



Committee on Transportation and Infrastructure  
U.S. House of Representatives  
Washington DC 20515

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July 21, 2017

**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 “Building a 21<sup>st</sup> Century Infrastructure for America: Coast Guard Sea, Land and Air Capabilities, Part II”

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**PURPOSE**

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Tuesday, July 25, 2017, at 10:00 a.m. in 2167 Rayburn House Office Building to examine the U.S. Coast Guard’s (Coast Guard or Service) unfunded infrastructure and acquisition needs and the five-year and twenty-year Capital Improvement Plans. The hearing will also review the National Academy of Science’s letter report, “Acquisition and Operation on Polar Icebreakers: Fulfilling the Nation’s Needs.” The Subcommittee will hear from the Coast Guard, the National Academy of Sciences (NAS), the Government Accountability Office (GAO), and the Congressional Research Service (CRS).

**BACKGROUND**

At the Subcommittee hearing on June 7, 2017, Vice Admiral Sandy Stosz, the Coast Guard’s Deputy Commandant for Mission Support, stated that the Coast Guard would submit an unfunded priority list (UPL), five-year Capital Investment Plan (CIP), and 20-year Major Acquisition Plan to Congress by June 30, 2017. As she explained, in order to inform the UPL, the Coast Guard first needs to prepare the statutorily required CIP and 20-year Major Acquisition Plan. While Vice Admiral Stosz declared the Coast Guard would provide the three documents to Congress by June 30, 2017, to date only the UPL has been provided and that did not occur until July 20, 2017. In addition to examining the contents of that document, this hearing will examine why the Coast Guard has not yet submitted either the five-year CIP or the 20-year Major Acquisition Plan to Congress. This hearing will also offer the opportunity to receive objective acquisition and naval affairs input from GAO and CRS regarding ongoing and planned Coast Guard activities.

## **Five-Year Capital Investment Plan**

Section 2902 of title 14, United States Code, requires the Commandant of the Coast Guard to submit a CIP to the Committee each year in conjunction with the administration's respective budget request. The CIP identifies projected funding levels over the next five fiscal years for each major acquisition, as well as estimated timelines and total costs to complete each such acquisition. The purpose of the CIP is to ensure Congress has adequate information to conduct proper oversight of the Service's capital budget, acquisition plans, mission needs, and readiness to conduct operations in future years.

The GAO has criticized Coast Guard CIPs for failing to accurately reflect cost and schedule impacts from funding shortfalls. The 2014 GAO report entitled *Better Information on Performance and Funding Needed to Address Shortfalls* (GAO-14-450), recommended that the Coast Guard be required to regularly update the estimated timelines and total costs to complete each acquisition based upon actual appropriations provided by Congress, as opposed to projected funding levels. The Coast Guard continues to under-deliver in these areas.

Year after year, the Coast Guard fails to submit the CIP with the annual budget request. Even when Congress withheld \$85 million of operational funding until the CIP was received annually from fiscal year (FY) 2015 to FY 2017, the Coast Guard did not meet the deadline. In the FY 2017 Consolidated Appropriations Act, Congress directed the Service to submit the FY 2018-2022 CIP by June 30, 2017. Given the timing of the appropriation in relation to the fiscal year, no funding was withheld pending receipt of the CIP, as to not interfere with vital Coast Guard operations. During the Subcommittee hearing on June 7, 2017, Vice Admiral Sandy Stosz, the Coast Guard's Deputy Commandant for Mission Support, stated that the Subcommittee would receive the CIP by June 30, 2017. Nevertheless, the Coast Guard has failed to meet that deadline and, to date, has still not submitted this critical planning document. The Coast Guard has not provided the 5-year CIP as of July 21, 2017.

## **Long-Term Major Acquisitions Plan (20-Year Plan)**

Section 2903 of title 14, United States Code, requires the Secretary of Homeland Security to submit a Major Acquisition Program Status Report, including a Long-Term Major Acquisition Plan, biennially in conjunction with the administration's respective budget request. The Major Acquisition Plan describes fleet planning for the next 20 fiscal years, including the cutters and aircraft to be decommissioned, those to be acquired, and the estimated funding level required in each fiscal year to do so, as well as addressing any identified capability gaps.

The GAO also recommended the Service develop a long-term fleet modernization plan that identifies all acquisitions needed to meet mission needs and the costs associated with such acquisitions over 20 years. The Major Acquisitions Plan is precisely the instrument described as critical to long-term planning and oversight.

Despite the importance of this information, and although the Coast Guard was required to submit the Status Report, including the Major Acquisition Plan, with the FY 2014, FY 2016, and FY 2018 budget requests, they did not submit any such information to Congress. During the Subcommittee hearing on June 7, 2017, Chairman Hunter directly asked the Coast Guard when

they expected to submit the Major Acquisitions Plan. As with the five-year CIP, Vice Admiral Stosz pledged that the Subcommittee would receive it by June 30, 2017. And also like the CIP, the Coast Guard has failed to meet that self-imposed deadline and, to date, has still not submitted a Major Acquisition Plan. As of July 21, 2017, the Coast Guard has not submitted the plan to Congress.

### **Unfunded Priority List**

In addition to requiring submission of a five-year CIP, Section 2902 of title 14, United States Code, requires the Commandant to submit a UPL to the Committee each year in conjunction with the administration's respective budget request. The UPL identifies programs and mission requirements that are not funded in the administration's annual budget requests, are necessary to fulfill operational requirements, and which the Commandant would have recommended for inclusion in the proposed budget had additional resources been available. The purpose of the UPL is to ensure Congress has visibility of true Coast Guard needs and potential shortfalls to facilitate proper oversight of the Service's budget, acquisition plans, mission needs, and readiness to conduct operations in future years.

While a UPL was submitted with both the FY 2016 and FY 2017 budget requests, no such document was included with the FY 2018 request. Again, at the Subcommittee hearing on June 7, 2017, Chairman Hunter directly asked the Coast Guard when Congress would receive the UPL. As with the CIP and Major Acquisitions Plan, Vice Admiral Stosz pledged that the Subcommittee would receive it by June 30, 2017. While the Coast Guard did not meet that deadline, it did submit a UPL on July 20, 2017.

The 2018 UPL includes \$1.986 billion of programs and mission requirements which are necessary to fulfill operational requirements but were left out of the proposed budget due to a lack of available resources. Those programs and mission requirements include over \$1.5 billion to rebuild operational capability and \$438 million for critical shore infrastructure projects. Notably, the UPL does not request funding for new Fast Response Cutters to replace aging patrol boats operating in support of United States Central Command as part of Patrol Forces Southwest Asia. The full UPL is included as an appendix.

### **National Academy of Sciences Committee Polar Icebreaker Cost Assessment**

The Coast Guard's ongoing efforts to recapitalize its heavy icebreaking fleet includes recently establishing an Integrated Program Office with the Navy and awarding five fixed-price contracts for heavy polar icebreaker design studies and analysis. The FY 2017 Consolidated Appropriations Act provided \$150 million (in the Navy's Shipbuilding and Conversion (SCN) account) in advance procurement funding to buy long-lead time material for the program's initial ship.

As required by Section 604 of the Coast Guard Authorization Act of 2016, the NAS submitted to the Committee an assessment of the costs incurred by the federal government to carry out polar icebreaking missions and how best to carry out this mission in the future. NAS offers several findings and recommendations:

1. **Finding:** The United States has insufficient assets to protect its interests, implement national policy, execute its laws, and meet its obligations in the Arctic and Antarctic because it lacks adequate icebreaking capability.
2. **Recommendation:** Congress should fund construction of four polar icebreakers of common design that would be owned and operated by the Coast Guard. This would provide three ships for continuous presence in the Arctic and one ship to provide seasonal presence in the Antarctic. All ships would be based on a common design and have similar maintenance costs. Additionally, government ownership would be less costly than leasing.
3. **Recommendation:** The Coast Guard should follow an acquisition strategy that includes block buy contracting with a fixed price incentive fee contract and take other measures to ensure best value for investment of public funds. It is important to complete planning and production detail design before the start of construction.
4. **Finding:** Coast Guard heavy icebreaker cost estimates are reasonable. However, previously identified costs of medium icebreakers are significantly underestimated. If advantage is taken of learning and quantity discounts available through the recommended block buy contracting acquisition strategy, the cost of a fourth heavy icebreaker (\$692M) would be less than that of a first of class medium icebreaker (\$786M).
5. **Finding:** Operating Costs of new polar icebreakers are expected to be lower than those of the vessels they replace due to:
  - Greater fuel efficiency (e.g., lower fuel consumption);
  - A well-designed automation plan will require fewer operation and maintenance personnel;
  - Less maintenance expected in the first 10 years;
  - Adoption of newer, more reliable technologies will allow for greater use of planned and condition-based maintenance; and
  - Use of consumer off-the-shelf technology and minimization of the use of military specifications will also reduce long-term costs.
6. **Recommendation:** The Coast Guard should ensure that the common polar icebreaker design is science-ready and that one of the ships has full science capability. An investment of \$10M-\$20M per ship to make each vessel science-ready will allow each to be retrofitted at a lower cost at a future date to accommodate science activities, if necessary. For an additional \$20M-\$30M investment, a ship could be made science capable by including baseline science equipment.
7. **Finding:** The Nation is at risk of losing its heavy polar icebreaking capability – experiencing a critical capacity gap – as the USCGC POLAR STAR approaches its extended service life, currently estimated at three to seven years.

- 8. Recommendation:** The Coast Guard should keep the USCGC POLAR STAR operational by implementing an enhanced maintenance program until at least two new polar icebreakers are commissioned.

**WITNESS LIST**

**Panel I**

Admiral Paul F. Zukunft  
Commandant  
United States Coast Guard

**Panel II**

Rear Admiral Michael J. Haycock  
Assistant Commandant for Acquisition and Chief Acquisition Officer  
United States Coast Guard

Ms. Marie A. Mak  
Director of Acquisition and Sourcing Management  
Government Accountability Office

Rear Admiral Richard D. West (Navy Ret.)  
Chair  
Committee on Polar Icebreaker Assessment  
National Academy of Sciences

Mr. Ronald O'Rourke  
Specialist in Naval Affairs  
Congressional Research Service