

# CRS Report for Congress

## Coast Guard Deepwater Program: Background, Oversight Issues, and Options for Congress

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Prepared for Members and  
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# Coast Guard Deepwater Program: Background, Oversight Issues, and Options for Congress

## Summary

The Integrated Deepwater Systems (IDS) program, or Deepwater program for short, is a \$24-billion, 25-year project to replace and modernize the Coast Guard's aging fleet of deepwater-capable ships and aircraft. It is the largest and most complex acquisition effort in Coast Guard history, encompassing 91 new cutters, 124 new small surface craft, and 244 new or modernized airplanes, helicopters, and unmanned aerial vehicles (UAVs). The issue for Congress is whether to approve, reject, or modify the Administration's annual funding requests and overall approach for the program.

The Coast Guard is pursuing the Deepwater program as a system-of-systems acquisition project, under which a combination of cutters, patrol boats, aircraft, and supporting assets is to be procured as a single, integrated package. To execute this system-of-systems acquisition approach, the Coast Guard is using a lead system integrator (LSI) — a private-sector entity responsible for designing, building, and integrating the various elements of the package.

On June 25, 2002, the Coast Guard awarded the Deepwater LSI role to Integrated Coast Guard Systems (ICGS) — an industry team led by Lockheed Martin and Northrop Grumman's Ship Systems division. ICGS was awarded a contract that includes a five-year baseline term and five potential additional award terms of up to five years (60 months) each. On May 19, 2006, the Coast Guard announced that it was awarding ICGS a 43-month first additional award term.

Some observers have strongly criticized the Coast Guard's management of the Deepwater program, particularly regarding the decision to use an LSI and the execution of the project for modernizing existing 110-foot patrol boats and keeping them in service until they are replaced by new Fast Response Cutters (FRCs). Some other Members are interested in accelerating procurement of Deepwater assets and thereby compressing the Deepwater acquisition period to 15 or 10 years.

Potential options for Congress regarding the Deepwater program include but are not limited to the following: continuing with the program as currently planned; instituting additional or stricter reporting requirements; compressing the acquisition period from 25 years to 15 or 10 years; replacing ICGS as the LSI; dropping the use of an LSI in favor of direct Coast Guard management and integration of the program; and replacing the Deepwater program with a series of separate procurement programs for replacing individual classes of cutters, boats, and aircraft.

The Coast Guard's FY2007 budget requested \$934.431 million for the Deepwater program. The conference report (H.Rept. 109-699 of September 28, 2006) on **H.R. 5441/P.L. 109-295, the FY2007 Department of Homeland Security (DHS) appropriations act**, provides a total \$1,144.566 million in FY2007 funds for the Deepwater program. **H.R. 889/P.L. 109-241, the Coast Guard and Maritime Transportation Act of 2006**, establishes certain reporting requirements for the Deepwater program. This report will be updated as events warrant.

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# Coast Guard Deepwater Program: Background, Oversight Issues, and Options for Congress

## Introduction

The Integrated Deepwater Systems (IDS) program, or Deepwater program for short, is a \$24-billion, 25-year project to replace and modernize the Coast Guard's aging fleet of deepwater-capable ships and aircraft. It is the largest and most complex acquisition effort in Coast Guard history, encompassing 91 new cutters, 124 new small surface craft, and 244 new or modernized airplanes, helicopters, and unmanned aerial vehicles (UAVs). The issue for Congress is whether to approve, reject, or modify the Administration's annual funding requests and overall approach for the program.

This report supersedes an earlier CRS report on the Deepwater program.<sup>1</sup>

The Coast Guard's FY2007 budget requested \$934.431 million for the Deepwater acquisition program. The conference report (H.Rept. 109-699 of September 28, 2006) on H.R. 5441/P.L. 109-295, the FY2007 Department of Homeland Security (DHS) appropriations act, provides a total \$1,144.566 million in FY2007 funds for the Deepwater program.

## Background<sup>2</sup>

### Deepwater Missions

The Coast Guard performs a variety of missions in the deepwater environment (which generally means waters more than 50 miles from shore), including the following: drug interdiction, alien migrant interdiction, fisheries enforcement, search and rescue, the International Ice Patrol in northern waters; overseas maritime intercept (sanctions-enforcement) operations, overseas port security and defense, overseas peacetime military engagement; general defense operations in conjunction with the Navy; marine pollution law enforcement, enforcement of lightering (i.e., at-

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<sup>1</sup> CRS Report RS21019, *Coast Guard Deepwater Program: Background and Issues for Congress*, by Ronald O'Rourke.

<sup>2</sup> For additional background information on the Deepwater program on the internet, log onto [<http://www.uscg.mil/deepwater/>] and [<http://www.teamdeepwater.com>].

sea cargo-transfer) zones, and overseas inspection of foreign vessels entering U.S. ports. Deepwater assets are also used closer to shore for various operations.

## Legacy Deepwater-Capable Assets

When the Deepwater program began in the late 1990s, the Coast Guard's existing (i.e., "legacy") assets for performing deepwater missions included 93 aging cutters and patrol boats and 207 aging aircraft. Many of these ships and aircraft are expensive to operate (in part because the cutters require large crews), increasingly expensive to maintain, technologically obsolete, and in some cases poorly suited for performing today's deepwater missions.

## Deepwater Acquisition Program

### **System-of-Systems Acquisition With Lead System Integrator (LSI).**

Rather than replacing its aging deepwater-capable cutters, patrol boats, and aircraft on a piecemeal, class-by-class basis, the Coast Guard decided to pursue the Deepwater effort as a system-of-systems acquisition, under which a combination of new and modernized cutters, patrol boats, aircraft, along with associated C4I systems<sup>3</sup> and logistics support, is to be procured as a single, integrated package. To execute this system-of-systems acquisition approach, the Coast Guard is using a lead system integrator (LSI) — a private-sector entity responsible for designing, building, and integrating the various elements of the package so that it meets the Coast Guard's projected deepwater operational requirements at the lowest possible cost.

The Coast Guard believed that a system-of-systems approach would permit the Deepwater project to be optimized (i.e., made cost effective) at the overall, system-of-systems level, rather than suboptimized at the level of individual platforms and systems. The Coast Guard decided on using an LSI to execute the program in large part because the size and complexity of the project could have strained the management and system-integration capabilities of the Coast Guard's relatively small in-house acquisition work force. Another major acquisition effort being pursued as a system-of-systems acquisition with an LSI is the Army's Future Combat System (FCS).<sup>4</sup>

**Contract Award and Extension.** The Coast Guard ran a competition for the Deepwater LSI role. Three industry teams competed, and on June 25, 2002, the Coast Guard awarded the role to Integrated Coast Guard Systems (ICGS) — an industry team led by Lockheed Martin and Northrop Grumman's Ship Systems division. ICGS was awarded an indefinite delivery, indefinite quantity contract for the Deepwater program that includes a five-year baseline term that ended in June 2007 and five potential additional award terms of up to five years (60 months) each. On May 19, 2006, the Coast Guard announced that it was awarding ICGS a 43-month

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<sup>3</sup> C4I stands for command, control, communications, computers, and intelligence.

<sup>4</sup> For more on the FCS program, see CRS Report RL32888, *The Army's Future Combat System (FCS): Background and Issues for Congress*, by Andrew Feickert.

first additional award term, reflecting good but not excellent performance by ICGS. With this additional award term, the contract will extend to January 2011.

**Systems to Be Procured or Modernized.** The revised Deepwater implementation plan, submitted on March 25, 2005, includes the acquisition or modernization over a 25-year period, at an estimated cost of \$24 billion, of the following:

**Ships, boats, and surface craft:**

- 8 new *National Security Cutters, or NSCs*, displacing about 4,000 tons each (i.e., ships analogous to today's high-endurance cutters);
- 25 new *Offshore Patrol Cutters, or OPCs*, displacing about 3,200 tons each (i.e., ships analogous to today's medium-endurance cutters);
- 58 new *Fast Response Cutters (FRCs)* displacing 200 tons each;
- 33 new *Long Range Interceptor (LRI) craft* displacing 15 tons each; and
- 91 new *Short Range Prosecutor (SRP) craft* displacing 9 tons each.

**Aircraft:**

- 22 modernized *HC-130H/J Long Range Search (LRS) aircraft*;
- 36 new *HC-235 Medium Range Search (MRS) aircraft*, also known as Maritime Patrol Aircraft (MPA), based on based on the European Aeronautic Defence and Space Company (EADS) CASA HC-235 Persuader MPA aircraft design;
- 42 modernized *HH-60J Medium Range Recovery (MRR) helicopters*;
- 95 re-engined and modernized *HH-65C Multi-Mission Cutter Helicopters (MCHs)*;
- 45 new *HV-911 Eagle Eye VTOL (vertical take-off or landing) Unmanned Aerial Vehicles (VUAVs)*; and
- 4 leased *RQ-4A Global Hawk High Altitude Endurance UAVs (HAEUAVs)*.

## Potential Oversight Issues for Congress

### Program Cost Growth and Management

Some observers have expressed concern that the estimated total acquisition cost of the Deepwater program has grown over time from \$17 billion to \$24 billion. They have also strongly criticized the Coast Guard's management of the Deepwater program, particularly regarding the decision to use an LSI and the execution of project for modernizing the service's 49 Island-class 110-foot patrol boats and keeping them service until they are replaced by the 58 planned FRCs.

**Use of a Lead System Integrator (LSI).** Some observers oppose the use of LSIs in general, arguing that they transfer too much responsibility from

government to the private sector, reduce the government's visibility into program costs, system tradeoffs, and contractor performance, and create a potential for conflicts of interest on the part of the LSI in executing the program. Other observers support the concept of using LSIs — because they offer potential advantages in permitting industry to design the most cost-effective system possible and because the government in some cases does not have sufficient in-house program-management and system-integration capability to take on the role itself — but argue that the Coast Guard in the case of the Deepwater effort has not implemented the concept well. Still other observers believe that using an LSI on a large system-of-systems acquisition program is a relatively new approach for the government and that the Coast Guard's implementation of the strategy, while not perfect, is improving.<sup>5</sup>

**110-Foot Modernization Program.** The program to modernize the 110-foot patrol boats lengthens them to 123 feet. The first of the modernized 123-foot boats was delivered in March 2004.

Structural problems were soon discovered in the modernized boats. In June 2005, the Coast Guard stopped the modernization effort at eight boats after determining that the modernized boats lacked capabilities needed for meeting post-9/11 Coast Guard operational requirements.

In August 2006, a former Lockheed engineer posted on the Internet a video alleging significant other problems with the modernization effort.<sup>6</sup>

On November 30, 2006, the Coast Guard announced that it was suspending operations of eight modernized 123-foot patrol boats (which were assigned to Coast Guard Sector Key West, FL), due to the discovery of additional structural damage to their hulls. The suspension prompted expressions of concern that the action could reduce the Coast Guard's border-enforcement capabilities in the Caribbean. The Coast Guard said it was exploring options for addressing operational gaps resulting from the decision.<sup>7</sup>

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<sup>5</sup> For further discussion of the LSI issue as it relates to the Deepwater program, see Statement of Ronald O'Rourke, Specialist in National Defense, Congressional Research Service, Before the Senate Commerce, Science, and Transportation Committee, Subcommittee on Fisheries and the Coast Guard, hearing On The Coast Guard's Revised Deepwater Implementation Plan, June 21, 2005, pp. 12-15.

<sup>6</sup> Patricia Kime, "Video Alleges Security Problems With Converted U.S. Coast Guard Cutters," *DefenseNews.com*, Aug. 7, 2006. See also Griff Witte, "On YouTube, Charges Of Security Flaws," *Washington Post*, Aug. 29, 2006. The video is posted on the Internet at [<http://www.youtube.com/watch?v=qd3VV8Za04g>].

<sup>7</sup> "Coast Guard Statement on Suspension of Converted Patrol Boat Operations," *InsideDefense.com*, Nov. 30, 2006; Patricia Kime, "U.S. Coast Guard Pulls 123s Out of Service," *DefenseNews.com*, Nov. 30, 2006; Calvin Biesecker, "Coast Guard Suspends 123-Foot Patrol Boat Operations," *DefenseDaily*, Dec. 1, 2006; Robert Block, "Coast Guard Fleet Cuts Could Hurt Border Patrols," *Wall Street Journal*, Dec. 1, 2006; Renae Merle, "Coast Guard Finds Flaws In Converted Patrol Boats," *Washington Post*, Dec. 2, 2006; Renae Merle and Spencer S. Hsu, "Costly Fleet Update Falts," *Washington Post*, Dec. 8, 2006.



**Fast Response Cutter (FRC).** As a result of the problems in the 110-foot boat modernization project, the Coast Guard accelerated by several years the planned entry into service of the replacement FRCs. Problems, however, were discovered in the FRC design, and the Coast Guard in February 2006 suspended work on the design.

In a June 2006 report on the FRC, GAO stated that “The Coast Guard does not have a formal, documented contingency plan should the FRC fail to meet performance requirements. However, Coast Guard officials said it plans to pursue certain mitigation strategies ... to keep the current [110-foot] patrol boats operating longer.”<sup>8</sup>

The Coast Guard has now divided the 58-ship FRC effort into two classes — 12 FRC-Bs, which are to be procured as a near-term stop-gap measure and which are to be based on an existing patrol boat design, and 46 subsequent FRC-As, which are to be based on a fixed version of the new FRC design. The Coast Guard as of mid-November 2006 reportedly had looked at 27 candidate designs submitted by 19 manufacturers for the FRC-B effort.<sup>9</sup>

**National Security Cutter (NSC).** On November 14, 2006, it was reported that:

The Coast Guard withheld from Congress warnings raised more than two years ago by its chief engineer about structural design flaws in its new National Security Cutter...

The lack of full disclosure about that and other problems in the Coast Guard’s \$24 billion modernization effort, known as Deepwater, has created a credibility gap that some members of Congress say now jeopardizes the endeavor.

“The Coast Guard clearly does not understand that transparency and accountability are essential to a program of this magnitude,” said Senator Olympia J. Snowe, Republican of Maine, the chairwoman of the Senate panel that oversees the service’s operations.

Ms. Snowe and other Congressional leaders said they were unaware until this past week that the Coast Guard’s chief engineer, Rear Adm. Erroll Brown, had written in March 2004 to the Coast Guard official in charge of the Deepwater program, Rear Adm. Patrick M. Stillman, to warn him that the design for the National Security Cutter had “significant flaws” and that construction should not begin until they were addressed.

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<sup>8</sup> Government Accountability Office: *COAST GUARD[:] Status of Deepwater Fast Response Cutter Design Efforts*, GAO-06-764, June 2006.

<sup>9</sup> Christopher P. Cavas, “USCG Starts Bid Process for New Cutter Design,” *DefenseNews.com*, November 15, 2006; and Geoff Fein, “Deepwater Program Seeking Designs For Coast Guard’s Fast response Cutter B-Class,” *Defense Daily*, November 16, 2006.

“Importantly, several of these problems compromise the safety and viability of the hull, possibly resulting in structural failure,” said the letter....

Representative Harold Rogers, Republican of Kentucky, who heads the House panel that oversees the Coast Guard budget, said the lack of full disclosure was distressing.

“Withholding information leads to poor decisions for the nation, as we are witnessing now with this cutter modernization initiative,” Mr. Rogers said. Coast Guard officials said Wednesday that they have tried to keep Congress fully informed about progress on the Deepwater project, which is replacing or rebuilding almost all of the service’s ships, planes and helicopters. “The Coast Guard takes very seriously its obligation to keep its authorizers and appropriators informed,” a spokesman, Cmdr. Jeffrey Carter, said.

Representative Bob Filner, Democrat of California, said the shortcomings in the Deepwater program are so severe that the contract should be terminated....

“This has now threatened our national security,” said Mr. Filner, the ranking Democrat on the House panel that oversees the Coast Guard. “After four years and billions of dollars, we have nothing to show for it.”

Unless structural modifications are made, the [NSC] will be susceptible to buckling of its superstructure, premature cracks in its hull and decks, and, in an extreme case, the possible failure of the hull girder, which is a ship’s backbone, said Chris Cleary, a senior naval architect at the Coast Guard.

An independent analysis by Navy engineers early this year has confirmed that the ship, as designed, may be susceptible to premature fatigue cracking, although top Coast Guard officials said they had been assured that the problems would not present a safety hazard for the ship, which is to start sailing next year.

Coast Guard officials in the last year did tell some Congressional committees that the service was addressing contractual issues with Northrop that might require additional work to the first ship, staff members on the House and Senate committees said.

During a June 2006 hearing on the Deepwater program, the Coast Guard commandant, Adm. Thad Allen, briefly mentioned the difficulties, telling a House panel that “there are some technical issues associated with the construction that we will address in subsequent hulls.”

The Coast Guard intends to reinforce the first two versions of the National Security Cutter and to change the design of the remaining six versions, a plan it notified Congress of last week. The service has not disclosed how much the repairs to the first two ships will cost or who will be responsible for the bill.

Coast Guard leaders said in interviews that any new class of ship has design challenges that must be resolved. Given that the start of the National Security Cutter construction had already been planned in 2004 — and that any delays

would add to the ship's cost — they decided to allow the first ship to be built, while continuing to investigate their engineers' reports of design flaws.<sup>10</sup>

**Overall Project Management.** In earlier reports and testimony, the Government Accountability Office (GAO) expressed several concerns about the Coast Guard's ability to manage the program.<sup>11</sup> In an April 2006 report, GAO stated:

Actions by the Coast Guard and the system integrator have fully implemented three of the eight GAO [program-management] recommendations that were not fully addressed during GAO's review in 2005, and three more recommendations appear to be nearly implemented. The remaining two have unresolved concerns, but the Coast Guard is taking steps to resolve them. A program of this size, however, will likely experience other challenges beyond those that have emerged so far, making continued monitoring by the Coast Guard important.<sup>12</sup>

An August 2006 report by the DHS Inspector General strongly criticized the Coast Guard's acquisition of Deepwater information technology (IT) systems.<sup>13</sup>

## Program Acceleration

Some Members are interested in accelerating procurement of Deepwater assets and thereby compressing the Deepwater acquisition period from 25 years to 15 or 10 years, so as to reduce total Deepwater acquisition costs and more quickly replace legacy assets. GAO has cautioned that accelerating the Deepwater program could increase program-management risks, but has also acknowledged that accelerating selected parts of the program might be more feasible.<sup>14</sup>

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<sup>10</sup> Eric Lipton, "Lawmakers Say Coast Guard Withheld Warning Of Flaws In Cutter Design," *New York Times*, Dec. 14, 2006: 38.

<sup>11</sup> See Government Accountability Office, *COAST GUARD[: ] Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges*, GAO-05-307T, Apr. 20, 2005; Government Accountability Office, *Coast Guard[: ] Observations on Agency Priorities in Fiscal Year 2006 Budget Request*, GAO-05-364T, March 2005; General Accounting Office, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380, March 2004; and General Accounting Office, *Coast Guard: Deepwater Program Acquisition Schedule Update Needed*, GAO-04-695, June 2004.

<sup>12</sup> Government Accountability Office, *Coast Guard[: ] Changes to Deepwater Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring Is Warranted*, GAO-06-546, April 2006.

<sup>13</sup> U.S. Department of Homeland Security, Office of Inspector General. *Improvements Needed in the U.S. Coast Guard's Acquisition and Implementation of Deepwater Information Technology Systems*, August 2006. (Office of Information Technology, OIG-06-55) 45 pp.

<sup>14</sup> See also Statement of Ronald O'Rourke, Specialist in National Defense, Congressional Research Service, Before the Senate Commerce, Science, and Transportation Committee Subcommittee on Fisheries and the Coast Guard Hearing on the Coast Guard's Revised Deepwater Implementation Plan, June 21, 2005, pp. 6-9.

## Potential Options for Congress

Potential options for Congress regarding the Deepwater program include but are not limited to the following, some of which might be combined:

- continuing with the program as currently planned;
- instituting additional or stricter reporting requirements;
- compressing the acquisition period from 25 years to 15 or 10 years;
- replacing ICGS as the LSI;
- dropping the use of an LSI in favor of direct Coast Guard management and integration of the program; and
- replacing the Deepwater program with a series of separate procurement programs for replacing individual classes of cutters, boats, and aircraft.

## Legislative Activity in 2006

### H.R. 5681 (FY2007 Coast Guard Authorization Bill)

In its report (H.Rept. 109-614 of July 28, 2006) on H.R. 5681, the House Transportation and Infrastructure Committee recommends authorizing a total of \$1,735.9 million for the Deepwater program for FY2007. **Section 407** would require the Coast Guard to use a competitive contracting procedure among U.S. shipyards for acquiring the FRC. **Section 408** requires DHS to submit a report on Coast Guard plans for managing “the annual readiness gap of lost time for 110-foot patrol boats” from FY2007 through FY2013. The report expresses strong concerns regarding the increase of the Deepwater time line to 25 years and Coast Guard efforts to maintain and replace its 110-foot patrol boats, and support for acquiring Deepwater assets as soon as possible. The report recommends that the Coast Guard examine ways to reduce costs for maintaining legacy assets and expresses support for acquiring new assets in an expedited manner.

### H.R. 889/P.L. 109-241 (Coast Guard and Maritime Transportation Act of 2006)

This act can be viewed in part as **the FY2006 Coast Guard authorization act**. **Section 408(a)** of the conference report (H.Rept. 109-413 of April 6, 2006) on the act requires the Coast Guard to provide a detailed annual report on the implementation of the Deepwater program. **Section 408(b)** requires a separate report on accelerating the Deepwater acquisition period to 15 or 10 years. **Section 408(c)** requires the Coast Guard, in consultation with GAO, to provide a third report on the Coast Guard’s implementation of the recommendations made in GAO report GAO-04-380. **Section 408(d)** permits the Coast Guard to conduct an analysis of all or part of the Deepwater program and assess whether (1) the choice of assets and capabilities selected as part of the program meets the Coast Guard’s goals for performance and minimizing total ownership costs; or (2) additional or different assets should be considered. **Section 409** requires a study on the impact of requiring

that helicopters, or major parts thereof, acquired by the Coast Guard, be U.S.-made, including the contractual impact on the Deepwater program. The conference report expresses strong concerns for the Coast Guard's legacy deepwater vessels and aircraft, particularly 110-foot patrol boats and HH-65 helicopters, and support for accelerating the Deepwater program. The conference report also provides additional discussion of what the conferees expect to see in the reports required by Section 408.

### **H.R. 5441/P.L. 109-295 (FY2007 DHS Appropriations Act)**

**House.** The House-reported version of H.R. 5441 (H.Rept. 109-476 of May 22, 2006) recommended \$892.64 million for the Deepwater program. The report directed GAO to continue its oversight of the program and stated:

The Committee denies \$41,580,000 for the production of the Fast Response Cutter (FRC) requested by the President. This program is experiencing substantial difficulties and the estimated delivery date of the first FRC has been pushed back at least three fiscal years (2010). Until ongoing problems are resolved, the Committee cannot continue to support a program that has so much risk of failure that it may be terminated or substantially revised.... The Coast Guard has \$79,347,002 in unobligated balances available to the FRC and for service life extensions of the 110-foot patrol boat. Bill language (Sec. 521) has been included that reprograms these unobligated balances to the acquisition of traditional patrol boats.... Also, funding may continue to be used for service life extensions of the 110-foot patrol boat. Procuring new patrol boats and completing service life extensions is even more critical now that the Navy has informed the Coast Guard that they are not willing to extend the current Memorandum of Agreement to permit the Coast Guard to continue operating the Navy's five 179-foot patrol boats past 2008.

**Senate.** The Senate-reported version of H.R. 5441 (S.Rept. 109-273 of June 29, 2006) recommended \$993.631 million for the program. **Section 533** rescinded \$20 million in unexpended balances for development of the Offshore Patrol Cutter. The report "notes that \$101,610,954 in carryover balances from prior-year appropriations continue to be available" for the OPC, and stated:

The Committee notes a Government Accountability Office report (GAO-06-546) states 'changes to Deepwater plan appear sound, and program management has improved, but continued monitoring is warranted.' The Committee agrees with these conclusions. The Deepwater program is critical to the Coast Guard's ability to address its homeland and maritime border security mission, and therefore should be accelerated toward completion in 2016 rather than 2026. The Committee encourages the Coast Guard to request sufficient funding in the fiscal year 2008 budget request to accelerate the Deepwater program accordingly.... The Committee recommendation includes \$41,580,000, as proposed in the budget, for the Fast Response Cutter program. This amount shall be used to conduct a business case analysis on the cutter, develop a proposal, and fund the preliminary design and contract design. The Committee commends the Coast Guard for suspending the program to re-evaluate the design to more accurately reflect the Coast Guard's critical mission needs. However, the Committee notes significant value in pursuing the Fast Response Cutter program to address the Coast Guard's long-term needs. In the short term, the Committee is concerned with the current gap in patrol boat hours. To address

this gap, the recommendation rescinds \$79,200,000 from balances in the Fast Response Cutter program and reappropriates these funds for the purchase of off-the-shelf replacement patrol boats to address the patrol boat gap as soon as possible.

**Conference.** The conference report on H.R. 5441 (H.Rept. 109-699 of September 28, 2006) provides \$1,065.872 million in FY2007 funds for the Deepwater program provided, among other things,

That the Secretary of Homeland Security shall submit... a review of the Revised Deepwater Implementation Plan that identifies any changes to the plan for the fiscal year; an annual performance comparison of Deepwater assets to pre-Deepwater legacy assets; a status report of legacy assets; a detailed explanation of how the costs of legacy assets are being accounted for within the Deepwater program; a description of how the Coast Guard is planning for the human resource needs of Deepwater assets; a description of the competitive process conducted in all contracts and subcontracts exceeding \$5,000,000 within the Deepwater program; and the earned value management system gold card data for each Deepwater asset: Provided further, That the Secretary shall submit ... a comprehensive review of the Revised Deepwater Implementation Plan every five years, beginning in fiscal year 2011, that includes a complete projection of the acquisition costs and schedule for the duration of the plan through fiscal year 2027....

**Section 521** rescinds \$78.694 million in prior-year funds for the FRC and the service 110-foot patrol boat service life extension program, and appropriates an equal amount in new funding for the 110-foot patrol boat service life extension program and acquisition of traditional patrol boats (making for a total FY2007 appropriation of \$1,144.566 million). **Section 539** rescinds \$20 million in prior-year funding for the OPC. The report also provides \$26.550 million “to acquire, repair, renovate, or improve vessels, small boats, and related equipment,” \$15 million “to increase aviation capability,” and \$119.823 million “for other equipment.” The report states:

The conferees remain concerned with the lack of Coast Guard leadership in addressing the impending patrol boat crisis and note Coast Guard’s surface ship management assessment is ‘red’ for cost, schedule and contract administration. The Coast Guard has yet to decide the deployment profile, dry-docking, service life, crewing, and concept of operations of the much needed replacement patrol boat in part because the Coast Guard did not admit to the need for a replacement patrol boat until recently despite repeated direction from the conferees. Given the significant gap in patrol boat hours and the delays of the Fast Response Cutter (FRC) program, the conferees strongly encourage the Coast Guard to proceed expeditiously to evaluate replacement patrol boat designs and conduct a proposal effort as early in 2007 as possible. The conferees provide \$126,693,508 for replacement patrol boats to address an immediate need. This funding consists of a reappropriation of \$78,693,508 as discussed in section 521 of this Act and a new appropriation of \$48,000,000 as shown on the table above. Any delay in this acquisition negates the purpose of this funding: to fill the gap in patrol boat hours until the Fast Response Cutters are operational. This funding may also be used for service life extensions of the existing 110-foot Island class patrol boats, which become increasingly critical as replacement patrol boat decisions are delayed. The conferees direct the Coast Guard to provide monthly briefings on the patrol boat replacement effort and development of FRC, as well

as a detailed plan for the replacement patrol boat, including critical decision points and dates, and planned service life extensions of existing 110-foot patrol boats, within two months after enactment of this Act.... Even though C4ISR is pointed to by the Coast Guard as a Deepwater success due to new capabilities like AIS and SIPRNET, Coast Guard listed C4ISR design efforts as over cost and behind schedule in a report submitted to the Committees on Appropriations in August 2006. The conferees understand a stop work order has been issued for Increment 2 and this increment is being 'rescoped'. The conferees are concerned the Coast Guard needs to devote more management attention to resolving C4ISR design problems and directs the Coast Guard to provide a briefing on its plan to resolve them. Furthermore, the conferees direct the Coast Guard to improve the linkage between C4ISR and demonstrate its value to operations. (Page 146)