

Compared to the FY2013 CIP, the FY2014 CIP in effect shifts \$25 million in OPC acquisition funding from FY2014 to FY2015. The Coast Guard states that this change in the funding profile reflects a refined estimate of the cost of the work to be done on the OPC program in FY2014 and FY2015, and does not change the program's schedule.<sup>12</sup>

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<sup>9</sup> 10 U.S.C. 2306b(b)(2)(B).

<sup>10</sup> Michael Fabey, "HII: U.S. Non-Nuclear Shipbuilding Facing More Uncertainty Than Nuclear," *Aerospace Daily & Defense Report*, May 10, 2013: 4.

<sup>11</sup> Source: Coast Guard briefing to CRS, June 14, 2013.

<sup>12</sup> Source: Coast Guard briefing to CRS, June 14, 2013.

The Coast Guard wants to procure OPCs at an eventual rate of two per year. If the Coast Guard's AC&I account is funded at about \$1 billion per year in coming years, the Coast Guard may find it difficult to do that while adequately funding other acquisition priorities. To help visualize the potential challenge of funding two OPCs per year in a \$1 billion AC&I account while also adequately funding other acquisition priorities, it can be noted that since OPCs are to cost, very roughly, half as much as an NSC, a \$1 billion AC&I account that includes funding for two OPCs would be broadly similar, in terms of funding available for acquisition priorities other than major cutters, to the proposed FY2014 AC&I account, which totals \$951 million and includes \$616 million in funding for one NSC, leaving \$335 million for all other acquisition priorities.

As the Coast Guard has testified, if constraints on Coast Guard acquisition funding limit OPC procurement to one ship per year, the first OPC would eventually undergo its mid-life overhaul before the last one is built.<sup>13</sup> The Coast Guard might attempt to compensate for a slowed buildup in OPC numbers by further extending the service lives of its 210-foot medium endurance cutters, but even with such life extensions, the Coast Guard's major cutter force could still fall short of the POR force in terms of mission capability and capacity.<sup>14</sup> Acquiring OPCs at a rate of one per year rather than two per year would also increase OPC unit procurement costs: A general rule of thumb for procurement of U.S. Navy ships is that reducing the annual procurement rate by half will increase unit procurement cost by about 10%.<sup>15</sup>

As noted earlier, OPC acquisition costs might be reduced by using block buy contracting for the first several ships, followed by MYP contracting for subsequent ships in the program. The combined effect of annual procurement rate and contracting strategy could make a substantial difference in OPC unit procurement costs: Based on the 10% figure above relating to annual procurement rates and the figures provided earlier for the potential savings from using MYP or block buy contracting, OPCs procured at a rate of two per year under an MYP or block buy contract might have a unit procurement cost roughly 15% to 20% less than that of OPCs procured at a rate of one per year without use of MYP or block buy contracting.

## Fast Response Cutter

FRCs in recent years have been procured at a rate of 4 to 6 ships per year, which is consistent with the Coast Guard's contract with Bollinger Shipyards for building FRCs, which includes annual options for building 4 to 6 FRCs per year through FY2014. The FY2014 CIP reduces the FRC procurement rate to two ships per year. As many observers have noted this year, procuring fewer rather than more FRCs per year increases FRC unit procurement costs and lengthens the time needed to achieve a patrol craft force capable of supporting desired levels of operational hours per year. Reducing the FRC procurement rate to less than four per year in FY2014 would require renegotiating the final year of the FRC contract with Bollinger. The Coast Guard might attempt to compensate for a slowed buildup in FRC numbers by further extending the service lives of its 110-foot patrol craft, but even with such life extensions, the Coast Guard's patrol craft force could still fall short of the POR force in terms of mission capability and capacity.<sup>16</sup> As noted earlier, FRC acquisition costs might be reduced by shifting to MYP contracting.

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<sup>13</sup> See Admiral Papp's May 14, 2013, testimony to the Homeland Security subcommittee of the Senate Appropriations Committee.

<sup>14</sup> Source: Coast Guard briefing to CRS, June 14, 2013.

<sup>15</sup> Mark V. Arena, et al, *Why Has the Cost of Navy Ships Risen? A Macroscopic Examination of the Trends in U.S. Naval Ship Costs Over the Past Several Decades*, Santa Monica (CA), RAND Corporation, 2006, p. 45. (Report MG-484)

<sup>16</sup> Source: Coast Guard briefing to CRS, June 14, 2013.

## Polar Icebreaker

The FY2013 CIP included a total of \$860 million for a new polar icebreaker. The FY2014 CIP includes a total of \$230 million—a reduction of \$630 million, or 73%. (The reduction in the 4 common years of the two plans is \$722 million, or 85%.) The FY2013 CIP included \$120 million for the ship in FY2014; the FY2014 CIP reduces that to \$2 million—a reduction of \$118 million, or 98%. The Coast Guard states that these funding reductions do not materially change the schedule for acquiring the ship, for two reasons. First, the prohibition on new program starts that was in place under the continuing resolution (CR) that funded government operations from October 1, 2012, until March 26, 2013 (H.J.Res 117/P.L. 112-175 of September 28, 2012) will prevent the Coast Guard from fully using the \$8 million in FY2013 funding that was provided for the program, permitting the unused portion to be carried over into FY2014. This carried-over funding, combined with the \$2 million requested for FY2014, will be enough, the Coast Guard states, to fund FY2014 activities for the program. Second, and more generally, the Coast Guard states that it now has a more fully developed understanding of the schedule for the polar icebreaker project and that much of the funding for the ship included in the FY2013 CIP can now be viewed, in retrospect, as having been put into the plan ahead of need.<sup>17</sup>

As discussed in some detail in the CRS report on Coast Guard polar icebreaker modernization, studies on Coast Guard requirements for polar icebreakers have concluded that there are mission needs for multiple heavy polar icebreakers.<sup>18</sup> As noted earlier, if the polar icebreaker program were expanded to include a second new ship, the cost of the two ships might be reduced through use of block buy contracting.

## Potential Options for Congress

Potential options for Congress arising from this discussion include the following:

- requesting information from the Coast Guard on the impact on funding for other programs in the CIP if 14 or more C-27s are not transferred to the Coast Guard and funding for continued HC-144A procurement consequently needs to be put back into the CIP;<sup>19</sup>
- directing the Coast Guard to provide 20-year projections of vessel and aircraft force levels by ship class and aircraft type, and resulting mission capabilities and capacities, if the Coast Guard's AC&I account continued to be funded, in FY2013 dollars, at levels of \$1 billion per year, \$1.5 billion per year, \$2 billion per year, and \$2.5 billion per year;
- encouraging or directing DHS to program a certain minimum amount of funding each year into the AC&I account in the budget before the Congress and in the accompanying Five Year CIP;
- providing the Coast Guard with greater autonomy from DHS in determining the funding level for the AC&I account in the budget before the Congress and in the accompanying Five Year CIP;
- encouraging or directing DHS and the Coast Guard to use MYP and block buy contracting in Coast Guard ship and aircraft acquisition programs where appropriate, and to seek Navy technical assistance if necessary to facilitate this; and

<sup>17</sup> Source: Coast Guard briefing to CRS, June 14, 2013.

<sup>18</sup> See CRS Report RL34391, *Coast Guard Polar Icebreaker Modernization: Background and Issues for Congress*, by Ronald O'Rourke.

<sup>19</sup> As a related option, Congress might also request information from the Coast Guard on the impact, if any, on unit procurement costs for the 19<sup>th</sup> and subsequent HC-144As of breaking the HC-144A production learning curve after the 18<sup>th</sup> aircraft—that is, of stopping HC-144A procurement after the 18<sup>th</sup> aircraft and then restarting HC-144A procurement at a later point.

- reducing the Coast Guard's statutory missions to narrow the future potential gap between Coast Guard mission requirements and projected Coast Guard capability and capacity for performing those missions.

Regarding the final option above, if the Coast Guard's statutory missions are reduced, a follow-on issue would be whether the missions no longer assigned to the Coast Guard would be transferred to another agency, or simply not performed. If they are transferred to another agency, the question might then become whether that agency would have sufficient resources to perform the newly assigned missions, and if so, whether the agency could perform them more cost effectively than the Coast Guard. If the missions no longer assigned to the Coast Guard are simply not performed, the question might then become what the impact the non-performance of those missions might have on public safety, the economy, natural resources and the environment, and national security. Discussion of questions like these would underscore a point made earlier in this statement—that the FY2014 CIP raises a fundamental question for Congress about the Coast Guard's ability to recapitalize its assets in a timely manner and adequately perform its statutory missions in coming years.

Mr. Chairman, this concludes my statement. Thank you again for the opportunity to testify, and I look forward to the subcommittee's questions.