



Delivering the Goods

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Coast Guard Relies on Small Businesses to Meet Many of its Acquisition Needs

By Linda M. Johnson

The U.S. Coast Guard Acquisition Directorate has developed a robust small business program based on its belief that using small businesses to meet many of its acquisition needs makes good business sense.

"From Coast Guard leadership down to the team leads and procurement officials, we all strongly believe in the small business program," said Nauman Ansari, the Coast Guard's small business program manager. "It is an inherent belief within our procurement community that this is not just a goal we're trying to check off. Small businesses are an integral part of our economy, they're the backbone of our economy," he noted. "We believe that the expertise that they possess makes it advantageous to us to reach out to this community and work with them to meet our needs."

A small contract to supply power to Rescue 21 stations in remote parts of Alaska is a good example of how a small business can play an important role in supporting a major systems acquisition project, defined by the Department of Homeland Security (DHS) as having a price tag greater than \$300 million or requiring special management attention. Rescue 21 is the Coast Guard's advanced communications system designed to help locate mariners and save lives and property at sea. The suite of Rescue 21 technologies that will be deployed in Alaska is heavily influenced by supportability, weather, environment, habitability, terrain, power and bandwidth issues unique to the state.

Bergey Windpower, a family-owned small business in Norman, Okla., won a contract to provide small wind

turbines that had to meet stringent technical specifications and operate under the harsh environmental conditions in southeast Alaska. The company, whose wind turbines have been used for remote power systems on cell phone antenna sites, demonstrated with past performance data that its proposed model had survived in similarly harsh environmental conditions. The Rescue 21 Project Resident Office in Alaska recently ordered two wind turbine units from Bergey, one of which has already been installed at a remote site and will be tested over the winter for power production and survivability.

How the Small Business Program Works

"When we get a requirement, there are certain things we look at, such as the scope of the requirement, the complexity of the work and the dollar amount that together will dictate the acquisition strategy and if we should reach out to the small business community as a prime contractor or if the requirement is more appropriate for a large business," Ansari explained.

"There's extensive market research involved and in most instances, you can find very adequate small businesses no matter how complex the work is," he said.

The Coast Guard solicits bids for close to 40,000 contracts overall, or \$2 billion to \$3 billion worth of work, in any given fiscal year. Any contract under \$100,000 is automatically set aside for small businesses.

For the small business program, success is based on the percentage



Bergey Windpower, a family-owned small business, won a contract to supply small wind turbines, such as the one pictured here, to power the Coast Guard's Rescue 21 stations in remote parts of Alaska. U.S. Coast Guard photo by Dan Slagle

of dollars that are awarded to small businesses, not the percentage of contracts. The Coast Guard's goal for fiscal year 2009 was to award 36 percent of its procurement dollars to small businesses; the service exceeded it by awarding more than 40 percent of its fiscal year 2009 procurement dollars to small businesses. Annual small business goals are established collaboratively by the Small Business Administration

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(SBA), DHS and the Coast Guard based on historical numbers and realistic scenarios.

“The Coast Guard has a great partnership with the DHS Office of Small and Disadvantaged Business Utilization,” Ansari said. “They work collaboratively with us when we’re looking to identify or align our requirements with the small business community.” The Acquisition Directorate also participates in monthly DHS-sponsored small business outreach sessions.

In addition to a small business program manager, the Coast Guard has six small business specialists, one assigned to each of the six major procurement centers within the Coast Guard. The specialists have local business knowledge as well as first-hand knowledge of a contract’s requirements, helping the service identify requirements that might be best suited for small businesses.

“On a daily basis, we’re working with the small business community, providing them with information so they’re aware of the rules of the game and how to best to engage with the Coast Guard, other DHS components and federal agencies,” Ansari said.

Federal Acquisition Regulations determine the definition of a small business for the purpose of federal procurement. A business is typically considered small if it is not dominant in the field of operation in which it is bidding on government contracts and qualifies as a small business under the NAICS (North American Industry Classification System) code. The NAICS code establishes limits on revenue and the number of employees that a company cannot exceed, depending on the industry. The contracting officer, with assistance from the small business specialist, determines which NAICS code is most appropriate for a particular requirement. “So certain companies can be considered a small business for some requirements but then for other requirements, they

could be considered large,” Ansari noted.

Contracting officers can also set aside requirements exclusively for competition among small businesses. Under certain conditions, officers can award a contract with a total value below certain thresholds on a sole-source basis to an economically disadvantaged (known as a Section 8(a)) small business, a business in a HUB (historically underutilized business) zone or a service-disabled veteran-owned small business. A recent legal decision known as the parity rule puts all three of these small business set-aside programs on equal footing.

Furthermore, when a large contract is awarded, the Coast Guard works with the prime contractor to develop and implement a subcontracting plan that targets small businesses. Federal acquisition regulations require a subcontracting plan for any contract valued at more than \$550,000. The prime contractor is required to do at least 50 percent of the work on a large contract, but that leaves up to 49.9 percent of the work available to be subcontracted out to small businesses.

“When you get into larger, more complex acquisitions where the expertise has historically been with the larger shipbuilders, there is a requirement to implement a subcontracting plan,” Ansari explained. “We have certain small business goals for large companies to meet that are negotiated between the large company and the Coast Guard before the contract is awarded. The large companies recognize that there are small, local businesses that have expertise that can help them meet the mission needs and overall contract goals. So it’s a collaborative effort between the Coast Guard and the large company to develop the right mix.”

Advice for Small Businesses

Ansari offers the following advice to small businesses that may be interested in working with the Coast Guard:

“Number one, know the federal agency you’re targeting and know their line of business. Knowing a specific requirement that you’re interested in helps us provide you with more specific answers. Do a little bit of research to find a project that matches up with your particular expertise. For the Coast Guard and other DHS components, we put out an annual forecast at www.fido.gov,” Ansari said. You can also find information on federal contracting opportunities at www.fbo.gov.

“Second, know your capabilities and align those with the requirements for the work that you’re seeking. I’ve seen examples where a small business was so eager to get the work that they really didn’t consider their resource levels, i.e., can we provide the service within the budget and timeframe needed. Their overeagerness to get into the federal sector put them in position to fail, rather than thinking about partnering with someone or being more strategic about it,” Ansari explained. “It’s better to be patient and work on a federal contract that’s aligned with your core capabilities and resource levels than just to have one. If you have a bad past performance rating on a contract, it can be very challenging to find potential future work in the federal sector.”

Finally, “once you’ve done the legwork and you bid on a contract and you win a contract, the ones that work best are the contracts where the lines of communication are continuous and open. Things happen where you’ll need to adjust certain resources or requirements, and rather than addressing those things upfront, people will let a small problem linger. Then it snowballs into a larger problem that requires a larger, more complex solution,” Ansari concluded. “On the most successful small business contracts, you’ll see that the small business owner is engaged from the beginning, throughout the process and until completion.” ■

Partnerships Help Offshore Patrol Cutter Project Take Shape

The Coast Guard is developing the requirements, design and an acquisition strategy for the Offshore Patrol Cutter (OPC). The project, which will replace the legacy surface force's aging medium endurance cutters (WMECs), is among the first new shipbuilding efforts to be undertaken by the Coast Guard's modernized mission support organization. Key members of the Coast Guard's OPC team offered *Delivering the Goods* exclusive insight into the challenging process of bringing this new cutter to life, from drawing board to waterfront.

Partnerships

The team developing various aspects of the OPC includes the directorates of Human Resources (CG-1), Engineering and Logistics (CG-4), Command, Control, Communications, Computers and Information Technology (CG-6), Capabilities (CG-7), Resources (CG-8) and Acquisition (CG-9). CG-7 articulates requirements based on the operational force's mission needs. The technical authorities for Hull, Mechanical and Electrical (HM&E) systems design assess the feasibility of the requirements. As program managers and contracting officers, CG-9 representatives are developing a cost-effective acquisition strategy to meet the requirements within the technical boundaries set by the technical authority.

"Those three have to be headed in the same direction to make sure that what we buy is what we want, that it is affordable, and that it arrives on time," says OPC Project Manager Capt. Brad Fabling. "This will determine success or failure."

A number of third-party partners also have roles in the OPC project. For example, as a quality assurance measure, the Coast Guard is working with the American Bureau of Shipping to ensure that the OPC and other new cutters comply with

the Naval Vessel Rules as amended by the Coast Guard Addendum, a set of standards specific to the HM&E and sea-keeping characteristics of non-nuclear combatants.

Naval Sea Systems Command (NAVSEA) and the Naval Surface Warfare Center (NSWC) Carderock, Md., are helping develop detailed total acquisition cost estimates for the OPC, which include the costs of supporting shoreside infrastructure – such as upgraded piers and additional electrical shore ties – that may be required for the OPC. Meanwhile, NSWC Dahlgren, Va., is helping the Coast Guard with the analysis of the OPC's topside design, considering, for example, whether the cutter should have one or two masts on its superstructure to accommodate required antennas.

In a parallel effort, the Coast Guard is designing and planning for the acquisition of the OPC's Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) equipment suite, which must be compliant with federal information security standards and be interoperable with the C4ISR systems of the National Security Cutter (NSC) and other assets. Developing the OPC's C4ISR acquisition strategy also is a cooperative effort, involving CG-9's C4ISR/Common Operational Picture project office, the Capabilities Directorate, and the C4IT Directorate, which serves as the Coast Guard's technical authority for information technology systems.



The Coast Guard is currently developing the requirements, design and an acquisition strategy for the Offshore Patrol Cutter, which will replace the legacy surface force's aging medium endurance cutters.
Conceptual Rendering of the OPC

Acquisition Strategy

As the Coast Guard's shipbuilding program progresses, the OPC will take its place among a more capable fleet. The challenge is to ensure that requirements, engineering solutions and acquisition strategies align so that new platforms are more efficient with better performance than the cutters they replace.

There will be fewer OPCs than today's 210-foot and 270-foot WMECs. "Our job is to make sure that the new platforms really are more capable," says Capt. Brian Perkins, the chief of the Coast Guard's Office of Cutter Forces. "We have to decommission the WMECs at a certain rate, and that means we have to bring on new capability at a certain rate. We need two ships per year and we need them to be better than the WMECs to keep from being in a situation where we decrease the overall capability from the benchmark established in 1998."

According to Fabling, the OPC acquisition strategy now taking shape depends on timing and close coordination with investments in com-

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plementary shipbuilding projects. "There is linkage between the NSC and OPC acquisitions where the Coast Guard's projected budget will not support two major shipbuilding projects at the same time," Fabling says. "Therefore, we hope to have the OPC ready for production once the last NSC is delivered."

Fabling warns that accelerating that timeline at the expense of completing a rigorous design process could result in problems further along in the schedule. "That is one of the key lessons we have learned," says Fabling. "There always is a hurry to get going once the basic design is done. A balanced system design needs to have all the detail done before starting production."

The business environment in which OPC will be acquired is also considerably different than that of previous Coast Guard shipbuilding projects. Over the last several years, the service has modernized its processes and focused on a disciplined adherence to overarching acquisition policy, as detailed in the Major Systems Acquisition Manual (MSAM). With Congress, our department and other stakeholders watching close-

ly, the OPC team is determined to have their project show exemplary requirements development, engineering, and management.

"The MSAM process drives us to have all our documentation in place: operational requirements document, cost estimates, key performance parameters with thresholds and objectives," Fabling says. "All of that needs to be done ahead of design and construction."

Design Research

The Coast Guard needs an OPC with good performance at both high and low speeds. As combatants, most offshore patrol vessels meet high-speed requirements, but most perform less well in slow maneuvers.

The OPC will also operate independently of refueling ships and sea or shore bases, so its power plant must have the efficiency to meet the OPC's range and endurance requirements with onboard fuel.

A key attribute of the OPC will be its operational availability, which the Coast Guard refers to as "AO." The legacy 210-foot and 270-foot WMECs suffer from increasing oper-

ating costs and some reduced capability due to chronic engineering casualties due to age. The Coast Guard wants the OPC to replace older cutters with ships that operate fully mission ready, with an endurance of 45 to 60 days.

"If we need to have a very high AO, then we need to have redundant systems – that's one way to do it," Lt. Cmdr. William Duncan of the Coast Guard's naval engineering program says. "Or we can look at the logistics tail and have sufficient spare parts onboard the ship. It is going to take a while before we get our arms around that problem. When we buy things, we want to know, what is it going to take to maintain it?"

Other requirements for the OPC are new to the Coast Guard's shipbuilding program. For example, evolving environmental regulations may preclude certain options for the cutter's HM&E characteristics. One challenge is that, currently, no marine diesel engines are rated by the Environmental Protection Agency as compliant with federal "Tier IV" emission standards. So the Coast Guard is working with engine manufacturers to research compliant engine designs that may be available down the road.

MASTER CHIEF AYER,

Q. Do you make up your own acronyms? I keep hearing about something called a SCIF that is going to be installed on the National Security Cutter. I hate to ask, but what is a SCIF?

A. NAWD (No Actually We Don't). Well OK, sometimes we do, but not in this case. A SCIF is a Sensitive Compartmented Information Facility. Although new to the Coast Guard afloat community, SCIFs have been around for awhile in the Department of Defense, other federal agencies and the Coast Guard's intelligence community. In short, it is a secure space that is isolated from the rest of the ship's systems and used for handling and processing highly classified information. The design looks at things like electrical feeds, ventilation, acoustics, etc.



The requirement for a SCIF was added after Sept. 11, along with a number of other requirement changes. Although we knew about the requirement change early enough in production to reserve space and weight for a SCIF, the first National Security Cutter (NSC), *Bertholf* (WMSL 750), is being retrofitted with a SCIF this fall. The current plan calls for the rest of the NSCs to also have a SCIF.

As for the acronyms, we will try to do a better job of spelling out our terms in LNPCU (Language a Normal Person Can Understand). Yes, I made that one up.

— MCPO Brett F. Ayer, Command Master Chief, Coast Guard Acquisition Directorate

[To submit a question for an upcoming Acquisition Directorate newsletter, please email Master Chief Brett F. Ayer directly at: Brett.F.Ayer@uscg.mil or acquisitionwebsite@uscg.mil.]