

ACQUISITION

After Deepwater

The Coast Guard rethinks fleet modernization in the wake of cost overruns and flawed manufacturing.

By Andrew Lapin

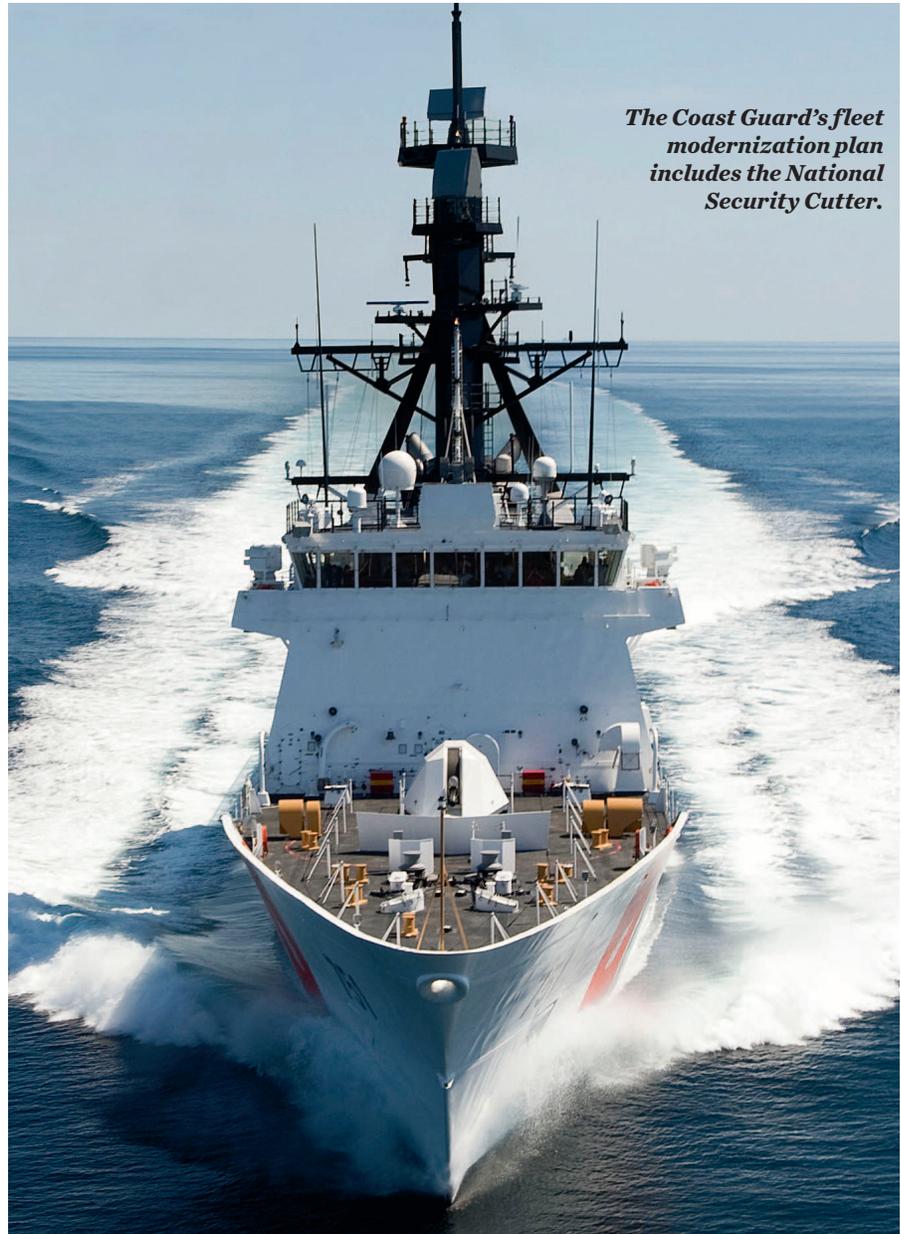
Among the framed photographs of boats, planes and a Red Wings jersey-clad Spirit of Detroit monument inside Michael Tangora's office in Southwest Washington is a bookshelf crammed with binders, with one tucked back a bit farther than the others. The spine reads: ICGS, which stands for Integrated Coast Guard Systems, the contracting vehicle for a 25-year recapitalization program whose very name today invokes near-total disdain: Deepwater.

"That's a nice one, huh? That's my historic document," says Tangora, the U.S. Coast Guard's director of acquisition services. "That's why it's so far back."

The project to modernize the Coast Guard's ailing fleet was awarded in 2002 to Lockheed Martin Corp. and Northrop Grumman Corp., which teamed up as lead systems integrator under the ICGS moniker. Their job was to subcontract and oversee a massive overhaul of the Coast Guard's maritime assets, including aircraft and communications equipment—many vessels had outlasted or were close to outlasting their intended lifespan—as well as build new assets to meet increased post-9/11 responsibilities.

Tangora refers to the events surrounding Deepwater as his "archaeological dig," and one might reach the conclusion that he's not particularly willing to pull out that binder once again. After all, anyone with 31 years of shipbuilding experience knows instinctively where the cracks in the hull are. But pull it out he does. Since the Coast Guard hired him in 2006, Tangora has preached a message of complete transparency.

Deepwater's problems were legion and well-documented: a lack of proper oversight that led to a host of unusable assets, design defects such as non-



The Coast Guard's fleet modernization plan includes the National Security Cutter.

waterproof radios and the trampling of efficiency underneath layers of bureaucracy. Coast Guard officials, including Tangora, have allocated equal blame to the government for failing to think through the contract specifications and for insufficient oversight. Former ICGS officials have been quoted in media

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JIM GRING, LOCKHEED MARTIN

reports, however, saying the contractor failed to secure the best price for the government and knowingly built ships out of weak materials.

There was no official last day for Deepwater, but as of January, no one at the Coast Guard was still using the term. "Deepwater is officially dead—long live Coast Guard recapitalization," Rear Adm. Jake Korn, assistant commandant for acquisition, who is Tangora's boss, wrote in the Coast Guard's *Service Lines* magazine in December 2011.

The Government Accountability Office estimated in July 2011 that the program's cost had exceeded \$29 billion, dwarfing the original \$17 billion contract and still well north of the \$24.2 billion baseline set in 2007 when the Homeland Security Department, the Coast Guard's parent agency, took Deepwater operations away from ICGS and brought them in-house.

In at least one instance, the govern-

NORTHROP GRUMMAN

ment wants its money back. In the same year the Deepwater contract was signed, ICGS subcontracted with Bollinger Shipyards to extend eight cutters by 13 feet to accommodate a boat launch ramp. The company's first converted cutter, the *Matagorda*, suffered hull failure in 2004 and was rendered unseaworthy, and in 2007, the Coast Guard took all eight Bollinger-converted boats out of service. On Aug. 17, 2011, the U.S. government filed suit against Bollinger under the False Claims Act, accusing the company of misrepresenting its technical data.

Deepwater is no more, but recapitalization efforts continue. The service is in the process of replacing or upgrading hundreds of cutters, small boats, fixed-wing aircraft and helicopters, along with communications, intelligence and surveillance systems. The Coast Guard's fiscal 2013 budget proposal includes \$658 million to build the sixth of eight planned National Security Cutters.

Now under closer scrutiny from Congress and DHS, the Coast Guard operates on a five-year acquisition plan that is reevaluated annually. Every time there is an unplanned expense, the Coast Guard must request approval for more funds. These baselines are designed to keep expenditures in check and fleet modernization on track.

This time the plan has no end date. In fact, Korn's article pointed to an artificial end date as one of the reasons Deepwater failed. According to Tangora, the Coast Guard will never be truly caught up. "You need to recapitalize your force forever," he says.

Lockheed Martin and Northrop Grumman were the two biggest defense contractors in government in 2011, according to *Washington Technology*. Lockheed took in more than \$17 billion in federal contracts, while Northrop reported more than \$10 billion.

When vendors of such size fail to deliver on contract obligations, the chance for some lingering bad blood seems high. But as it turns out, though he is aware of problems with Deepwater operations under Lockheed and Northrop, Tangora is more than prepared to work with them again. Both companies remain eligible for Coast Guard acquisitions.

"I don't cut anybody out in an open competitive environment," he says. "They're all allowed to bid. I want them competing in all my procurements."

The reasoning is twofold. First, Tangora feels that the Coast Guard

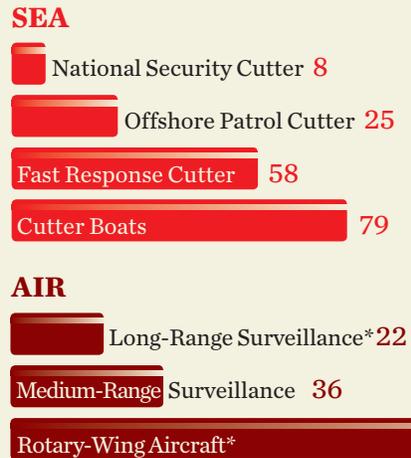
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The Replacements

With Deepwater in the rearview mirror, the Coast Guard is forging ahead with fleet upgrades, including 650 new response boats. Other vessels and aircraft in the pipeline as of October 2011 include:



* Includes incremental upgrades

Source: Coast Guard

shares equal blame in Deepwater for not writing a strong enough statement of work in the original ICGS contract and not adequately understanding the shipbuilding technology it was handing over.

And second, quite simply, he says he's required by law: specifically, regulations that require government agencies to accept the bids that offer best value. "The lowest priced technically acceptable best proposal is what wins," Tangora says. He noted in a follow-up email that the Coast Guard evaluated all relevant details of Lockheed Martin's and Northrop Grumman's work on Deepwater and both meet the Federal Acquisition Regulation criteria for eligible contractors.

Even after the Coast Guard assumed Deepwater operations in 2007, a handful of the project's contracts remained intact. In late 2011, Lockheed completed its work on the Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance systems, known as C4ISR, for several vessels, including the National Security Cutter, which Tangora calls the finest ship the service has ever produced.

"We continue to meet delivery and performance milestones under our existing Coast Guard contracts and are prepared to continue supporting the U.S. Coast Guard in its critical national security mission," Lockheed Martin spokesman Jim Gring wrote in an email statement.

Even today, Huntington Ingalls Industries, a shipbuilding company Northrop Grumman spun off in 2011, continues to build the National Security Cutters. When reached for comment, Northrop's representatives directed *Government Executive* to Huntington Ingalls representatives, who declined to comment for this story.

Tangora says it would have cost between \$150 million and \$180 million for a new contractor to step in and build itself up to Huntington Ingalls' knowledge base for the project.

The world of government contracting is convoluted but necessary for large-scale projects, so well-publicized busts like Deepwater don't always tell the whole story. One simple fact

remains: The Coast Guard's fleet is out of date. And regardless of which contractors the Coast Guard uses from here on out, Tangora's aim is to make sure nothing more becomes a future archaeological dig.

U.S. COAST GUARD