



Delivering the Goods

News from the U.S. Coast Guard Acquisition Directorate

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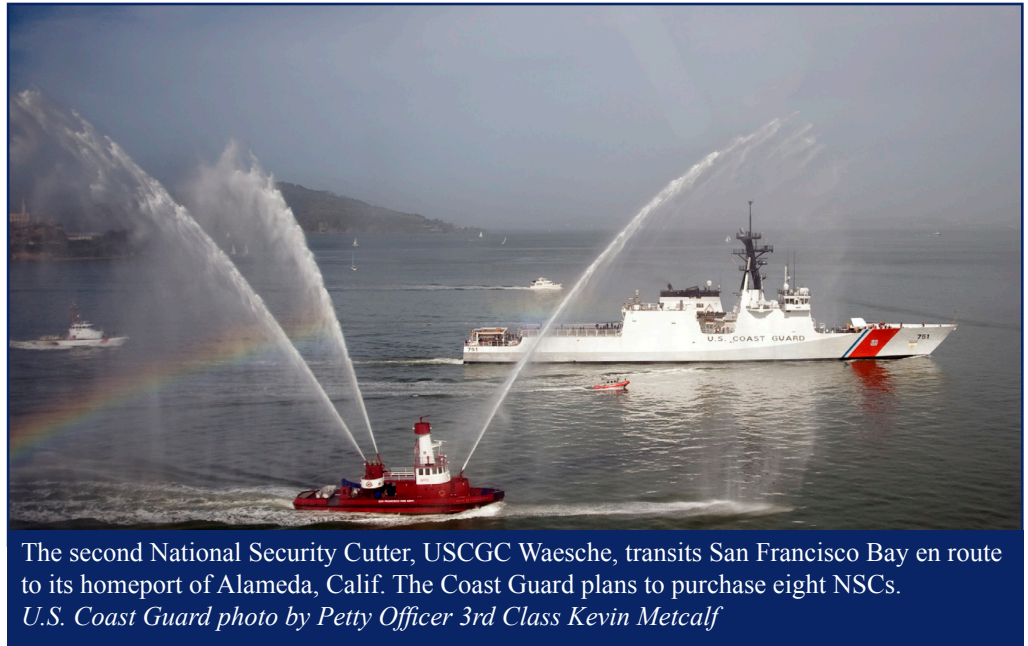
Coast Guard Awards Contracts for National Security Cutters 4 & 5

By Linda M. Johnson

WASHINGTON—The U.S. Coast Guard Acquisition Directorate awarded a contract to Northrop Grumman Shipbuilding (NGSB), valued at \$480 million, for the production and delivery of the fourth National Security Cutter (NSC) in November 2010. The contract also includes options for the procurement of Long Lead Time Material (LLTM) for NSCs 5 and 6 and the production of NSC 5.

This is the first NSC production contract to be awarded directly to the shipbuilder outside of the Deepwater program. Under the Deepwater program, the contractor, Integrated Coast Guard Systems, was the lead systems integrator. The Coast Guard has taken over that role and is responsible for the management and execution of the NSC program.

At 418-feet long, the NSC is the largest and most technologically advanced cutter in the service's history. The U.S. Department of Homeland Security (DHS) plans to utilize the agility and endurance of the NSC, the flagship of the Coast Guard's fleet, to conduct maritime homeland security missions. The fourth NSC will be built at the NGSB facility in Pascagoula, Miss., and is expected to be delivered in the third quarter of fiscal year 2014. A Project Resident Office was established in Pascagoula with the award of NSC 1 and is comprised of contracting and technical professionals, both active duty and civilian, who are onsite to administer and oversee the construction of the NSCs.



The second National Security Cutter, USCGC Waesche, transits San Francisco Bay en route to its homeport of Alameda, Calif. The Coast Guard plans to purchase eight NSCs. U.S. Coast Guard photo by Petty Officer 3rd Class Kevin Metcalf

In January 2011, the Coast Guard exercised an \$89 million contract option to procure the LLTM required for the construction of the fifth NSC. LLTM consists of components and materials to support construction of NSC 5, including steel plating and other raw material, propulsion systems, marine turbine/diesel engines, the ship integrated control system, switchboards and generators that will be utilized for the production of the ship. These items require significant time to be delivered; therefore, it is important for the Coast Guard to order these items well in advance of the in-yard need date for production.

Contracting Strategy

The Coast Guard received the proposal for NSC 4 in late November 2009 and awarded the contract one year later in November 2010 after

extensive fact finding, evaluating and negotiating.

Jennie Peterson, the procuring contracting officer for the NSC who negotiated the NSC 4 production and delivery contract, explained that the Coast Guard assigned a contracting team to negotiate the production and delivery contract for NSC 4 and a separate contracting team to negotiate LLTM for NSC 5.

"We needed to concentrate on getting the negotiations for the

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production and delivery of NSC 4 as quickly as possible after receipt of the proposal, and then be poised to immediately roll into negotiations for Long Lead Time Material for NSC 5," she said. "If we had the same staff, it could have delayed the process. The Coast Guard is trying to get the program into a consistent production schedule after a lapse of about three years from NSC 3 to the award of NSC 4. Breaks in production increase the cost of each ship."

During the negotiation process, Northrop Grumman Corporation announced last July that it intends to restructure and sell or spin off its shipbuilding business. "This had a significant impact on the rates," Peterson noted. "The Navy was also in negotiations on their Amphibious Transport Dock and Guided Missile Destroyer programs. Working closely with the Navy, we created some unique clauses to address the anticipated impacts and mitigate risk where possible. We had a lot of questions on the potential impacts and had to devise a path forward, consistent with the Navy, that would address all parties' concerns but come to a fair and reasonable price for NSC 4. That added to the length of time required for negotiations."

Unlike the previous cost-plus incentive contract for NSCs 1 through 3, the new production contract is a fixed-price incentive contract, which gives the contractor more of an incentive to control their costs. The Navy is currently negotiating the same type contract for its follow-on production contracts. Having consistent contract types for all work performed at the NGSB shipyard is in the best interest of the government.

Although the production of the NSCs is under a fixed-price incentive



The first two NSCs, USCGC Bertholf and USCGC Waesche, are shown here berthed behind three of the aging 378-foot High Endurance Cutters the NSC is replacing.
U.S. Coast Guard photo

contract, the optional line items for LLTM are firm-fixed priced. The contracting officer for the LLTM, Desiree Sylver-Foust, division chief for major systems acquisition, explained that "because we have solid requirements with minimal risk and a history of purchasing the same items for previous NSCs, being able to firm-fix price the LLTM for NSC 5 is the logical approach and is the preferred contracting method."

Under this new contracting effort, the Coast Guard and the Navy worked closely on terms and conditions to align their shipbuilding contracts. "We didn't negotiate collectively with the Navy—we maintained our own separate programs. But we exchanged information that helped keep us better aligned to maintain continuity and consistency within the government, using the same rates and the same terms and conditions when it made good business sense to do so for the Coast Guard," Peterson said. "What that did was provide consistency across the government for these shipbuilding

contracts. This was the right approach and I believe all parties involved benefited."

The first two NSCs, USCGC Bertholf and USCGC Waesche, are fully operational and executing Coast Guard missions on the west coast. Both are homeported at Coast Guard Island in Alameda, Calif. The third NSC, Stratton, is under construction at NGSB and is more than 70 percent complete, with delivery expected in the latter half of 2011.

The Coast Guard plans to purchase a total of eight NSCs.

For more information on the NSC, please visit www.uscg.mil/acquisition/nsc. ■

The Ocean Sentry: The Coast Guard's Multi-Mission Aircraft

By Michael Valliant

On Dec. 4, 2010, Lt. Cmdr. Mike Zeruto and Lt. Stacia Parrott were piloting a Coast Guard HC-144A Maritime Patrol Aircraft out of Air Station Miami when they overheard the crew of the new MH-65 helicopter talking about a go-fast boat with suspected drug smugglers transiting southeast of Cuba.

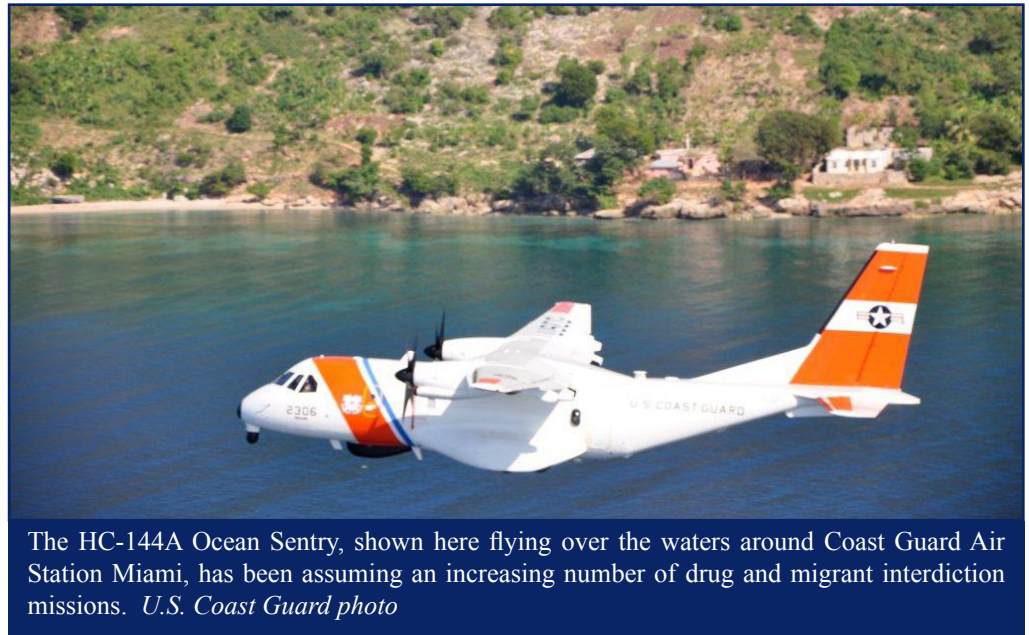
The Coast Guard pilots followed the vessel for an hour, losing it when it went into waters within Cuban air space. Zeruto and Parrott found the vessel again two hours later, tracking the boat for another two hours before they had to leave to refuel. The pilots tracked the vessel until surface assets could arrive, returning later to the scene to support the bust. A total of 43 bales of marijuana were found in the water and on the boat, and the smugglers tested positive for cocaine, marking the first drug interdiction for an HC-144A.

The kind of flight endurance necessary to accomplish this kind of mission is not something Coast Guard aviators have had in the past with similar assets. The HC-144A Ocean Sentry is replacing the service's aging fleet of HU-25 Guardian medium range surveillance aircraft; Zeruto flew the Guardian jet for the Coast Guard prior to the Ocean Sentry.

"The endurance a Guardian will give you is three hours at the most, whereas the HC-144 will give you nine or 10 hours," Zeruto said. "In the case on Dec. 4, a Guardian would have arrived on scene just in time to leave for fuel."

Increased Endurance

The HC-144A's increased endurance gives the Coast Guard a multi-mission aircraft capable of performing such missions as maritime patrol,



The HC-144A Ocean Sentry, shown here flying over the waters around Coast Guard Air Station Miami, has been assuming an increasing number of drug and migrant interdiction missions. *U.S. Coast Guard photo*

law enforcement, search and rescue, disaster response and cargo and personnel transport. A fixed-wing turbo-prop aircraft, the Ocean Sentry is a derivative of the EADS/CASA CN-235 already in use around the world as a patrol, surveillance and transport platform.

The first Ocean Sentry was delivered to the Coast Guard in December 2006, and the service will have 17 aircraft and 17 accompanying Mission System Pallets (MSPs) by 2014. At present, 11 aircraft and 12 MSPs have been delivered to the Coast Guard, with the 12th pallet accepted on Dec. 20, 2010. The MSP is a roll-on, roll-off suite of electronic equipment that enables the aircrew to compile data from the aircraft's integrated sensors to transmit and receive both classified and unclassified information from other aircraft, surface vessels and shore facilities.

In July 2010, three additional HC-144As were contracted for delivery with EADS-North America, with options for six more aircraft over the next four years.

Multi-Mission Capabilities

It's not every day that the Coast Guard gets new aircraft. Much of their aviation recapitalization efforts are focused on missionizing or refurbishing existing airframes such as the HC-130H Long Range Surveillance Aircraft and the MH-60T and MH-65C helicopters.

The Coast Guard's new aviation assets will soon include eight HC-130J Super Hercules airplanes and 17 HC-144As. The service needs these aircraft to be versatile in the field.

"Following Sept. 11, the mission profile changed. It became more about on-scene loiter time or time on station," said Ron McIntire, HC-144A project manager. "We don't get there as fast as a Guardian jet, but the Ocean Sentry is faster than a helicopter or boat and has the ability to act as an on-scene commander and remain on station for a very long period of time. It gives us a multi-mission aircraft, which the Guardian typically was not."

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In the Field

The Dec. 4 drug bust may have been the first successful drug interdiction for the HC-144A, but the Ocean Sentry has also been performing well for a number of other missions. The aircraft received high praise for its part in the Coast Guard's response to the Deepwater Horizon oil spill in the Gulf of Mexico.

Rear Adm. Jake Korn, the Coast Guard's Director of Acquisition Programs and Program Executive Officer, was deployed to Deep-

water Horizon for five weeks last summer.

"The Ocean Sentry was a great asset for giving leaders in various capacities the opportunity to get a good look at cleanup operations at the source and the overall extent of the spill," Korn said. "The aircraft were also workhorses in wildlife rehabilitation efforts."

The HC-144As are already increasing Coast Guard capabilities in the field. Air Station Mobile, Ala., achieved its full operational capacity of four HC-144As in October 2009. Air Station Miami achieved initial operating capability with three

Ocean Sentry aircraft on Oct. 1, 2010. As the MSPs are installed, the fully mission-capable HC-144A will assume an increasing number of drug and illegal migrant interdiction duties from Air Station Miami.

When initial operational testing is complete in March 2012, the Coast Guard will make its decision about awarding full production of the remaining HC-144As and MSPs out of the 36 planned in the fourth quarter of 2012.

For more information on the Ocean Sentry, please visit www.uscg.mil/acquisition/mrs. ■

ASK MASTER CHIEF AYER

Q. I see you have a project to replace the current Response Boat-Small with a new RB-S. What about other vessels and boats that are a lot older, are you planning to replace them? How do you decide which assets get replaced?

A. That's a good question. So, how do we decide what we are going to build and what we are not going to build? This answer not only applies to boats, but also to cutters, aircraft, command and control systems, and just about everything else we do.

The first thing the Acquisition Directorate (CG-9) needs is a "sponsor." In the business world, this would be called the customer. Those of us in acquisition are not in the business of telling the operational programs what they need to do their jobs. We do work with the operational community to help identify potential solutions, but to start a program, they need to come and tell us, "We need something, and here are the requirements." We in CG-9 don't start programs on our own accord just because we think they might be needed.

The second consideration is the size of the program and the potential impact on the Coast Guard as a whole. In general, CG-9 does not manage acquisition programs unless the total life cycle cost (cradle to grave) of the program is \$300 million or greater. In some cases, due to the scope of the project and its impact on the Coast Guard, we will manage projects that are below that threshold, like the RB-S replacement. In general, smaller acquisition programs, like non-standard boats, are managed by the respective program offices outside of CG-9.

The third part, which no one particularly likes, concerns the financial issues. Without support and funding from our Department (DHS), the Administration and Congress, we cannot build anything. While we continue to enjoy strong support from our leadership to recapitalize our Coast Guard, the dollars needed to buy something always must be carefully planned for and well-justified. As you might imagine, sometimes we have to make some tough decisions on what we will build next.

By closely working with our sponsor, our technical authorities and other key members of the Coast Guard team, we are improving our ability to determine "what comes next" so that the Coast Guard will always have the right equipment and systems to perform our missions.

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

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

