



December 6, 2013

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Hearing on "Coast Guard Mission Execution: How is the Coast Guard Meeting Its Mission Goals?"

PURPOSE

On Wednesday, December 11, 2013, at 10:00 a.m., in 2167 Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will hold a hearing to examine factors inhibiting the Coast Guard ability to meet its mission performance targets and whether those targets are truly achievable, as well as to review what steps the Service might take to adjust performance targets to address these factors and to acquire and maintain the capabilities necessary to meet such revised targets. The Subcommittee will hear from the Vice Commandant of the Coast Guard.

BACKGROUND

Coast Guard Missions

Pursuant to section 2 of Title 14, United States Code, the Coast Guard is responsible for 11 statutory missions:

- 1) Marine Safety: Enforce laws which prevent death, injury, and property loss in the marine environment.
- 2) Marine Environmental Protection: Enforce laws which deter the introduction of invasive species into the maritime environment, stop unauthorized ocean dumping, and prevent oil and chemical spills.
- 3) Search and Rescue: Search for, and provide aid to, people who are in distress or imminent danger.

- 4) Aids-to-Navigation: Mitigate the risk to safe navigation by providing and maintaining more than 51,000 buoys, beacons, lights, and other aids to mark channels and denote hazards.
- 5) Living Marine Resources: Enforce laws governing the conservation, management, and recovery of living marine resources, marine protected species, and the protection of National Marine Sanctuaries.
- 6) Ice Operations: Operate and maintain icebreaking resources for the United States.
- 7) Ports, Waterway, and Coastal Security: Ensure the security of vessels and the waters subject to the jurisdiction of the United States, as well as the ports and intermodal landside connections that comprise the Marine Transportation System.
- 8) Drug Interdiction: Stem the flow of illegal drugs into the United States.
- 9) Migrant Interdiction: Secure maritime borders and stem the flow via maritime routes of undocumented alien migration and human smuggling.
- 10) Defense Readiness: Maintain the training and capabilities necessary to immediately integrate with Department of Defense forces in both peacetime operations and during times of war.
- 11) Other Law Enforcement: Enforcement of international treaties, including the prevention of illegal fishing in international waters and the dumping of plastics and other marine debris.

Tracking Mission Performance

Summary Performance Measures

To track mission performance, the Coast Guard uses a set of performance measures it developed pursuant to the Government Performance and Results Act (P.L. 103-62). Each year, the Coast Guard undertakes a Standard Operational Planning Process it uses to establish a Strategic Planning Directive (SPD), which determines mission priorities based on risk and helps guide the Service in allocating resources among statutory missions for the next fiscal year. The SPD takes into account historic funding levels, predicted asset availability, planned and potential environmental and geopolitical events, the Service's strategic priorities, as well as Department of Homeland Security (DHS) priorities laid out in the Quadrennial Homeland Security Review (QHSR). The QHSR sets a strategic framework meant to guide the activities of DHS and identifies mission areas for DHS agencies to focus on.

In fiscal year (FY) 2012, the Coast Guard used 23 different performance measures to track its success in meeting SPD mission goals. The Service reported that it met or exceeded 11 of 23, or 48 percent of its summary performance measures. By comparison, in FY 2011 the Service reported that it met or exceeded 14 of 23, or 61 percent of its summary performance

measures. Over the last five fiscal years, the Coast Guard has not met or exceeded more than 61 percent of its summary performance measures.

FY 2012 & FY 2011 Performance Measure Summary

Mission	Measure	FY 2012		FY 2011	
		Met	Not Met	Met	Not Met
Living Marine Resources	Fishing Regulation Compliance Rate	X		X	
Marine Safety	5-Yr Average Number of Commercial and Recreational Deaths and Injuries	X		X	
	5-Yr Average Number of Commercial Mariner Deaths and Injuries	X		X	
	5-Yr Average Number of Commercial Passenger Deaths and Injuries		X		X
	5-Yr Average Number of Recreational Boating Deaths and Injuries	X		X	
Marine Environmental Protection	Average Number of Chemical Discharge Incidents in the Maritime Environment	X		X	
	Average Number of Oil Spills in the Maritime Environment	X		X	
Search and Rescue	Percentage of People in Imminent Danger Saved in the Maritime Environment		X		X
	Percentage of Time Rescue Assets Are On-Scene Within 2 Hours		X		X
Aids-to-Navigation	Availability of Maritime Navigation Aids	X		X	
	Average Number of Navigational Accidents	X		X	
Ice Operations	Number of Days Critical Waterways Are Closed to Commerce Due to Ice	X		X	
Ports, Waterways, and Coastal Security	Percent Reduction of All Maritime Security Risk Subject to USCG Influence		X	X	
	Percent Reduction of Maritime Security Risk Resulting from USCG Consequence Management		X	X	
	Percent Reduction of Maritime Security Risk Resulting From USCG Efforts To Prevent a Terrorist From Entering the United States		X		X
	Percent Reduction of Maritime Security Risk Resulting From USCG Efforts to Prevent a Weapon of Mass Destruction From Entering the United States Via Maritime Means		X		X
	Annual MTSA Facility Compliance Rate With Transportation Worker Identification Credential Regulations	X		X	
	Security Compliance Rate for High Risk Maritime Facilities		X		X
Drug Interdiction	Removal Rate for Cocaine From Noncommercial Vessels in the Maritime Transit Zone		X		X
Migrant Interdiction	Percentage of Undocumented Migrants Who Attempt To Enter the United States by Maritime Routes That Are Interdicted		X		X
	Percentage of Undocumented Migrants Who Attempt To Enter the United States by Maritime Routes Interdicted by the USCG	X		X	
Defense Readiness	Defense Readiness Assessment of All USCG High Endurance Cutters, Patrol Boats, and Port Security Units		X		X
Other Law Enforcement	Number of Detected Incursions of Foreign Fishing Vessels Violating U.S. Waters		X	X	
TOTAL USCG PERFORMANCE MEASURES		11	12	14	9

Resource Hours Per Mission

Resource hours are the number of flight hours (for aircraft) and underway hours (for boats and cutters) used to carry out a specific mission. Resource hours are tracked internally by the Coast Guard and reported annually by the DHS Inspector General (IG) in its *Annual Review of the United States Coast Guard's Mission Performance*. The latest DHS IG report found that

the total number of resource hours available to conduct Coast Guard missions declined by over 6,600 hours. Since FY 2005, the total number of resource hours has declined by over 110,000 hours or 14 percent. The latest DHS IG report is available at:

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-122_Sep13.pdf.

Impact of Asset Availability on Mission Performance:

According to the Coast Guard, the largest factor in the decline in total resource hours and its ability to successfully perform its mission is the decreased availability of cutters and aircraft due to increased rates of asset failures, the decommissioning of obsolete assets before new assets are acquired to replace them, and the level of funding available to support operations.

Asset Failures

The age of Coast Guard vessels and aircraft, coupled with an increased tempo of operations, have led to increased rates of failure among the assets' parts and major systems. These factors, in turn, have increased scheduled and unscheduled maintenance costs and reduced resource hours which have negatively impacted operational readiness and mission performance. In its August 2012 report entitled "Legacy Vessels' Declining Conditions Reinforce Need for More Realistic Operational Targets" (GAO-12-741), the Government Accountability Office (GAO) found that scheduled maintenance costs for legacy assets increased 32 percent from fiscal years 2008 to 2011. The GAO also found that the Service's legacy fleet of vessels was not able to achieve operational targets for percent time free of casualty or underway hours. As a result of the failure of its legacy assets to operate at target levels, the Service reported that from fiscal years 2007 through 2010, it reduced the hours spent conducting drug interdiction activities by 65 percent and the number of hours spent conducting alien interdiction activities declined by 40 percent.

Decommissionings

Due to the growing unreliability of obsolete and rapidly failing assets and the increasing costs to maintain them, the Coast Guard is decommissioning its aging legacy assets faster than replacement assets can be acquired. For instance, over the last three fiscal years, the Service has decommissioned four of its 378 foot High Endurance Cutters (HEC) while only commissioning three replacement National Security Cutters (NSC). Although the NSC has more capability than the HEC, the timing of the HEC decommissionings have resulted in a reduction of thousands of underway hours.

Operating Funds

Although FY 2013 is not reflected in the performance summary chart, the FY 2013 sequester has also had a significant impact on the ability of the Coast Guard to meet performance targets and has reduced resource hours spent on missions. The sequester cut approximately \$200 million from the Service's training, operating, and maintenance accounts which has limited the availability of assets. The Coast Guard has publicly stated the sequester could limit resource hours spent on certain missions by approximately 20 percent.

Acquisition of New Assets

The Coast Guard began a process of recapitalizing its aging vessels and aircraft in the late 1990s. The program's focus was to replace those assets that carry out missions farther than 50 miles from shore and to modernize information technology systems that the Service relies upon to coordinate its operations. The program was known as the Integrated Deepwater System (Deepwater). To manage the acquisition program, the Coast Guard engaged a Lockheed Martin/Northrop Grumman team, called the Integrated Coast Guard System (ICGS).

Deepwater encountered significant quality and cost issues. It was the subject of several oversight hearings and an investigation by the Committee. It is also the subject of continuing review by GAO. The Coast Guard terminated the contract with the ICGS in 2007 and is now performing the acquisition functions in-house.

Resource Hour Gaps in the Acquisition Program of Record

In 1998, the Coast Guard released a Mission Need Statement (MNS) to identify how Deepwater would fill resource hour gaps in its missions and establish a baseline for the numbers, types, and capabilities of new and recapitalized assets that would be needed to meet the Service's mission requirements. In 2005, the Coast Guard revised the 1998 MNS to accommodate additional capabilities needed to meet post-September 11 mission requirements. The 2005 MNS guided the creation of a new acquisition program of record approved in 2007 with a baseline of 20 to 25 years for the delivery of new and recapitalized assets at a total cost of \$24.2 billion.

The Coast Guard tracks the impact on resource hours of the transition from legacy assets to new and refurbished assets in the attached Transition Schedule charts (see Attachment A). The charts include two horizontal lines which represent the resource hour goals for the assets based on the MNS. The red horizontal line represents the number of hours needed to meet the Service's mission demands in 1998. The blue horizontal line represents the number of hours needed to meet the post-September 11th mission demands. The charts assume steady maintenance and acquisition funding for new assets. Even under that scenario (see discussion below), the Service will fall tens of thousands of hours short of the operational hours needed to meet its post-September 11th mission demands.

Funding for the Acquisition Program of Record

The GAO has reported that at least \$1.9 billion in acquisition funding would be required each year to build all of the assets included in the acquisition program of record on schedule (GAO-11-743). Funding for the Coast Guard's Acquisition, Construction, and Improvement (AC&I) account has never exceeded \$1.6 billion. Furthermore, in recent fiscal years, the administration has proposed to cut AC&I funding. For instance, the President requests \$909 million for AC&I in FY 2014, \$634.2 million, or 41 percent, less than the FY 2013 enacted level.

Projected funding for the Coast Guard acquisitions also falls significantly short of what is required to build the acquisition program of record on schedule. The Service's FY 2014-2018 Capital Investment Plan (CIP) identifies funding for major acquisition programs over the next

five fiscal years (see Attachment B). Funding for the AC&I account does not exceed \$1.19 billion for any fiscal year in the CIP.

Unsustainability of the Acquisition Program of Record

In July 2011, the GAO released a report entitled "Action Needed As Approved Deepwater Program Remains Unachievable" (GAO-11-743). The title refers to the GAO's finding that it will be impossible for the Coast Guard to complete its acquisition program of record without breaching its 2007 baseline. Among other reasons for the breach, the GAO found that funding requested by current and past administrations has not been sufficient to meet acquisition timelines, and the Service has not conducted a comprehensive reanalysis of the current recapitalization program to examine tradeoffs between budget constraints, timelines, capabilities, and asset quantities. As a result, the GAO estimated it could take an additional 10 years to complete the current acquisition program of record and the total cost could increase by at least \$5 billion to approximately \$29 billion.

Actions Taken by the Coast Guard

Reviews of the Acquisition Program of Record

Since the publication of the GAO's report, the Coast Guard and DHS have released two studies that reassessed the large cutters being acquired under the current recapitalization program: a two-phased Fleet Mix Analysis (FMA) and the Major Cutter Study. The purpose of the studies was to assess the current acquisition program and alternatives to determine the best mix of cutters to meet Coast Guard mission requirements laid out in the 2005 MNS.

- **Fleet Mix Analysis** – The 2007 baseline calls for acquiring a mix of 91 new cutters: 8 NSCs, 25 Offshore Patrol Cutters (OPC), and 58 Fast Response Cutters (FRC). However, the Coast Guard estimates that after completing the acquisition of 91 new cutters, the Service would still experience mission capability gaps in 6 of its 11 statutory missions. To examine the issue, the Coast Guard conducted its FMA Phase I which determined the number of cutters that would be needed to completely fill the Service's mission capability gaps. The objective fleet mix included in FMA Phase I calls for a mix of 157 new cutters: 9 NSCs, 57 OPCs, and 91 FRCs. In November 2011, the Coast Guard released its FMA Phase II which applied budget constraints on the FMA Phase I analysis. FMA Phase II calls for the acquisition of 149 new cutters: 9 NSCs, 49 OPCs, and 91 FRCs.
- **DHS Major Cutter Study** – DHS released its Major Cutter Study in December 2011. This study evaluated the anticipated mission effectiveness of the Coast Guard's current acquisition program of record for both the NSC and OPC against alternative fleet mixes. These mixes included varying numbers of both assets, as well as the possibility of substituting either a modernized 270 foot Medium Endurance Cutter (MEC) or a Coast Guard variant of the Navy's Littoral Combat Ship for the OPC. DHS found that while some of the alternative mixes provided advantages in some mission areas, no alternative could match the program of record in every mission area. Additionally, those advantages

would not be realized for several decades. As such, DHS concluded that the study validates the 2007 program of record.

In April 2013, DHS announced it would conduct a "comprehensive portfolio review" that will revise the programs of record and operational requirements for assets to be acquired under the recapitalization program to better meet projections of future years funding.

Recent Changes to the Acquisition Program of Record

- Maritime Patrol Aircraft ó The Coast Guard is currently acquiring HC-144A aircraft to replace its obsolete HU-25 medium range patrol aircraft. The Service has acquired 18 of the planned 36 HC-144A aircraft identified in the acquisition program of record. There is no funding requested in the FY 2014 budget request or the FY 2014-2018 CIP to acquire additional HC-144A aircraft. In testimony before the Subcommittee in June 2013, the Vice Commandant of the Coast Guard indicated the Service was taking a "strategic pause" in the aircraft's acquisition and would "reexamine the affordability of the aircraft, vis-à-vis the whole acquisition portfolio" in light of the potential availability of new C-27J aircraft being excessed by the Air Force.

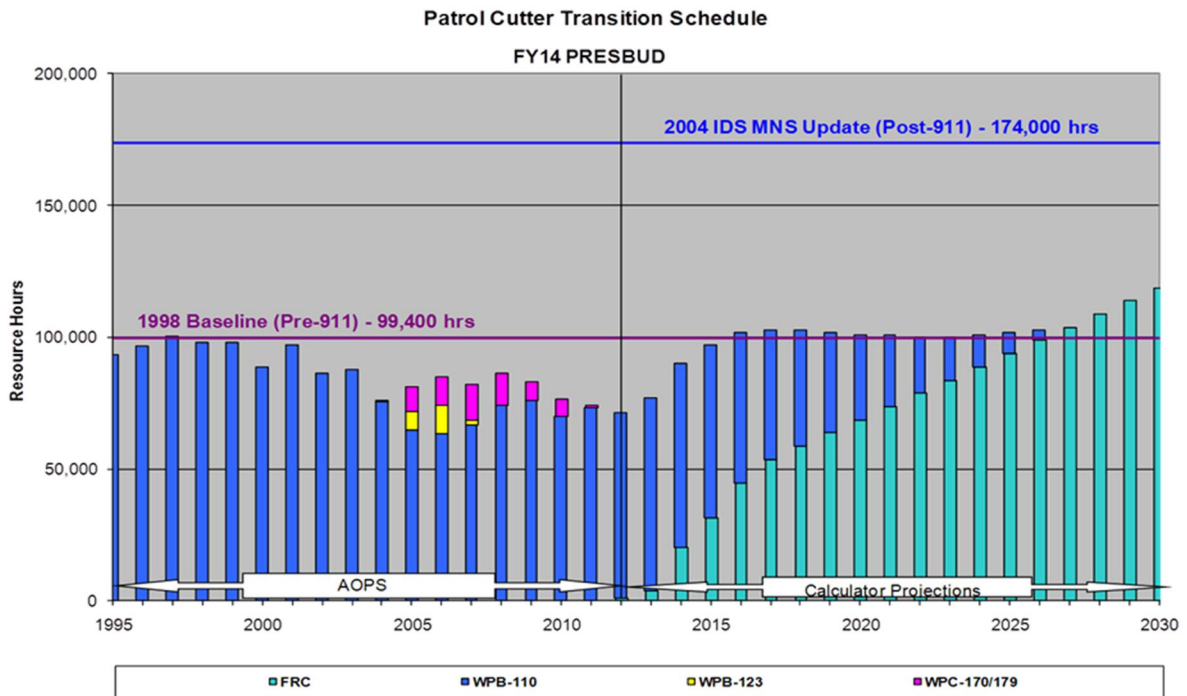
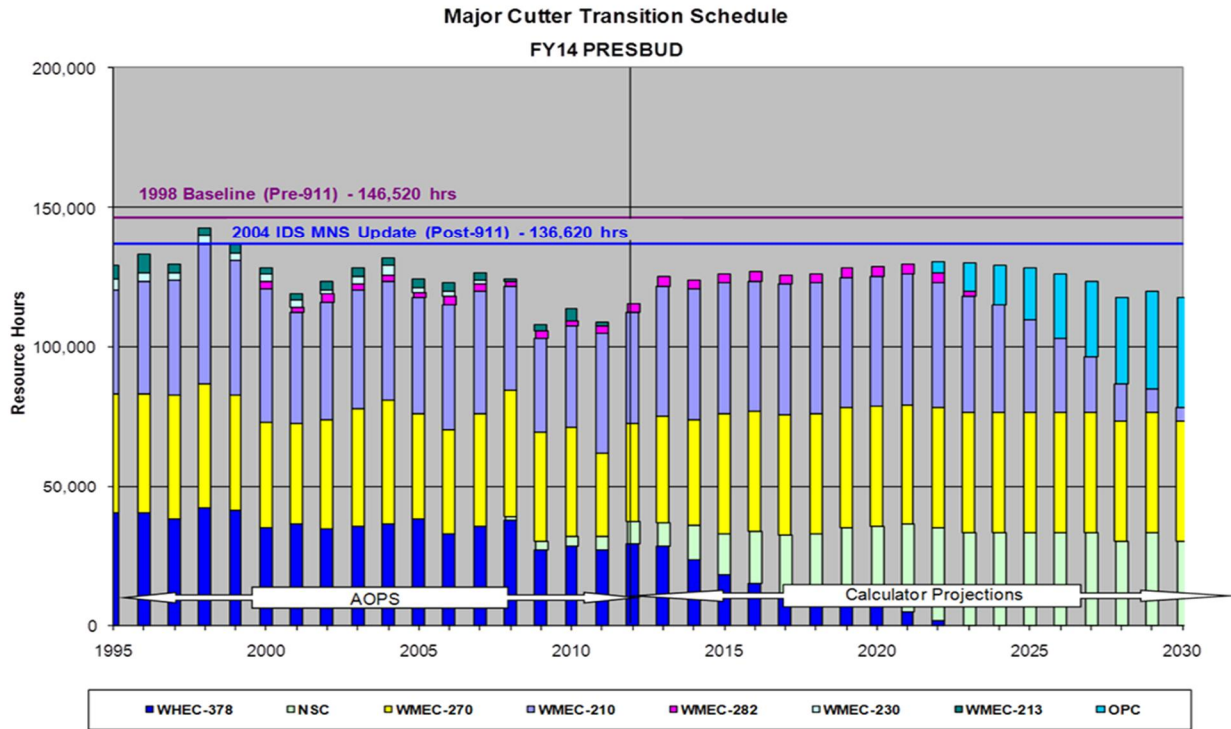
Section 1091 of the National Defense Authorization Act for Fiscal Year 2013 (P.L. 112-239) authorizes the transfer of up to 21 C-27J aircraft from the Air Force to the Coast Guard. A cost benefit analysis undertaken by the Coast Guard found that the C-27J transfer could result in up to \$826 million in cost avoidance over acquiring the remaining 18 HC-144A aircraft called for in the program of record.

- Offshore Patrol Cutter ó The Coast Guard plans to acquire 25 OPCs to replace its aging fleet of 210 foot and 270 foot MECs. In an effort to save costs, the Service reduced planned capabilities for the cutter during the requirements determination phase of the acquisition. The Request for Proposals released in September 2012, reduced the speed from 25 to 22 knots, eliminated the ability to launch and recover small boats from the stern, and reduced requirements for the cutter's information technology system. Nevertheless, the Service estimates the acquisition cost will total more than \$12 billion, or an average of \$484 million per cutter. The Coast Guard has yet to select a final design for the OPC.

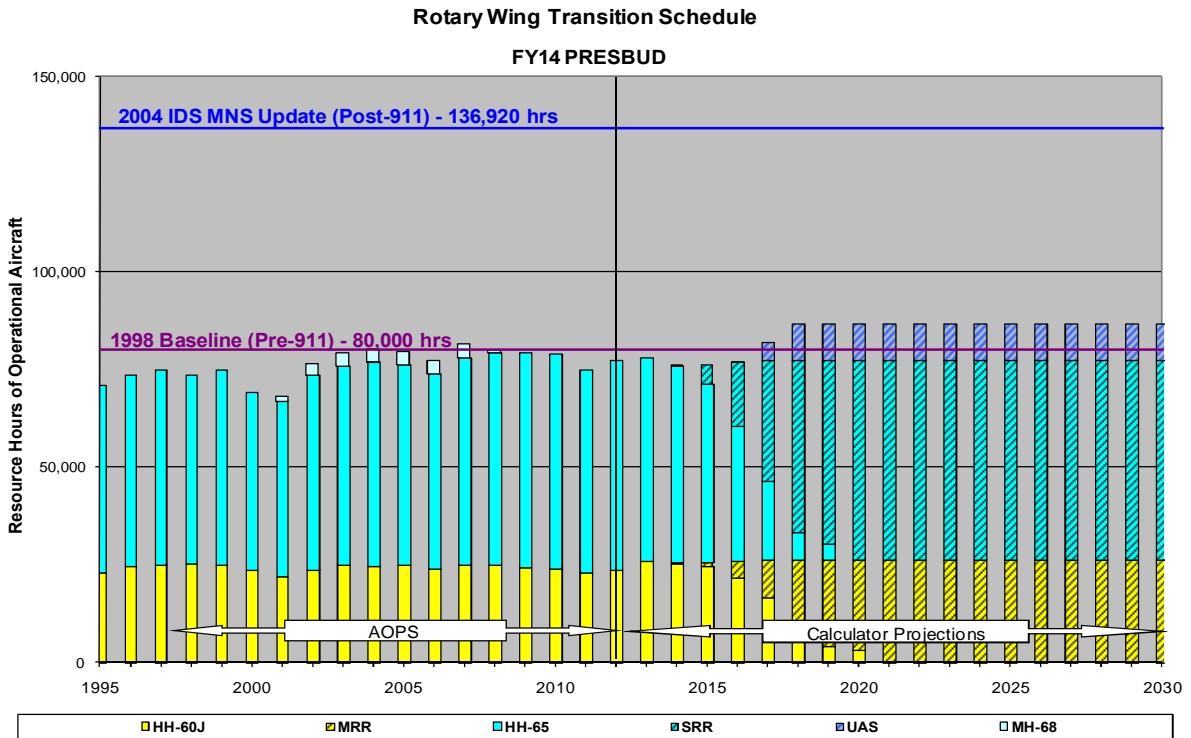
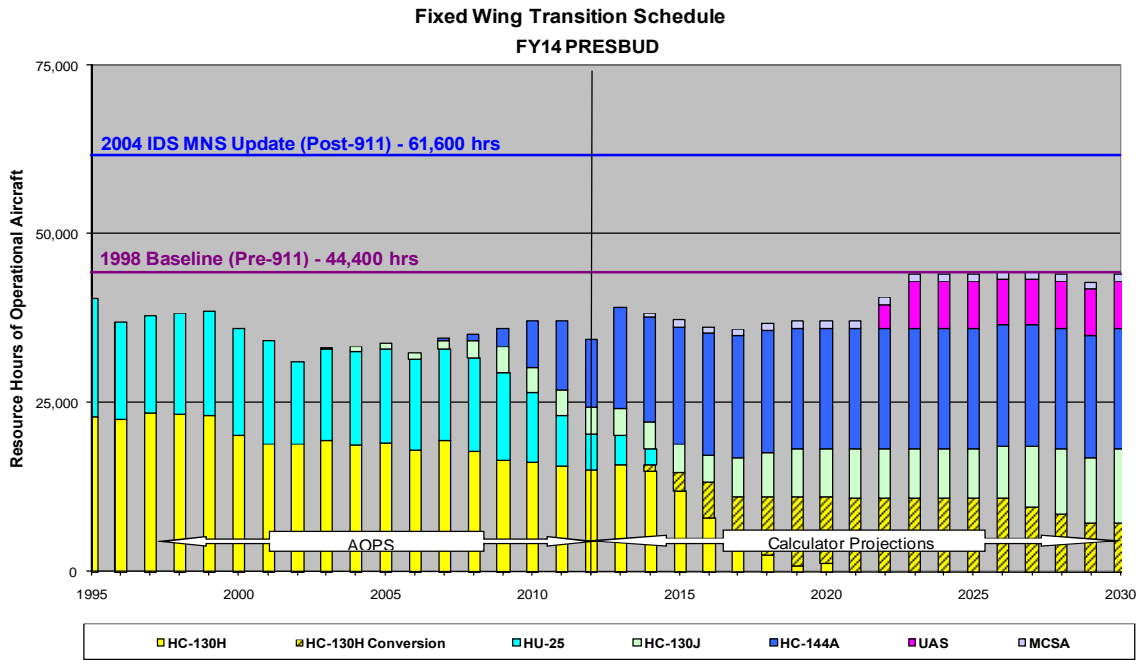
WITNESS LIST

Vice Admiral John P. Currier
Vice Commandant
United States Coast Guard

Attachment A



Attachment A



Attachment B

FY 2014-2018 Five Year Capital Investment Plan (CIP) Acquisition, Construction & Improvements

(Thousands of dollars, budget year dollars)	FY 2012 Revised Enacted	FY 2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	Total Acquisition Cost ^(a)	Estimated Completion Date ^(b)	Total Quantity ^(c)
Vessels	\$642,000	\$74,000	\$935,000	\$512,000	\$723,500	\$739,500	Not Applicable	Not Applicable	Not Applicable
Survey and Design - Vessel and Boats	\$6,000	\$1,000	\$2,000	\$3,000	\$2,500	\$2,500	Not Applicable	Not Applicable	Not Applicable
In-Service Vessel Sustainment	\$14,000	\$21,000	\$36,000	\$37,000	\$37,000	\$30,000	Not Applicable	Not Applicable	Not Applicable
Response Boat - Medium (RB-M)	\$110,000	\$0	\$0	\$0	\$0	\$0	\$610,000	2016	180
National Security Cutter (NSC)	\$77,000	\$616,000	\$710,000	\$38,000	\$0	\$45,000	\$4,749,000	2018	8
Offshore Patrol Cutter (OPC)	\$25,000	\$25,000	\$65,000	\$200,000	\$350,000	\$450,000	\$10,523,000	2014	25
Fast Response Cutter (FRC)	\$358,000	\$75,000	\$110,000	\$110,000	\$110,000	\$110,000	\$3,928,000	2017	58
Cutter Boats	\$5,000	\$3,000	\$4,000	\$4,000	\$4,000	\$2,000	Not Applicable	Not Applicable	Not Applicable
Medium Endurance Cutter (MEC) Sustainment	\$47,000	\$0	\$0	\$0	\$0	\$0	\$396,800	2017	27
Polar Icebreaker	\$0	\$2,000	\$8,000	\$100,000	\$100,000	\$100,000	TBD	TBD	TBD
Aircraft	\$289,900	\$28,000	\$66,000	\$123,000	\$56,700	\$45,000	Not Applicable	Not Applicable	Not Applicable
CGR 6017 Airframe Replacement	\$18,300	\$0	\$0	\$0	\$0	\$0	Not Applicable	Not Applicable	Not Applicable
Maritime Patrol Aircraft (MPA)	\$129,500	\$0	\$16,000	\$20,000	\$20,000	\$0	\$2,755,990	2015	36
HH-60 Conversion Projects	\$56,100	\$0	\$0	\$0	\$1,700	\$5,000	\$466,581	2015	42
HH-65 Conversion Sustainment Projects	\$24,000	\$12,000	\$35,000	\$40,000	\$40,000	\$25,000	\$1,150,400	2019	102
Long Range Surveillance Aircraft (C-130H/J)	\$62,000	\$16,000	\$15,000	\$15,000	\$15,000	\$15,000	\$2,761,000	2016	22
Unmanned Aircraft System (UAS)	\$0	\$0	\$0	\$48,000	\$0	\$0	TBD	TBD	TBD
Other	\$161,140	\$59,930	\$59,000	\$89,000	\$81,500	\$81,500	Not Applicable	Not Applicable	Not Applicable
Program Oversight and Management	\$26,000	\$10,000	\$20,000	\$20,000	\$20,000	\$20,000	Not Applicable	Not Applicable	Not Applicable
Systems Engineering and Integration	\$17,140	\$304	\$1,000	\$1,000	\$1,000	\$1,000	Not Applicable	Not Applicable	Not Applicable
C4ISR	\$38,500	\$35,236	\$35,000	\$65,500	\$30,500	\$50,500	\$2,355,000	2015	Not Applicable
CG-LIMS	\$6,500	\$1,500	\$3,000	\$2,500	\$10,000	\$10,000	Not Applicable	Not Applicable	Not Applicable
Nationwide Automatic Identification System (NAIS)	\$5,000	\$13,000	\$0	\$0	\$0	\$0	\$276,800	2014	58
Rescue 21	\$65,000	\$0	\$0	\$0	\$0	\$0	\$1,066,200	2017	39
Interagency Operations Centers (IOCs)	\$3,000	\$0	\$0	\$0	\$0	\$0	\$83,000	2017	35
Shore and ATON	\$290,692	\$5,000	\$20,000	\$60,000	\$45,000	\$45,000	Not Applicable	Not Applicable	Not Applicable
Major Shore, Military Housing ATON and S&D	\$112,900	\$2,000	\$10,000	\$30,000	\$20,000	\$20,000	Not Applicable	Not Applicable	Not Applicable
Major Acquisition Systems Infrastructure	\$81,500	\$0	\$5,000	\$35,000	\$30,000	\$30,000	Not Applicable	Not Applicable	Not Applicable
Minor Shore	\$6,292	\$3,000	\$5,000	\$5,000	\$5,000	\$5,000	Not Applicable	Not Applicable	Not Applicable
Personnel and Management	\$110,192	\$115,186	\$115,729	\$117,042	\$118,127	\$119,302	Not Applicable	Not Applicable	Not Applicable
ACEI Core	\$600	\$439	\$318	\$679	\$600	\$600	Not Applicable	Not Applicable	Not Applicable
Direct Personnel Costs	\$109,592	\$114,747	\$115,211	\$116,365	\$117,527	\$118,702	Not Applicable	Not Applicable	Not Applicable
TOTAL	\$1,403,924	\$951,116	\$1,195,729	\$901,042	\$1,024,827	\$1,030,302			
	(Note 3)		(\$12,000)	(Note 6)					
			\$63,500						
	(Note 3)		(\$5,004)						
	(Note 4)		(\$879)						
	(Note 5)		\$1,328						
	(Note 6)		\$1,462,869						

Note (1): Total Acquisition Cost and Estimated Completion Date and Total Quantity are based on the Acquisition Program Baseline (APB) most recently approved by DHS, or alternatively, the 2007 Integrated Defense System APB.
 Note (2): The Coast Guard also received an additional \$63.5M transfer in the Consolidated Appropriations Act 2012 (P.L. 112-74), from the Air Force Aircraft Procurement appropriation for procurement of a C-130J aircraft.
 Note (3): Pursuant to P.L. 112-74, rescission of prior year unobligated balances.
 Note (4): Pursuant to P.L. 112-74, rescission of ACEI Direct Personnel funds.
 Note (5): Funds transfer from OCE Appropriation to the MPA ACEI Subappropriation and 2012 (P.L. 112-74).
 Note (6): Proposed rescission and cancellation of \$42 million in unobligated prior year balances appropriated in 2010 through 2012 in P.L. 111-83; P.L. 112-10, and P.L. 112-74.