

U. S. Department of
Homeland Security

United States
Coast Guard



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**TESTIMONY OF
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ON

**“COAST GUARD MODERNIZATION AND RECAPITALIZATION: STATUS AND FUTURE”
BEFORE THE
HOUSE COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE**

SEPTEMBER 26, 2018

Introduction

Good afternoon, distinguished members of the subcommittee. It is an honor and a privilege to appear before you today. Thank you for the opportunity to address this subcommittee for my first time as the 26th Commandant of the United States Coast Guard. I look forward to working with you over the next four years to ensure that the Coast Guard remains *Always Ready* to meet the maritime needs of our great nation.

Our country is facing an increasingly complex global maritime environment, driving a demand for Coast Guard services that I feel has never been greater. As Commandant, I intend to leverage the Coast Guard's broad authorities, capabilities, and partnerships to safeguard the American people, promote economic prosperity, and advance our national interests. Our unique position within the Department of Homeland Security (DHS), and our enduring operations with the Department of Defense (DoD), enables us to leverage our specialized capabilities and drive domestic and international maritime cooperation, build stakeholder capacity, and exert influence at home and abroad. To that end, I am steadfastly committed to delivering a *mission ready total workforce* that can identify complicated risks, quickly adapt to change, and thrive in both steady state operations and crisis response. At the core of this effort are the women and men of the Coast Guard. Our Active Duty, Reserve, Civilian, and Auxiliary members are the key to our Service's success and their readiness is my top priority.

In the coming months, I will finalize my vision to move the Service forward over the next four years - The U.S. Coast Guard Strategic Plan 2018-2022 - and I look forward to sharing that with you once it is complete. However, as we map out our future, it is important to assess where we have been. To borrow a nautical metaphor, only after we “take a fix” to establish our current position can we chart a proper course to reach our intended destination. In that spirit, over the past several months my leadership team and I examined the transformative changes that have taken place within the Coast Guard -known as “Modernization” - in the recent past.

Coast Guard Modernization

Coast Guard Modernization involved more than simply retooling the Service's organizational structure or upgrading its assets or equipment. Modernization fundamentally altered the Coast Guard's way of doing business across the Service, for every mission, at every level.

Prior to Modernization, geographically separate Coast Guard units operated largely independent of each other and did not have cohesive, uniform business processes. Even Areas and Districts tended to establish region-specific policies, systems, and standards, and relied on nonstandard equipment. As the Coast Guard's portfolio of responsibilities steadily increased, a patchwork of region-specific and program-specific responsibilities made it difficult to manage the Service's business processes - policy, logistics, acquisitions, finance, human capital - in a standardized way.

Recognizing the critical need for change, Coast Guard leaders developed plans to modernize the Service. Those plans were grounded in a number of principles and priorities, including: *centralization* of operational policy at the strategic level; *unity of effort* across mission programs and with stakeholders; an emphasis on *standardization* of systems, equipment, and processes in mission support; robust business practices linking strategy to resource allocation; *systems thinking* to include improved *financial management* and *acquisition processes*; all of which enabled *transparency* with internal and external stakeholders; and smarter use of - and better support for - our *Coast Guard people*.

Modernization involved multiple initiatives over a number of years. It included field-level reorganizations, including the stand-up of unified Sector commands, as well as consolidation of operational strategy and mission support in enterprises led by Deputy Commandants. It also created new functionally-based support systems and retooled the Service's financial management and acquisition processes. The transformative efforts of Modernization have come to fruition in the Coast Guard you see today - a military Service that is more efficient, more nimble, and more effective in carrying out its missions.

DCO: Speaking With One Voice on Operational Strategy and Policy

Prior to Modernization, individual Coast Guard program offices would develop operational plans and policies largely independent of each other—without a robust mechanism to ensure alignment with national and enterprise-wide priorities. The establishment of the Deputy Commandant for Operations (DCO) injected the necessary oversight and alignment. DCO now manages and oversees operational planning, policy, and external engagements for all mission programs at the strategic level. It also coordinates with external stakeholders to advance national, homeland security, and Coast Guard strategic goals, working through key external forums such as the National Security Council, the Homeland Security Council, the DHS, and the DoD. Further, through its Assistant Commandant for Intelligence (CG-2), DCO acts as a member of our nation's Intelligence Community (IC), coordinating with other IC members to design reliable, all-source products that benefit both the Coast Guard and other intelligence customers - creating strategic advantages for U.S. forces worldwide.

The Coast Guard is a strategy-driven organization, and DCO uses an enterprise-wide perspective to balance and calibrate strategy, plans, and policy across all Coast Guard mission programs. When released, the Coast Guard Strategic Plan 2018-2022 will function as the Service's overarching strategic document that establishes our priorities and details the supporting objectives. It will be informed by and directly support the National Security Strategy and the DHS goals and priorities. The long-term Coast Guard strategies and strategic outlooks, such as the Western Hemisphere, Cyber, Arctic, Maritime Commerce and Human Capital, are enduring and will remain essential in addressing the challenges for which they were generated. Each of these strategies, along with other functional and geographic strategic plans, will be framed and implemented through the lens of the Coast Guard Strategic Plan 2018-2022.

DCMS: Mission Support for the 21st Century

Mission support also underwent a significant overhaul through Modernization. For 200 years, Coast Guard mission support functions were distributed across separate commands and program offices, relying on different information systems and business processes to perform the same functions - acquisition, logistics, maintenance, and supply management - for different asset types. Today, the Deputy Commandant for Mission Support (DCMS) is the single source that delivers support to enable the Coast Guard to effectively carry out its missions.

Using a business model drawn from best practices in the maintenance and overhaul industry and combined with support concepts from the Coast Guard aviation community, DCMS manages the entire life cycle of Coast Guard assets from acquisition and accession through decommissioning and retirement.

Prior to Modernization, the Coast Guard's acquisition process faced significant challenges including out of date policies, inconsistent standards, and confusing governance. Under the DCMS umbrella, we modernized our acquisition program to better manage the multi-billion dollar investments that are reshaping our operational capabilities. As the Lead Systems Integrator for major acquisitions, the Coast Guard now collaborates with technical authorities and partner agencies to manage the risks associated with the engineering, technical, and business challenges that confront all complex acquisition projects. This streamlined organization has also enabled tighter alignment with the DHS Security Acquisition Management and Review Process – facilitating unity of effort through transparency and regular communication with the Department.

DCMS also brought improvements in human capital processes. The Human Resources (HR) community recruits, hires, trains, and retains a diverse workforce to meet the human capital needs of the Coast Guard. It also provides a host of products and services, including training and education, compensation, health care, work-life programs, housing, safe working conditions, morale and recreation programs, and leadership opportunities. By adopting a functionally based approach consistent with Modernization, the HR community can now better meet the personnel needs of the Coast Guard - and the needs of the Coast Guard's workforce.

Investing in a 21st Century Coast Guard

At the same time, the Coast Guard was undergoing the transformative changes of Modernization, the Service was simultaneously recapitalizing its aging fleet of vessels, aircraft, systems, and shore infrastructure. Today those efforts continue and recapitalization remains a top Service priority. The support of this subcommittee has helped us make tremendous progress, and it is critical we build upon our successes to continue to field assets that meet cost, performance, and schedule milestones.

With the support of the Administration and Congress, we are making significant progress toward building new icebreaking Polar Security Cutters (PSCs). This past March, we released a request for proposal (RFP), setting the stage for award of a Detail Design and Construction (DD&C) contract in FY 2019 for the construction of up to three heavy Polar icebreakers. We are as close as we have ever been to recapitalizing our Polar icebreaking fleet; continued investment now is vital to solidify our standing as an Arctic nation and affirms the Coast Guard's role in providing assured, year-round access to the Polar regions for decades to come.

Later this year, we plan to cut steel on the first Offshore Patrol Cutter (OPC). The OPC will provide the tools to effectively enforce Federal laws, secure our maritime borders, disrupt Transnational Criminal Organizations (TCOs), and respond to 21st century threats. Continued progress on this acquisition is absolutely vital to recapitalizing our aging fleet of Medium Endurance Cutters (MECs), some of which have already been in service for over a half century. We are in advanced planning to extend the service life of a portion of our MEC fleet as a bridge until OPCs are delivered, beginning in 2021. In concert with the extended range and capability of the National Security Cutter (NSC) and the enhanced coastal patrol capability of the Fast Response Cutter (FRC), OPCs will be the backbone of the Coast Guard's strategy to project and maintain offshore presence.

Production of the fleet of new FRCs is on budget and on schedule. Earlier this summer, we exercised the second option under the Phase II contract to begin production of six more FRCs. The FY 2018 appropriation also included funding for two additional FRCs, beyond our domestic program of record of 58 hulls, to initiate the vital replacement of our six patrol boats supporting long-term U.S. Central Command missions in southwest Asia.

The Service continues efforts to accelerate recapitalization of our long-overlooked fleet of 35 river, construction, and inland buoy tenders, with an average age of over 52 years. Replacing this aging fleet with Waterways Commerce Cutters (WCC), for a modest cost, is critical to sustaining the overall safety of our nation's marine transportation system, which contributes \$4.6 trillion annually to our Gross Domestic Product.

We are also making progress with fielding unmanned aircraft systems, and are working towards awarding a service contract to operate small Unmanned Aircraft Systems (sUAS) on our NSC fleet. Further, we are continuing our partnership with Customs and Border Protection (CBP) and exploring options to expand the joint land-based UAS program to enhance intelligence, surveillance, and reconnaissance (ISR) and support end-game prosecution in the maritime transit zone.

In concert with efforts to acquire new assets, we are focused on sustaining our existing fleet of cutters and aircraft. The current work being conducted at the Coast Guard Yard in Curtis Bay, Maryland, includes a Service Life Extension Project (SLEP) on our icebreaking tugs and a Midlife Maintenance Availability (MMA) on sea-going buoy tenders to address obsolescence of critical ship components and engineering systems. In addition to vessel sustainment projects, work continues at the Aviation Logistics Center in Elizabeth City, North Carolina, where centralized, world-class depot maintenance has been crucial to sustaining our rotary and fixed-wing aviation assets. The Coast Guard has initiated efforts to extend the service life of our aging helicopter fleet until the mid-2030s, when we plan to recapitalize these assets in conjunction with DOD's Future Vertical Lift program.

We are also mindful of the condition of our aging shore infrastructure and the adverse effects it has on readiness across all mission areas. The Coast Guard currently has a \$1.7 billion shore infrastructure construction backlog that includes piers, sectors, stations, aviation facilities, base facilities, training centers, and military housing units. We appreciate the tremendous support of Congress for supplemental funding appropriated in FY 2018 to rebuild our damaged shore infrastructure to resilient, modern-day standards after the devastating series of hurricanes. Continued investment in shore infrastructure is vital to modernizing the Coast Guard and equipping our workforce with the facilities they require to meet mission.

Looking Ahead: Ready, Relevant, and Responsive in the Twenty-First Century

Through my Guiding Principles - *Ready, Relevant, and Responsive* - the Coast Guard will continue to invest in the future of our Service and apply Modernization principles and lessons learned to best position the Service to meet the ever increasing demand for Coast Guard services.

Ready: My top priority for the Coast Guard is readiness; we must build a mission ready total workforce of Active Duty, Reserve, Civilian, and Auxiliary members by rethinking how we deliver personnel services, and how we recruit and retain an inclusive team. While our people are the cornerstone of Coast Guard readiness, we must also continue to field modernized, capable assets and provide sufficient resources to operate and maintain them. This means continuing to recapitalize our surface fleet, including the important acquisitions of the OPC and PSC, ensuring dependable information technology systems, and identifying emerging technologies to meet future readiness needs.

Relevant: The Coast Guard possesses unique authorities, broad jurisdiction, flexible operational capabilities, and an expansive network of domestic and international partnerships. These are all fundamental to addressing the nation's increasingly complex maritime challenges. As a key component in the DHS, we secure the nation's maritime borders, protect our maritime infrastructure from potential attacks, and enable the efficient movement of legitimate maritime trade and travel. As a military Service, we advance American influence by cooperating globally in ways that other military services cannot. However, we are keenly aware of the increasingly competitive security environment and are diligently preparing to respond to evolving national security threats.

Responsive: As the nation's premier maritime first responder, the Coast Guard thrives in crisis response and recovery. Consistent with focus areas of Modernization, we must improve risk management, integrate planning efforts across the government, and incentivize information sharing to ensure we are ready to answer the call. Our bias for action and propensity to exercise on-scene initiative are ingrained in our Service's character and allows us to meet the dynamic needs of the nation - in response to crisis or in a complex steady-state operating environment.

Conclusion

Twenty years ago, the Coast Guard's field units covered overlapping areas; its strategy was stove-piped within independent program offices; and its business models were inefficient. Today, the Coast Guard employs a unified command structure at each Coast Guard Sector; speaks with one voice on mission strategy; employs modernized business practices; and has made tremendous strides in its financial management, acquisition processes, and the use of human capital. Modernization and its underlying principles set the Coast Guard on a proper course, leading from its industrial age roots to the information age in which the Service now finds itself. Our heading will remain steady, and we will continue to apply Modernization principles and lessons learned as we build on our successes and close the policy and performance gaps we uncover along the way. By doing so, we will keep the Coast Guard operating in a manner that the country expects and deserves - ***Ready, Relevant, and Responsive*** to meet its maritime service needs. Thank you for the opportunity to testify today. I look forward to your questions.