



Testimony before the Subcommittee on  
Coast Guard and Maritime  
Transportation, Committee on  
Transportation and Infrastructure, House  
of Representatives

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# COAST GUARD ACQUISITIONS

## As Major Assets Are Fielded, Overall Portfolio Remains Unaffordable

Statement of Michele Mackin, Director, Acquisition  
and Sourcing Management

# GAO Highlights

Highlights of [GAO-15-620T](#), a testimony before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

## Why GAO Did This Study

The Coast Guard is managing a multi-billion dollar effort to modernize aging assets, including ships, aircraft, and information technology, to provide new capabilities to conduct missions ranging from marine safety to defense readiness. The Coast Guard has made progress in its acquisition management capabilities, such as more closely following acquisition best practices and taking steps to increase competition. However, GAO has consistently found that DHS and the Coast Guard recognize, but have yet to address, the fact that the Coast Guard's acquisition needs are not affordable.

This statement is based on GAO's body of work issued during the past three years on Coast Guard major acquisitions and highlights GAO's recently completed review of the transfer to the Coast Guard of the C-27J aircraft as well as observations regarding the Coast Guard's fiscal year 2016 Capital Investment Plan. The statement addresses the status of the Coast Guard's (1) aviation assets, particularly the C-27J aircraft and (2) surface assets, as well as (3) the overall affordability of its major acquisition portfolio.

GAO has made a number of recommendations to improve acquisition management and assess the affordability of the Coast Guard's portfolio. DHS and the Coast Guard agreed with GAO's recommendations and are working on implementing them by revisiting the Coast Guard's mission needs and fleet mix, as well as creating a 20-year acquisition plan that balances needs and resources, though the agencies have not specified when they will finish these efforts.

View [GAO-15-620T](#). For more information, contact Michele Mackin at (202) 512-4841 or [mackinm@gao.gov](mailto:mackinm@gao.gov).

May 14, 2015

## COAST GUARD ACQUISITIONS

### As Major Assets are Fielded, Overall Portfolio Remains Unaffordable

## What GAO Found

GAO reported in March 2015 that the Coast Guard is in the process of receiving 14 C-27J fixed-wing aircraft transferred from the Air Force at no cost to the Coast Guard. However, it will take 7 years and about \$600 million to fully transfer and modify the aircraft by adding information technology and surveillance systems. Transfer of the C-27J faces a number of risks but the aircraft is expected to contribute significant flight hours toward the Coast Guard's goal once complete. In light of this transfer, the Coast Guard is in the process of determining the best mix of fixed-wing aircraft to provide the capabilities it needs to carry out its missions. As shown in the table, GAO reported that the Coast Guard has fallen short of its flight hour goal; this trend is expected to continue until the Coast Guard revises its mission needs, an effort it expects to complete in 2016. The Coast Guard also plans to complete a fixed-wing fleet mix analysis by 2019, which will revisit the current flight hour goal and the assets that will best meet its needs. The table reflects the existing fleet and flight hours as compared to GAO's analysis of the Coast Guard's planned fleet including the C-27J aircraft.

**Flight Hour Performance of Actual and Planned Fixed-Wing Assets**

Fleet composition (total quantity of aircraft)	2014 fleet (actual)		GAO analysis of the Coast Guard's current plan	
	Medium Range	Long Range	Medium Range	Long Range
	20	21	32	22
<b>Flight hours per year</b>	32,543		43,200	
<b>Difference based on the program of record goal of 52,400 flight hours (planned or actual hours / 52,400)</b>	38 percent short of flight hour goal		18 percent short of flight hour goal	

Source: GAO analysis based on the data in the Coast Guard's May 2012 business case analysis (which informed the Coast Guard's August 2013 letter to Congress), current operational plans, and other Coast Guard data. | GAO-15-620T

Note: The HC-144 and C-27J are medium range assets while the HC-130H and HC-130J are long range assets. The fiscal year 2014 'medium range' column includes 4 legacy medium range aircraft.

According to GAO's April 2015 review, the Coast Guard continues to field National Security Cutters and Fast Response Cutters. The Coast Guard is also working with three potential shipbuilders to design the Offshore Patrol Cutter, needed to recapitalize the majority of the major cutter fleet, with plans for the first ship to be fielded in 2022. In the meantime, the Coast Guard's legacy Medium Endurance Cutters, which the Offshore Patrol Cutter is planned to replace, have begun to reach the end of their service lives. The Coast Guard currently has no definitive plan to extend the service life of these legacy assets and as a result faces a potentially significant capability gap.

GAO found in June 2014 that budget officials have acknowledged that the Coast Guard's current plan for developing new, more capable assets is not affordable given current and expected funding levels. For the past 5 years, GAO has found that the Coast Guard's acquisition funding has fallen short of what it estimates it needs to fully recapitalize its assets. The Coast Guard has responded by annually delaying or reducing its capability. The Coast Guard and the Department of Homeland Security (DHS) have taken some steps to address these affordability issues, but as yet these efforts have not led to the types of significant trade-off decisions among resources and needs that would improve the long-term outlook of the Coast Guard's acquisition portfolio.

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Chairman Hunter, Ranking Member Garamendi, and Members of the Subcommittee:

I am pleased to be here today to discuss the Coast Guard's plan to buy and deploy the assets it has determined it needs to fulfill its current and anticipated missions. We have been reviewing the Coast Guard's efforts to purchase a new portfolio of aircraft, ships, and other assets for many years. Most recently, we issued a report on the transfer of 14 C-27J aircraft from the Air Force to the Coast Guard.<sup>1</sup>

The Coast Guard has made progress in its acquisition management capabilities over the past several years, such as more closely following acquisition best practices and taking steps to increase competition. We have consistently found, however, that the Department of Homeland Security (DHS) and the Coast Guard recognize, but have yet to address, the fact that the Coast Guard's acquisition needs are not affordable based on past and expected future funding levels.

My statement today is based on our body of work on Coast Guard major acquisitions and the operational capabilities of its assets completed over the past 3 years and highlights our recently completed review of the transfer to the Coast Guard of the C-27J aircraft as well as our observations regarding the Coast Guard's fiscal year 2016 Capital Investment Plan. I will address issues related to the Coast Guard's (1) aviation assets, particularly the C-27J aircraft and (2) surface assets, as well as (3) the overall affordability of its major acquisition portfolio.

For our March 2015 report on the C-27J, we assessed the status and timeframes for making the fleet operational. We also assessed gaps in the fixed wing aviation fleet, based on the current flight hour goals and surveillance capabilities. We analyzed the Coast Guard's May 2012 C-27J business case analysis and the subsequent analysis that it provided to Congress in an August 2013 letter. We also reviewed aviation fleet performance information and talked with operators and maintenance personnel. We also made observations on the Coast Guard's fiscal year 2016 budget and Capital Investment Plan and interviewed Coast Guard budget officials. We discussed these observations with Coast Guard

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<sup>1</sup>GAO, *Coast Guard Aircraft: Transfer of Fixed-Wing C-27J Aircraft is Complex and Further Fleet Purchases Should Coincide with Study Results*, [GAO-15-325](#) (Washington, D.C.: March 26, 2015).

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budget officials and incorporated their views as appropriate. For other past work cited in this statement, specifically our 2014 comprehensive portfolio review of the overall Coast Guard acquisition portfolio, we assessed the Coast Guard's acquisition program baselines, the cost of the Coast Guard's portfolio, and steps taken to address affordability concerns, including the need for long-term planning.<sup>2</sup> We reviewed the Coast Guard's funding needs, mission needs, future plans, and performance data to assess to what extent, if any, the Coast Guard is experiencing capability gaps. More detailed information on our objectives, scope, and methodology for the work cited throughout this statement can be found in the issued reports. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## The Coast Guard Is Reevaluating Its Aviation Fleet Mix in Light of C-27J Transfer

The Coast Guard is in the process of receiving 14 C-27Js as a part of a Congressionally mandated transfer, at no cost to the Coast Guard, from the Air Force, and these aircraft are planned to significantly contribute to the Coast Guard's missions once they are operational. However, as we reported in March 2015, it will take time and money to fully transfer and modify the aircraft. As of May 2015, 2 of the 14 C-27J aircraft had been removed from storage at the Air Force's 309th Aerospace Maintenance and Regeneration Group (AMARG) at Davis-Monthan Air Force Base where 13 of the 14 C-27Js are stored. These 2 aircraft are currently at the Coast Guard's aviation maintenance facility in Elizabeth City, North Carolina where the aircraft are continuing to be inducted into the Coast Guard. The Coast Guard expects to deliver 2 additional C-27Js from AMARG to its maintenance facility by the end of fiscal year 2015.

The first part of induction entails removing the aircraft from the AMARG storage facility, which involves taking off a protective compound, conducting system checks and basic maintenance, and successfully

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<sup>2</sup>GAO, *Coast Guard Acquisitions: Better Information on Performance and Funding Needed to Address Shortfalls*, [GAO-14-450](#) (Washington, D.C.: June 5, 2014). Other past work reflected in this statement includes: GAO, *Coast Guard: Legacy Vessels' Declining Conditions Reinforce Need for More Realistic Operational Targets*, [GAO-12-741](#) (Washington, D.C.: July 31, 2012), and [GAO-15-325](#).

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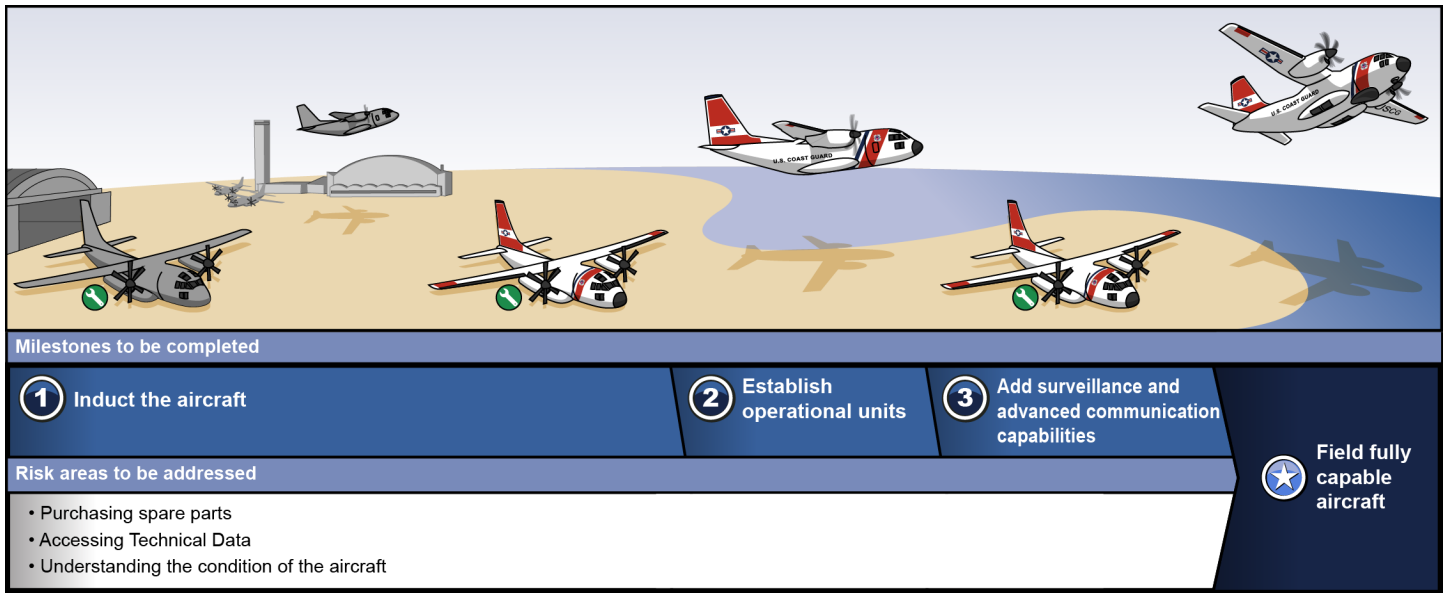
completing a flight test—among other steps. The Coast Guard then needs to ensure that it can support these assets and modify the C-27Js to meet its missions. This is a lengthy and complex process and, as a result, the fleet of 14 fully operational C-27Js is not anticipated until 2022.

In our March 2015 report, we identified a number of milestones and risks that will need to be addressed to achieve fully capable aircraft. In general, the Coast Guard must achieve three major milestones before the aircraft are fully operational:

1. induct the aircraft,
2. establish operational units (bases), and
3. add surveillance and advanced communication capabilities.

In addition, complicating these efforts are areas of risk that need to be addressed before the Coast Guard can field fully operational C-27Js. These three risk areas are: (1) purchasing spare parts, (2) accessing technical data, and (3) understanding the condition of the aircraft. These and other risks may inhibit the Coast Guard's ability to operate the aircraft as planned. However, the Coast Guard is working to mitigate these risks. Figure 1 illustrates the milestones and risk areas the Coast Guard must address before it can field a fully capable C-27J aircraft.

**Figure 1: Major Milestones and Risk Areas in Developing a Fully Operational Coast Guard C-27J Aircraft**



Source: GAO presentation of Coast Guard data. | GAO-15-620T

According to initial Coast Guard estimates, while the C-27J aircraft come at no acquisition cost to the Coast Guard, the costs to fully operationalize them will total about \$600 million. The fiscal year 2016 Capital Investment Plan includes \$482 million for this effort. The Capital Investment Plan also notes that the Coast Guard has yet to fully estimate the total cost of incorporating and operating the C-27J. The Coast Guard is planning to refine this initial estimate by January 2016, in accordance with a February 2015 DHS acquisition decision memo.

In addition to the challenges in converting the C-27Js to fully operational aircraft, we found in March 2015 that the Coast Guard faces a shortfall in achieving its overall flight hour goal.<sup>3</sup> To fully meet its mission needs, the Coast Guard’s 2005 mission needs statement set forth a goal of 52,400 hours per year. In fiscal year 2014, the Coast Guard’s fixed-wing aviation fleet flew 38 percent fewer hours than these stated needs—a total of 32,543 hours. The revised fleet as currently envisioned, with the addition

<sup>3</sup>[GAO-15-325](#).

of the C-27J, will narrow this gap, but the Coast Guard will still fall short of the 52,400 flight hour goal. As a result of planned changes to its fleet composition to accommodate the C-27J—specifically reducing its planned purchase of 36 HC-144s to 18—and other reasons the Coast Guard is now on a path to fall short of meeting this goal by 18 percent when all planned assets are operational.<sup>4</sup>

Table 1 shows: (1) the aircraft that comprise the current 2014 fleet plan and the Coast Guard’s planned fleet once the C-27Js are operational, (2) the annual flight hours each fleet provides, and (3) the difference between the flight hours of the fleets and the 52,400 hour goal.

**Table 1: Flight Hour Performance of Actual and Planned Fixed-Wing Fleets**

Fleet composition (total quantity of aircraft)	2014 fleet (actual)			GAO analysis of the Coast Guard’s current plan		
	HC-144	HC-130H and other legacy aircraft	HC-130J	HC-144	C-27J	HC-130J
	16	20	5	18	14	22
<b>Flight hours per year</b>	32,543			43,200		
Difference based on the program of record goal of 52,400 flight hours (planned or actual hours / 52,400)	38 percent short of flight hour goal			18 percent short of flight hour goal		

Source: GAO analysis based on the data in the Coast Guard’s May 2012 business case analysis (which informed the Coast Guard’s August 2013 letter to Congress), current operational plans, and other Coast Guard data. | GAO-15-620T

Notes: Numbers may not add up due to rounding.

In conducting our analysis, we used the Coast Guard’s 2012 business case analysis but modified the planned flight hours for the HC-144 and the C-27J. The program of record and the 2012 business case assumed that the HC-144 would fly 1,200 hours per year but the Coast Guard plans to fly the HC-144 and the C-27J for 1,000 hours per year.

The Coast Guard is planning to retire the HC-130Hs as it begins to operate the C-27Js and receives more HC-130Js.

The HC-144 and C-27J are medium range assets while the HC-130H and HC-130J are long range assets. The fiscal year 2014 ‘HC-130H and other legacy aircraft’ column includes 4 medium range legacy aircraft.

<sup>4</sup>Also contributing to this reduction in flight hours is the current plan to reduce the HC-144 flight hours from 1,200 to 1,000 hours per year—due primarily to the high cost of maintaining the aircraft while flying at the higher pace.

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According to the fiscal year 2016 Capital Investment Plan, the Coast Guard is currently conducting a revised fixed-wing fleet analysis, intended to be a fundamental reassessment of the capabilities and mix of fixed-wing assets needed to fulfill its missions. Coast Guard budget and programming officials recognize the aviation fleet may change based on the flight hour goals in the new mission needs statement and the overall fleet mix analysis. The fiscal year 2016 Capital Investment Plan, therefore, does not include any additional fixed-wing asset purchases. For example, DHS and the Coast Guard have formally paused the HC-144 acquisition program at 18 aircraft, which are the aircraft they have already purchased.

The Coast Guard has begun to rewrite its mission needs statement and concept of operations and plans to complete this effort by 2016. The Coast Guard plans to complete its full fixed-wing fleet mix analysis, which includes the assets it estimates will best meet these needs, by 2019, but has not set forth specific timeframes for completing key milestones. We recommended in our March 2015 report that the Secretary of Homeland Security and the Commandant of the Coast Guard inform Congress of the time frames and key milestones for completing the fleet mix study, including the specific date when the Coast Guard will publish its revised annual flight hour needs and when it plans to inform Congress of the corresponding changes to the composition of its fixed-wing fleet to meet these needs.<sup>5</sup> DHS concurred with our recommendation but did not provide specific time lines for meeting this recommendation. The bill for the Coast Guard Authorization Act of 2015, introduced in April 2015, requires a revised Coast Guard fixed-wing aircraft fleet mix analysis to be submitted to congressional transportation committees by the end of fiscal year 2015.<sup>6</sup>

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<sup>5</sup>[GAO-15-325](#).

<sup>6</sup>H.R. 1987, § 204, 114th Cong. (1st Sess. 2015).



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## The Coast Guard Is Beginning to Field New Surface Fleet Assets but Faces Potentially Significant Capability Gap

The Coast Guard continues to field National Security Cutters (NSCs) and Fast Response Cutters (FRCs), which are replacing the legacy 378'-foot high endurance cutters and the 110'-foot patrol boats, respectively. As we reported in April 2015, the Coast Guard is also in the process of working with three potential shipbuilders to design the Offshore Patrol Cutter, but this asset, needed to recapitalize the vast majority of the major cutter fleet, remains years away from being fielded.<sup>7</sup> In the meantime, the Coast Guard's legacy Medium Endurance Cutters, which the Offshore Patrol Cutter is planned to replace, have begun to reach the end of their service lives creating a potential gap.

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### National Security Cutter

The Coast Guard has all 8 NSCs on contract or delivered as of May 2015, and, as we reported in April 2015, completed operational test and evaluation in April 2014. All 8 NSCs are planned to be fully operational by 2020 and the Coast Guard is phasing out the legacy 378'-foot high endurance cutters as the NSCs become operational. We are currently conducting a detailed review of the NSC's recent test event at the request of this subcommittee. We reported in April 2015, however, that during this initial operational testing, the NSC was found to be operationally effective and suitable, but with several major deficiencies. For example, the NSC's small boat—which is launched from the back of the cutter—is not suited to operate in rough waters (sea state 5) as intended.<sup>8</sup> Coast Guard officials told us they planned to test a new small boat by March 2015. In addition, the Coast Guard deferred testing for several key capabilities on the cutter, such as cybersecurity, the use of unmanned aerial systems, or its ability to handle certain classified information. Coast Guard officials said follow-on operational tests will be conducted between fiscal years 2015 and 2017. While future tests will be key to understanding the NSC's capabilities, any necessary changes resulting from these tests will have to be retrofit onto all 8 NSCs since they are all either built or under contract. In June 2014, we found that the NSC program had at least \$140 million in retrofits and design changes to fund and implement on the NSC fleet.<sup>9</sup>

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<sup>7</sup>GAO, *Homeland Security Acquisitions: Major Program Assessments Reveal Actions Needed to Improve Accountability*, [GAO-15-171SP](#), (Washington D.C.: April 22, 2015).

<sup>8</sup>Sea states refer to the height, period, and character of waves on the surface of a large body of water. Sea state 5 represents 8.2- to 13.1-foot waves.

<sup>9</sup>[GAO-14-450](#). The Coast Guard reported these numbers for all eight hulls. However, for some items, such as the information system replacement, the costs primarily cover retrofitting some or all of the first four hulls.

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As we also reported in June 2014, further changes may be needed due to issues discovered through operating the NSC, which could result in the Coast Guard having to spend even more money in the future to ensure the NSC fleet meets requirements and is logistically supportable.<sup>10</sup> For example, the cutter is experiencing problems operating in warm climates, including cooling system failures, excessive condensation forming puddles on the deck of the ship, and limited redundancy in its air conditioning system affecting use of information technology systems. According to operational reports from a 2013 deployment, the Commanding Officer of an NSC had to impose speed restrictions on the vessel because of engine overheating when the seawater temperature was greater than 68 degrees. In addition, cold climate issues on the cutter include a lack of heaters to keep oil and other fluids warm during operations in cold climates, such as the arctic. Further, Coast Guard operators state that operating near ice must be done with extreme caution since the ice can move quickly and the NSC could sustain significant damage if it comes in contact with the ice. In June 2014 we reported that while senior Coast Guard officials acknowledged that there were issues to address, they stated that the Coast Guard has not yet determined what, if any, fixes are necessary and that it depends on where the cutter ultimately operates.

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## Fast Response Cutter

In April 2015, the Coast Guard accepted delivery of the 13th of 58 FRCs and now has 32 of the cutters on contract. As we reported in April 2015, the Coast Guard is introducing additional competition into this purchase by recompeting the construction contract for the remaining 26 vessels; this contract is planned to be awarded in fiscal year 2016. According to the Coast Guard, the FRC has already been used to rescue over 400 undocumented immigrants, seize nearly \$20 million in contraband, and apprehend several suspected drug smugglers. The fiscal year 2016 Capital Investment Plan includes \$1.47 billion over the next 5 years to continue purchasing these assets by which time the Coast Guard plans to have fielded 42 FRCs.

As we reported in June 2014, operational testers within the Department of the Navy determined in July 2013 that the FRC, without the cutter's small boat, is operationally effective—meaning that testers determined that the asset enables mission success.<sup>11</sup> However, these operational testers also

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<sup>10</sup>[GAO-14-450](#).

<sup>11</sup>[GAO-14-450](#).

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determined that the FRC is not operationally suitable because a key engine part failed, which lowered the amount of time the ship was available for missions to an unacceptable level. Despite the mixed test results, Navy and DHS testers as well as Coast Guard program officials all agreed that the FRC is a capable vessel, and the Coast Guard plans to confirm that it has resolved these issues during follow-on testing planned to be completed by the end of fiscal year 2015.

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## Offshore Patrol Cutter

The Coast Guard is using a two-phased, competitive strategy to select a contractor to construct the Offshore Patrol Cutter (OPC), as we reported in April 2015. First, the Coast Guard conducted a full and open competition to select three contractors to perform preliminary and contract design work, and in February 2014, the Coast Guard awarded firm-fixed price contracts to three shipbuilders. Second, by the end of fiscal year 2016, the Coast Guard plans to award a contract to one of these shipbuilders to complete the detailed design of the vessel and construct the first 9 to 11 ships, at which time the Coast Guard plans to recompetes the contract for the remaining vessels. The Coast Guard currently plans to begin construction on the lead ship in fiscal year 2018—one year later than planned in its most recent program baseline—and deliver this ship in 2022. The Coast Guard attributes the schedule delay to procurement delays, including a bid protest. The fiscal year 2016 Capital Investment Plan has \$1.5 billion in funding for the OPC, which funds the design work and construction of the first three vessels. After the first 3 of the planned fleet of 25 OPCs are built, the Coast Guard plans to increase its purchase to 2 OPCs per year until the final asset is delivered, currently scheduled for fiscal year 2035.

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## Potential Surface Fleet Capability Gaps

As we reported in July 2012, the Coast Guard faces capability gaps in its surface fleet over the next several years as the projected service life of its Medium Endurance Cutter fleet expires before planned delivery of the OPCs, which will replace these aging cutters.<sup>12</sup> The Coast Guard completed a refurbishment of the Medium Endurance Cutters in September 2014 to increase their reliability and reduce longer-term maintenance costs. Senior Coast Guard officials responsible for this project reported that these efforts may provide up to 15 years of additional service life to the fleet. However, they noted that this estimate is optimistic and that the refurbishment provided needed upgrades to the

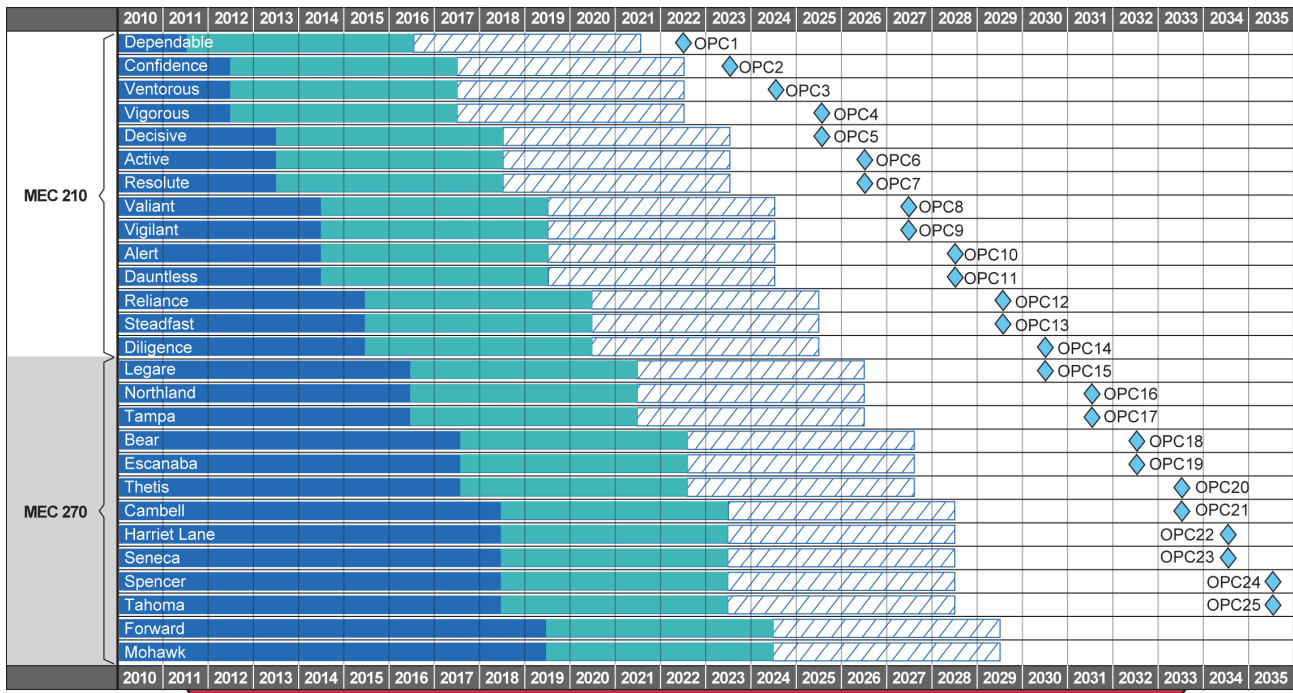
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<sup>12</sup>[GAO-12-741](#).

Medium Endurance Cutters, but was not designed to further extend the cutters' service lives.

As depicted in figure 2, even with the most optimistic projection for the current service life of the Medium Endurance Cutters, we estimated in our July 2012 report that there was a gap before the planned OPC deliveries. The figure shows the service lives for each of the 27 210'-foot and 270'-foot Medium Endurance Cutters if the service life extensions provide 5, 10, or 15 years of additional service, and the planned delivery of the 25 OPCs.

**Figure 2: Comparison of the Projected End of Service Lives for the Legacy Medium Endurance Cutter (MEC) Fleet with the Planned Offshore Patrol Cutter (OPC) Delivery Dates**



End of extended service life if the refurbishment effort provides up to 5 additional years  
 End of extended service life if the refurbishment effort provides up to 10 additional years  
 End of extended service life if the refurbishment effort provides up to 15 additional years  
 Projected delivery date of OPC

Source: GAO analysis of Coast Guard documents. | GAO-15-620T

Note: This analysis is based on the Coast Guard's existing fleet of 27 legacy Medium Endurance Cutters, each of which is identified by class and name. Coast Guard officials also reported that there is no correlation between the end of a vessel's service life and its decommissioning date. Figure from [GAO-12-741](#).

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## The Coast Guard Faces Affordability Challenges as Funding Needs for the Offshore Patrol Cutter Loom

Coast Guard budget officials recently told us that the Coast Guard is studying whether to perform additional service life extension work on the Medium Endurance Cutters to keep them operational until the OPCs are delivered. Coast Guard officials could not tell us when a decision will be made about this work and the fiscal year 2016 Capital Investment Plan does not include funds for this effort.

As we have found in recent years, the Coast Guard faces a significant challenge in the affordability of its overall fleet, driven primarily by the upcoming OPC procurement, which is planned to cost \$12.1 billion. The OPC will absorb about two-thirds of the Coast Guard's acquisition funding between 2018 and 2032 while it is being built. As a result, remaining Coast Guard acquisition programs will have to compete for a small percentage of funding during this time.

We found in June 2014 that there are gaps between what the Coast Guard estimates it needs to carry out its program of record for its major acquisitions and what it has traditionally requested and received.<sup>13</sup> For example, senior Coast Guard officials have stated a need for over \$2 billion per year, but the Coast Guard has received \$1.5 billion or less over the past 5 years. The President's budget requests \$1 billion for fiscal year 2016. In an effort to address the funding constraints it has faced annually, the Coast Guard has been in a reactive mode, delaying and reducing its capability through the annual budget process but without a plan to realistically set forth affordable priorities. The Coast Guard, DHS, and Office of Management and Budget officials have acknowledged that the Coast Guard cannot afford to recapitalize and modernize its assets in accordance with the current plan at current funding levels. Efforts are underway to address this issue, but so far, these efforts have not led to the difficult trade-off decisions needed to improve the affordability of the Coast Guard's portfolio. We recommended in 2014 that the Coast Guard develop a 20-year fleet modernization plan that identifies all acquisitions needed to maintain the current level of service—aviation and surface—and the fiscal resources needed to buy the identified assets. We recommended that the plan should consider trade-offs if the fiscal resources needed to execute the plan are not consistent with annual budgets. The Coast Guard concurred with our recommendation, but its

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<sup>13</sup>[GAO-14-450](#).

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response did not fully address our concerns or set forth an estimated date for completion.<sup>14</sup>

In June 2014, we also reported that the Coast Guard faces a potentially expensive recapitalization of other surface assets, such as the polar icebreakers and its fleet of river buoy tenders, as these assets continue to age beyond their expected service lives and, in some cases, have been removed from service without a replacement. These issues pose additional potential challenges to the affordability of the Coast Guard's overall acquisition portfolio.

**Icebreakers**—According to program officials, due to funding constraints, the Coast Guard chose not to invest in either of its heavy icebreakers as they approached the end of their service lives. Thus, both heavy icebreakers were out of service from 2010 to 2013 and the Coast Guard could not complete missions, such as resupplying a science laboratory in Antarctica. The Coast Guard has recently returned one of these heavy icebreakers back to service, but still has one fewer heavy icebreaker than it has historically operated and several fewer than it needs, according to the Coast Guard's June 2013 heavy icebreaker mission need statement. The fiscal year 2016 President's Budget asks for \$4 million for continued preparatory studies to develop a cost estimate, among other things. The associated fiscal year 2016 Capital Investment Plan contains \$166 million for polar icebreakers over the next five years but does not identify what this money is for, though it is far short of the estimated \$831 million needed to build the vessel. The Coast Guard is currently working with several U.S. government agencies to develop requirements and establish a plan to build a heavy icebreaker that could be jointly funded by the U.S. government agencies that need the asset to accomplish its missions.

**River Buoy Tenders**—The Coast Guard is facing a gap in its river buoy tender fleet and has yet to formalize an acquisition project to replace this fleet—a project estimated to cost over \$1.5 billion.

**HH-60 and HH-65 Helicopter Fleets**—The HH-60 and HH-65 helicopter fleets will approach the end of their lifespans between 2022 and 2026 and will need to either be replaced or have a service life extension performed to keep them operational. Regardless of the future path, significant

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<sup>14</sup>[GAO-14-450](#).

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acquisition dollars will be required to maintain annual flight hours for the next 20 years, according to Coast Guard program officials.

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Chairman Hunter, Ranking Member Garamendi, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions.

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## GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Michele Mackin at (202) 512-4841 or [mackinm@gao.gov](mailto:mackinm@gao.gov). In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony include Katherine Trimble, Assistant Director; Laurier R. Fish; John Crawford; and Peter W. Anderson.

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## Public Affairs

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