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Homeland Security

United States  
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**DEPARTMENT OF HOMELAND SECURITY**

**U. S. COAST GUARD**

**STATEMENT OF**

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**ON**

**THE INTEGRATED DEEPWATER SYSTEM**

**BEFORE THE**

**SUBCOMMITTEE ON  
COAST GUARD AND MARITIME TRANSPORTATION**

**U. S. HOUSE OF REPRESENTATIVES**

**JUNE 14, 2006**

## **Introduction**

Good morning Mr. Chairman and distinguished members of the Subcommittee. It is a pleasure to be here today to discuss the Integrated Deepwater System and the essential role it plays in the future of the Coast Guard. Simply stated, our ability to sustain mission execution and performance depends on having the best-trained people and most capable, technologically advanced fleet of multi-mission boats, ships, aircraft, and support systems. As you well know, our major operational assets are aging and either have achieved or exceeded their initial service lives. The Deepwater acquisition recapitalizes these aging assets.

The Deepwater Program is the centerpiece of the Coast Guard's future capability in nearly all of our maritime missions. Our extensive shore-based mobile, maritime, and deployable forces create what I describe as a strategic trident, providing layered security for the Nation. Our forces must be adequately supported, and I greatly appreciate all that this Subcommittee has done to ensure they are provided with the best assets and systems that we can procure. As each of you know very well, the Coast Guard is nothing without our people—and our people cannot be effective without the right tools. The Deepwater Program is delivering these tools now and will continue delivering them in the future.

The Deepwater Program will provide more capable, interoperable assets that will enable our forces to close today's operational gaps and to perform their demanding missions more effectively, efficiently, and safely. Deepwater's assets and systems will result in increased operational readiness, enhanced mission execution, and a safer working environment for our men and women. The Deepwater Program serves as a key enabler in allowing us to sustain the high level of performance that America has come to expect from its Coast Guard. The Deepwater Program remains the Coast Guard's top capital priority.

## **Making a Difference Now**

We have made steady progress over the past year implementing Deepwater's revised post-9/11 plan. This plan, based on a comprehensive performance-gap analysis, is well-aligned with the Department of Homeland Security's strategic goals and priorities, the National Strategy for Homeland Security, and the new National Strategy for Maritime Security. The revised plan, a \$24 billion/25-year sustainment, modernization, conversion and recapitalization effort, ensures Deepwater cutters and aircraft will be equipped with the right systems and capabilities to operate successfully in all mission areas in the face of a more challenging post-9/11 threat environment.

The fiscal year (FY) 2006 Deepwater budget of \$923.7 million was an important installment implementing our revised post-9/11 plan. The President's FY 2007 budget request contains \$934.4 million for the Deepwater Program; this too is a critical contribution to our efforts to build a Coast Guard that is more ready, aware, and responsive. Continued implementation of Deepwater's post-9/11 plan will allow the Coast Guard to improve execution of multiple missions, to secure U.S. maritime borders, to implement the National Strategy for Maritime Security and its supporting plans, and to achieve National Fleet Policy objectives calling for increased collaboration with the U.S. Navy.

During the past year, we achieved many milestones in Deepwater Program areas. Construction of major surface and aviation platforms is moving forward. The first in class of our new National Security Cutters, USCGC BERTHOLF, will be launched this autumn and be delivered next year.

Additional cutters in the class are being built or are on order. The first CASA HC-235A medium-range maritime patrol aircraft was rolled out at its factory in March and is scheduled to complete its maiden flight later this month. We are upgrading our inventory of long-range search aircraft, including missionization of six improved HC-130J aircraft. Our small and medium-range helicopters also are being modernized and converted to serve as more capable multimission platforms.

While the Deepwater Program necessarily invests in capabilities adequate to operate in the often unforgiving offshore environment, it is these same capabilities that are instrumental to effective response operations in ports and coastal areas as well. For example, assets scheduled for modernization under the Deepwater Program include every Coast Guard aircraft type. These aircraft, rotary-wing in particular, are critical parts of our port and coastal response infrastructure as well as extended offshore operations in maritime law enforcement and safety. The Deepwater Program's conversion and enhancement of legacy aircraft and cutters are making an impact *now*.

Deepwater's re-engining and upgrading of our legacy fleet of 95 HH-65 helicopters offers a good example of how the Deepwater Program will benefit Coast Guard execution in all of our missions. At the end of May, 37 of the more powerful HH-65C helicopters had been re-engined and returned to service with our operating forces. The operational benefits were apparent during our response to Hurricane Katrina last year. Three upgraded HH-65C helicopters flew 85 sorties to save 305 lives. The converted aircraft can hoist 280 more pounds and stay on-scene about twice as long as its predecessor. As one of our HH-65C pilots remarked last year following his participation in Hurricane Katrina relief operations, "It's a beautiful bird!" Each month, additional numbers of the more reliable and capable "Charlie" model are delivered to our air stations. The modernization project is slated for completion next year.

Deepwater's command, control, and sensor upgrades on all 39 legacy cutters are also making a difference now in enabling them to operate more effectively and efficiently. Deepwater's C4ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance) improvements to high and medium endurance cutters enabled more effective on-scene coordination with local first responders and other federal agencies for rescue operations in New Orleans, LA, and Gulfport, MS,. The patrol reports submitted by our cutters' commanding officers document similar benefits resulting from Deepwater upgrades for streamlined communication systems used during the performance of counter-drug and migrant-interdiction operations.

### **Closing Operational Gaps**

The Integrated Deepwater System was designed to secure the Nation's maritime borders just as the recently announced Secure Border Initiative will help deliver a system to secure the land borders. In the end, they will complement each other in delivering a comprehensive system of border security.

A critical dimension of the Deepwater Program's assets and systems is their ability to fill operational gaps. As was addressed in the Coast Guard's operational gap analysis report submitted to Congress with the FY 2007 budget request, the action plan to deliver the operational capabilities and requirements specified in the revised Deepwater implementation plan is a 25-year effort. This long-term plan requires a fine balance between removing legacy assets from service to realize system cost savings and maintaining sufficient system capacity. The plan, frankly, does result in modest near-term operational hour shortfalls followed by long-term gains in operational capability and capacity as new Deepwater assets enter service in greater numbers.

For example, Figure 1 shows the current gap in patrol boat hours; it is affected most adversely by the difficulties encountered during 123-foot conversions and the projected return of the Navy 179-foot Patrol Coastals. Unfortunately, the conversion of our legacy 110-foot patrol boats has not provided the bridge to the future Fast Response Cutter (FRC) that we had hoped. As a result, we have taken steps to advance the design and construction of a patrol boat to restore this critical capacity as quickly as possible.

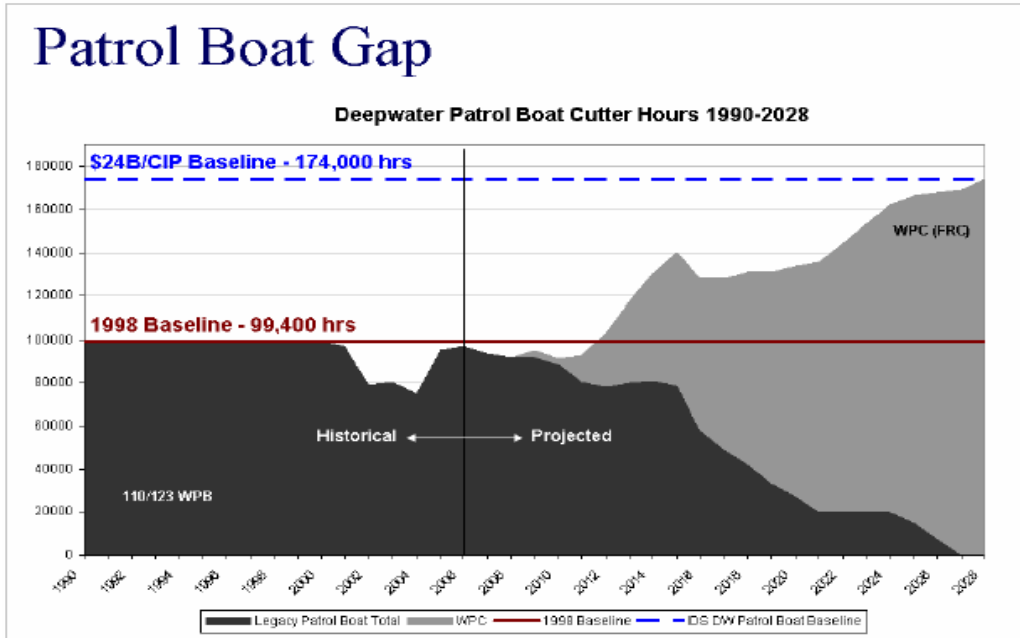


Figure 1

Similarly, Figure 2 shows the pre-existing Maritime Patrol Aircraft (MPA) gap. The revised Deepwater implementation plan strives to mitigate this gap by keeping more legacy HC-130H aircraft in service longer while adding new CASA Maritime Patrol Aircraft to the Coast Guard air fleet.

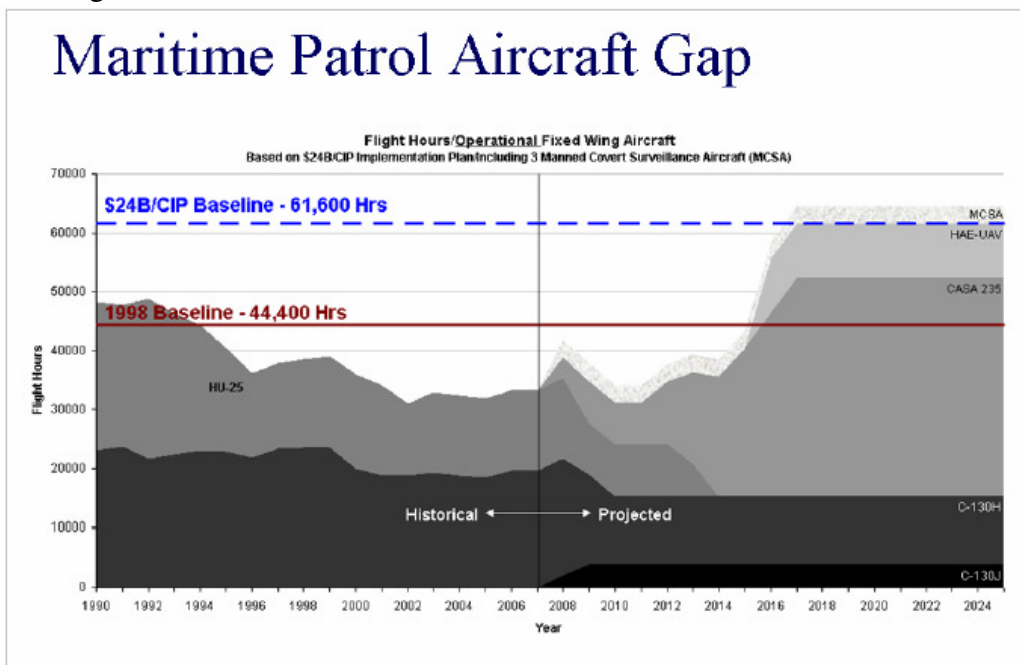


Figure 2

I am ever mindful that the operational gaps depicted in these two charts represent an increased risk to our Nation's maritime security. Beyond its vital importance to our national economy, the maritime domain also is an avenue that could be exploited as a means to smuggle weapons of mass destruction and terrorists into our country. Last year's record seizures at sea of illegal drugs and interceptions of illegal migrants show us the threat is real.

During 2005, working closely with our interagency partners, the Coast Guard prevented more than 338,000 pounds of cocaine from entering the United States by sea—an all-time maritime record. Additionally, the Coast Guard intercepted 9,500 undocumented migrants attempting to enter the United States illegally by sea—a 100 percent increase over 2001 and the second highest number in any non-mass migration exodus over the past 20 years. The trend lines are heading in the same direction this year.

As a result of increases in the level of timely, actionable counter-drug intelligence, we now have an insufficient number of assets to intercept all suspect vessels identified by Panama Express and other successful interagency initiatives. Sufficient numbers of long-range maritime air patrol aircraft are critical to the early detection of suspect vessels. Cutters, patrol boats, armed helicopters, and fast pursuit boats then play a carefully orchestrated role in their subsequent interdiction and apprehension.

Just as important as building capacity to fill the operational gaps cited above is having assets able to serve as the “eyes and ears” that allow the Nation to see, hear, and communicate activity occurring within the maritime domain. The Coast Guard's sustained presence along our maritime borders is unique. More capable Deepwater assets, linked to each other and multiple agencies through Deepwater's net-centric command-and-control system, will significantly improve information sharing, collaboration, and interoperability in the maritime domain—all prerequisites for improved Maritime Domain Awareness.

Similar to the Nation's air-space security regime, the maritime security regime must integrate existing C4ISR systems with new technologies and national command-and-control systems and processes. The Common Operating Picture (COP) and corresponding Command Intelligence Picture (CIP) provide a shared display of friendly, enemy/suspect and neutral tracks on a map with applicable geographically referenced overlays and data enhancements.

The COP is a central element of the Deepwater solution, tying Deepwater assets and operational commanders together with dynamic, real-time maritime domain information. This link is essential to ensure effective command and control of all available Coast Guard and other federal, state, and local assets responding to the myriad of border security threats and homeland security operational requirements.

The progressive addition of more capable and interoperable Deepwater assets, linked with net-centric C4ISR systems and proper logistics support, will allow the Coast Guard to mitigate the operational gaps I have described in the near term, while striving for the future Deepwater fleet that will exceed current legacy capability and capacity. The requirements and capabilities reflected in the post-9/11 revised Deepwater implementation plan will be delivered methodically and prudently over the next 21 years.

## **A Focus on Program Management, Cost Control, and Execution**

I am personally committed to executing the Deepwater Program in the most prudent and effective manner possible. Our Nation needs its platforms and the improved operational capability they and their associated systems deliver. My focus will be on effective program management, cost control, logistics support, and platform effectiveness.

Deepwater's Program Executive Officer works closely with the Government Accountability Office (GAO) during its reviews of program management and execution. I was pleased to note that the GAO reported in its most recent audit that changes to the Deepwater plan appear sound and that program management has improved. We welcome the constructive recommendations and will continue to work with GAO.

Last month we announced a 43-month award term extension opportunity for Deepwater's performance-based contract to Integrated Coast Guard Systems (ICGS), a joint venture between Lockheed Martin and Northrop Grumman. The performance period of the award term will begin at completion of the base period in June 2007 and end in January 2011. The initial contract specified a five-year base period of performance, with potential for five additional award terms of up to 60 months each, for a maximum of 30 years.

ICGS will have the sole source opportunity to respond to a forthcoming Request for Proposal (RFP) for work expected to be contracted during the award term. However, the announcement of the award term length does not mandate any changes to our existing contract, nor does it equate to any specific contract-dollar value. Negotiation of the terms of a contract extension are ongoing. The terms of any new contract will reflect our lessons learned in the base contract period.

The government's decision regarding the length of the award term was reached following an extensive Coast Guard review of the joint venture's performance during the first 42 months of the base period. In evaluating ICGS' performance, members of an Award Term Evaluation Board, which was chaired outside of Deepwater, considered the contractually defined criteria of operational effectiveness, total ownership cost, and customer satisfaction. Performance monitors provided data and reports for board members' consideration.

The award term decision represents an appropriate step forward in the maturity of the Deepwater contract. It offers the opportunity for an additional 43 months of implementation using the systems approach to recapitalize the Coast Guard. Any contract awards will be based upon successful negotiations with ICGS and agreement upon fair and reasonable pricing. This opportunity is essential for the Coast Guard to fulfill its maritime security responsibilities in support of the mandates of Department of Homeland Security and the Department of Defense.

Methodologies are in place that measure the performance of ICGS, as well as the Integrated Deepwater System overall. The contractor is held accountable through award-fee and award-term assessments. The Coast Guard and Deepwater Program staffs are held accountable to the Agency Acquisition Executive and the Department of Homeland Security through our acquisition program baseline. A performance management system allows Deepwater's Program Executive Officer to gain insight into the program's status in real time.

We monitor performance against Deepwater's acquisition program baseline and are baselining performance at the mission, system, and asset level. For example, at the mission level, we evaluate Deepwater's contribution to the Coast Guard's Government Performance Results Act measures. At the system level, we assess the aggregate mission hours delivered and the total ownership cost of the Deepwater system. At the asset level, we measure key performance parameters.

We are negotiating the successive award term criteria to be a subset of these measures thereby increasing visibility into the details of the Contractor's operations and demanding improved performance. They include: cost control, operational effectiveness/performance, competition, program management and execution, and logistics. These criteria, which include both objective and subjective measures, focus program management's attention on key performance areas. These criteria will be published on or about July 2006 and be immediately effective.

We will measure and evaluate our performance and that of Integrated Coast Guard Systems with the diligence and accountability mandated by responsible stewardship.

### **Challenges Ahead**

As with any extremely large acquisition of Deepwater's scope and complexity, not all has been smooth sailing. I wish to highlight some near-term challenges and our plans to address them.

As noted during my discussion of the operational gap we face in patrol boat hours, advancing the design and construction of a patrol boat is a priority to restore critical capacity as quickly as possible. As the result of a number of technical issues associated with its initial design, the FRC's critical design review was deferred during model tow-tank testing. This decision was a prudent step consistent with the Deepwater Program's iterative design process, focus on cost control, and strategy for risk mitigation for our \$3 billion-plus investment in the FRC.

In early April, we issued a request for information for research to identify patrol boats currently in production with the potential to satisfy the majority of requirements for patrol boat capabilities.

We have received more than 20 design submissions in response to our market survey. The designs, submitted by a wide range of U.S. and international ship designers and builders, are being reviewed by a working group composed of representatives from the Coast Guard, Integrated Coast Guard Systems, and technical engineering-support contractors. This initial review will assist the Coast Guard in refining requirements for procuring an existing patrol boat design. This preliminary technical assessment will be followed by a more detailed, in-depth review to determine the viability of acquiring existing patrol boats to address urgent operational requirements. The working group's final assessment is expected later this summer.

From a broader perspective, we're gaining experience in this "system-of-systems" acquisition. Independent evaluations are now used in the design process so that potential problems may be identified and resolved as early as possible. We are applying these lessons learned to validate the design and construction of the National Security Cutter and will do so in the future with the Offshore Patrol Cutter and Fast Response Cutter.

Another critical element in the Deepwater Program that warrants emphasis is its vision for logistics support. During my confirmation hearing, I stated a priority to build a Coast Guard organizational structure that supports field operation and ensures mission execution. Every element of our services not

involved in mission execution must be aimed at field support, and we must be internally aligned with the Department of Homeland Security's support systems. Based on the new sector mission delivery system and the new requirements for deployable forces, I will conduct a comprehensive review of existing command and control structures, as well as, logistics and maintenance systems to ensure that the Coast Guard is optimally organized to support field operations. To ensure the delivery of field support, the logistics system requires the requested levels of funding, and I ask for your continued support of these efforts.

I am also going to ask for your support with the continued challenge we face in attracting, retaining, and certifying acquisition professionals to provide necessary levels of program support for the complex Deepwater acquisition. We are working our understaffed contracting personnel hard to meet the negotiation and oversight requirements involved in this multi-billion dollar acquisition program. The challenge of an overloaded procurement system is not unique to the Coast Guard, but—as always—the success of any enterprise ultimately rests on the talent and performance of its people.

### **Conclusion**

Thanks to the strong support of the Administration, Congress, and this Subcommittee in particular, the Deepwater Program is moving forward to transform Coast Guard capabilities and putting the needed “tools in the tool box” now and in the future. I have stated many times that we should credit the innovation, resourcefulness, and devoted service of Coast Guard men and women for our Service's sterling performance in its multiple missions. They have made tremendous strides with assets and systems designed for our operating environment of the 1960s and 1970s.

I am convinced we can do even better as we deliver the Deepwater Program's more capable, reliable, and interoperable assets and systems. If we give Coast Guard men and women the training and tools to do the job right, they won't let us down.

Thank you for the opportunity to testify before you today. I will be happy to answer any questions you may have.