HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOLDS A
HEARING ON THE COAST GUARD DEEPWATER PROGRAM

APRIL 18, 2007

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REP. JERRY MCNERNEY, D-CALIF.

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REP. JOHN BOOZMAN, R-ARK.

REP. JIM GERLACH, R-PA.

REP. MARIO DIAZ-BALART, R-FLA.
WITNESSES:

MICHAEL DE KORT,

FORMER PROJECT MANAGEMENT SPECIALIST FOR 123 SYSTEMS,

LOCKHEED MARTIN

ROBERT BRADEN,

SENIOR TECHNICAL STAFF,

PROCESSOR AND SYSTEMS DESIGN,

LOCKHEED MARTIN
SCOTT SAMPSON,
SECTION CHIEF,
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BRUCE WINTERSTINE,
PRINCIPAL PROJECT ANALYST,
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LOCKHEED MARTIN
LEO MACKAY,  
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COAST GUARD SYSTEMS;  

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EXECUTIVE VICE PRESIDENT OF ICGS  

T.R. HAMBLIN,  
VICE PRESIDENT,  
GOVERNMENT AFFAIRS,  
BOLLINGER SHIPYARDS  

MARC STANLEY,  
EXECUTIVE VICE PRESIDENT,  
GOVERNMENT AFFAIRS,  
BOLLINGER SHIPYARDS  

DEBU GHOSH,  
NAVAL ARCHITECT AND BRANCH CHIEF,  
COAST GUARD BOAT ENGINEERING BRANCH  

JOE MICHEL,
ASSISTANT DEPUTY,
SYSTEMS IMPLEMENTATION,
COAST GUARD NATIONWIDE AUTOMATIC IDENTIFICATION SYSTEM PROJECT

LIEUTENANT COMMANDER CHAD JACOBY,
PROGRAM MANAGER,
SCALEABLE COMPOSITE VESSEL PROTOTYPE PROGRAM IN THE SCIENCE & TECHNOLOGY DIRECTORATE,
DEPARTMENT OF HOMELAND SECURITY

CATHY MARTINDALE,
CONTRACTING OFFICE CHIEF,
COAST GUARD ENGINEERING AND LOGISTICS CENTER

REAR ADMIRAL GARY BLORE,
PROGRAM EXECUTIVE OFFICER,
COAST GUARD INTEGRATED DEEPWATER SYSTEM

VICE ADMIRAL PAUL SULLIVAN,
COMMANDER,
U.S. NAVAL SEA SYSTEMS COMMAND
OBERSTAR: We meet today in full committee to inquire into compliance of the Coast Guard with the requirements of the Deepwater contract.

When I was elected to the chairmanship of the committee, I said at the very outset that we would have a strong emphasis on oversight and investigations into the programs within the jurisdiction of our committee.

It has long been a role of this committee, going back to 1959, when the special investigating committee in the Federal-Aid Highway Program was established by then Speaker Rayburn, and my predecessor, John Blotnik, whose portrait is over there in the corner, was designated chair of that committee.

It was the very first deep investigative work of the House in the post-World War II era that resulted in conversion of all state federal highway programs from no internal audit and review procedures to every state having internal audit, review and accountability for their federal highway funds.

It also resulted in 36 people going to federal and state prison for their illegal activities in misuse and abuse of public funds in the
The committee continued its work into other areas of jurisdiction of the full committee doing enormous good service to the public. We continue that work in the spirit of inquiring into the wise, best and most effective use of public funds and ensuring that there is not a failure on the part of federal agencies in carrying out their public trust.

Of all the issues that have come before our committee -- we've had a lot since the beginning of this session of Congress -- the failures of the Coast Guard Deepwater acquisition program are the most disturbing.

The Investigations and Oversight bipartisan staff has been conducting in-depth investigations over the last three months on the conversion of 110-foot patrol boats to 123-foot boats, which is a 12 percent extension, and to modernize their electronics in the new era of security, and the new or the additional mission of the Coast Guard in homeland security.

OBERSTAR: The investigation uncovered factors far more disturbing than we anticipated at the outset or than other committees that have looked into this have uncovered. Major problems in the program -- some of the major problems -- have already been disclosed in hearings of other
committees and by news reports.

But four years after the Coast Guard began the Deepwater program to replace or upgrade all of its ships, fixed-wing aircraft and helicopters, we know that eight of the 110-foot patrol boats have been found unseaworthy and rendered essentially useless by poorly designed hull extension.

It's already on public record that plans to produce a new class of 140-foot ships have been shelved after a new hull design was found to be flawed. It's already been published that serious questions have been raised about the structural integrity of the new National Security Cutter, and whether it can be expected to meet its projected lifetime in service.

There are problems that have increased the cost of the fleet renewal program from $17 billion to more than $24 billion. We know that the Coast Guard's ability to fulfill its mission has been compromised, that critically needed assets are not going to be available, or certainly not available in the timeframe within which the Coast Guard needs them.

The Coast Guard constantly has been forced to cut back on patrols. At times, it's had to ignore tips from other federal agencies about drug
We are concerned these difficulties will only grow and become more acute in the years ahead as older vessels fail and replacements are not available.

What we have learned in our investigation, though, is even more disturbing: serious management failings, which are serious, internal to the Coast Guard.

OBERSTAR: We're not going to pass final judgment on those charges or allegations until we have had the response to the Coast Guard and its contractors.

I should point out that the testimony we will hear today raises serious problems that were known early in the program by the Coast Guard, and that warnings delivered by very courageous persons involved in the program in the earliest days were delivered, and many of the warnings consciously rejected by various levels of Coast Guard management.

I commend those whom are witnesses here before us today, who have helped us understanding what happened, and who have put their jobs, their careers on the line in order to do the right thing and assure that the truth is out, in particular Michael De Kort, Robert Braden, Scott Sampson.
And Mr. Atkinson is not a Coast Guard employee, but he is a similarly public spirited person who has prepared an extensive analysis of the internal problems.

The Coast Guard has taken a lessons learned approach to the tragedies, the failures that have occurred in the conversion programs, and we hope that today's hearing will make a major contribution to improving, changing, not only the way the Coast Guard does this, but the culture -- the very culture -- within the Coast Guard. Time will tell, but one thing is certain: We're going to stay on top of it.

OBERSTAR: The chair recognizes the gentleman from Florida, the ranking member, Mr. Mica.

MICA: Thank you, Mr. Chairman.

And I have some comments. I'm a little bit concerned.

This is the first of our investigative hearings. And going forward today, with some terms, or under some terms that I thought were a little bit different than what I had anticipated.
I do have some issues that I do want to raise. The committee is continuing today in what I was led to believe was oversight of the Coast Guard's very important Deepwater program.

Unfortunately, after reviewing the materials for this hearing, most of what we're going to hear, or go through, in a series of panels, appears to be matters that we have already reviewed. I guess some of it may be redundant, because I've not only participated in at least two hearings on this committee, but also Government Reform Committee on which I serve, which has also looked into this. This is, I believe, the sixth hearing -- this is the sixth hearing held this year. And number seven is next week in the Senate.

I do want to say that I've been impressed with the conduct of the chairman of the subcommittee, Mr. Cummings and the ranking member, Mr. LaTourette. They stated that they would continue to pursue this matter and have subsequent testimony from the DHS I.G. and the General Accountability Office just last month.

In the January hearing Mr. Cummings, chair of the subcommittee, and the Commandant Allen agreed that there would be a hearing 120 days later in which the Coast Guard would report also on changes in the program and progress that has been made. And I think that's very important that we
MICA: I come from the state of Florida. We have these eight cutters that are now, I'm told they've been brought up here to the northeast from Florida. They're not usable. These cutters are critical to safety, to national security, to questions of the problems we face on illegal immigration.

Last week, we had I believe over 100 Haitians just come in in one batch. And the warm weather hasn't started.

The Coast Guard has a mission dealing with the illegal narcotics, which is critical. And I don't have those assets there, whether there are 40 of these cutters. These are eight. A large percentage of these cutters are out of service.

And I know there are some plans in place. And it's critical that we have -- that we deal with these issues I've mentioned, not to mention the possibility of some change in the regime with Castro and critical needs without the vessels in place.

So no one is more deeply troubled than I am about the problems associated with the 110-foot cutters to 123-foot cutters, which was the
However, I'm afraid, again, that this hearing merely rehashes some of the issues the I.G. has gone through and reviewed and testified about at our Coast Guard budget hearing last week.

And I do have the questions that were raised -- I'd like to submit for the record, and then the responses, which are some of the same questions again today. I'd like to...

OBERSTAR: Without objection, they'll be included.

MICA: ... have that included. In addition, I must point out, again, this is our first -- this is very important, that this is the first of our investigative hearings.

And both Mr. Oberstar and I are committed to strong investigations and oversight. We think that's an important part of our responsibility.

However, the minority was not included in the selection or the interviewing of these witnesses. And given the traditional bipartisan nature of the work on Coast Guard and maritime transportation, this causes me great concern.
In government reform, for example, we don't interview a witness or depose a witness without notification and the opportunity to have a bipartisan participation.

That does concern me. And I hope that's not the way we proceed in the future.

I also understand that one of today's witnesses, as staff has told me, is being paid by the committee, the taxpayers, as a consultant. And I think that's Mr. Atkinson. Is that correct?

OBERSTAR: Only his travel and expenses were covered...

MICA: So he is being paid...

OBERSTAR: ... as in the tradition of the committee.

MICA: Again, I am concerned about the selection of witnesses and, particularly, those -- well, we're going to hear from a whistleblower, and I think he has some important information to share with the committee.

I'm not certain because, again, our staff was not permitted to interview
him at the same time that he was actually in position to be able to
comment on some of the issues related to certification, et cetera, that
he may be testifying on. So that raises questions.

Secondly, with Mr. Atkinson, I'm just totally at a loss of why he was
permitted to be a witness. Now, I did not see this until yesterday, and
staff provided me with this yesterday, but anyone can go on to

In 15 years of having witnesses before numerous subcommittees, some of
which I chaired or participating on different committees, I never had a
witness who set forth a mission statement or qualifications as some --
let me read from his -- and you all pull this up and see it.

"I will not have anything to do" -- these are quotes from his Web site.
"I will not have anything to do with someone I know to be a criminal,
and if I seen the slightest reason to believe that they have a criminal
history, I will back away from them the second I find out about it. In
fact, not only will I start backing away from them, but they will hear
me reloading the shotgun as I do it."

Second paragraph: "If someone chooses to be an eavesdropper, I'll hunt
them to the ends of the earth. If they're a felon or a crook using
electronics in their work, I will relentlessly stalk them until they are
rendered impotent."

Third paragraph: "When the eavesdropper lies on his deathbed and the
Angel of Death comes to take him away, I want Death to be holding a scan
lock instead of a scythe. I want them constantly looking over their
shoulder and expecting TSCM specialists to pounce on them and start
beating them with a MLJD, let them fear black boxes and weird-looking
antennas. Let them eat Xanax by the handful and spend their days in
pain."

Four paragraph: "Let them be afraid, let them be very afraid, for I am
hunting them. I'm not hunting -- them, then -- someone who I trained
will be afraid of -- I perform bug sweeps like a contact sport. I don't
play fair."

I've never heard a witness give those kind of qualifications.

MICA: Again, the rest of it is troubling to me. The staff pointed this
out. So I do have concerns about the witnesses, and particularly that
witness.

The Deepwater program, as I said, is critically important, and we need
to have the best witnesses and access to the best information and
resources to make certain that we have enhanced vessels and aircraft in place as quickly as possible, at the lowest cost to the taxpayer.

In January, Admiral Allen appeared before the committee and committed himself and the Coast Guard to improving the oversight, which is very important.

Finally, I do have concerns about two things.

One, it's also the custom that we investigate and then we make a determination, and I'm prepared to do that and work with the chairman and the ranking member for calling the Department of Justice to look, if we find in this hearing or subsequent hearings criminal and civil misconduct that warrants an investigation, not to announce that to the media before we hold the hearing.

And then the second concern that I have is that the Coast Guard has now made an announcement, prompted by some of these inquiries -- and I'm not sure that it's the wisest announcement -- to go forward with in-house actually control and management of these contracts, which I don't know they have the capability of doing and which testimony we've heard previously and in other committees indicated that their inability to pay, their inability to retain personnel, attract personnel or put a
program like this into place for oversight, they don't have -- they may not have that oversight capability or ability even to maintain that capability.

So in the meantime I pledge to continue to work with the majority. This is a very important issue. And I'm sorry that we did get off with some unacceptable terms in both procedures and witnesses for this first hearing.

Yield back.

OBERSTAR: I read the same comments on the Web site, and I took them in a different vein.

But, Mr. Atkinson, after he's sworn in, will have an opportunity to respond to the ranking member's comments.

OBERSTAR: As to witnesses, I directed the majority staff to share with minority the names of witnesses. And they're free to call and inquire and interrogate them as they wish. And they had all the names.

As for redundancy, I can't control what other committees do, I say to my good friend. If they want to have hearings, that's their business. But
we're conducting our business.

We did have a preliminary hearing earlier this year on Deepwater. It set the stage for what I felt was a necessary -- and what you and I both discussed was a necessary, more intensive discussion and inquiry into these matters.

As for the Justice Department, we make no judgment. Justice is conducting its own inquiry into this matter. And after the conclusion of our hearings, and in consultation with the ranking member, we will decide what next steps to take.

The gentleman from Maryland, chairman of the subcommittee, Mr. Cummings -- at the outset I want to say has conducted a very thorough inquiry and has given an enormous amount of his personal time and been actually on board the defective vessels -- I recognize the gentleman for his statement.

CUMMINGS: I want to thank the gentleman for moving.

And I want to thank you, Mr. Oberstar, for your dedication and effective oversight and for convening this hearing today to continue requiring accountability. And I emphasize accountability on the part of the Coast...
Guard as well as its contractor, partner for implementation of the Deepwater acquisition program.

I must say that as I listened to Mr. Mica, I think we have to very careful that we don't assassinate witnesses before they even testify. These witnesses come to us, some of them I'm sure with some fear. But they have stepped forward bravely, and I am very, very familiar with their testimony.

CUMMINGS: And I know that they have the concerns of the American people and the Coast Guard and Coast Guard personnel, by the way, in mind.

Deepwater is a $24 billion -- and I emphasize "billion-dollar" -- procurement effort, through which the Coast Guard is acquiring 91 cutters, more than 100 small surface craft, and 244 new or converted aircraft, including helicopters and fixed-wing airplanes.

Americans trust the Coast Guard to protect them from emerging threats approaching our homeland from the sea, to rescue them when they are in danger and to protect the natural resources of our marine environments.

That trust is well placed. However, Americans also need to know that they can trust the Coast Guard's leaders to manage the taxpayers'
hard-earned dollars effectively and efficiently, and to provide the
tools that the men and women of the Coast Guard need to succeed.

Further, Americans need to know that, when a multibillion-dollar
contract is signed, the parties to that contract will accomplish its
objectives to the best of their abilities.

Our expectations for the Deepwater program are not unreasonable. We
expect it to produce boats that float, planes that fly, and information
technology systems that work, meaning that they allow us for
identification of threats in the maritime domain, while protecting
sensitive and classified communications and allowing effective control
of deployed assets.

What is remarkable and completely unacceptable is that a program costing
on the order $100 million, intended to upgrade 110-foot legacy cutters,
lengthen them to 123 feet, and extend their service lives, has produced
eight cracking hulks that are now tied up within a few miles of my house
in Baltimore, unable to return to service and waiting for the scrap
heap.

And guess who paid for them? The American people.
What is unconscionable is that the simple and straightforward expectations of Congress, and more importantly, the American taxpayers, have not been met because of a combination of poor oversight by the United States Coast Guard and poor performance by two of the world's largest defense contractors, Lockheed Martin and Northrop Grumman. I applaud the action taken yesterday by Admiral Thad Allen, the commandant of the United States Coast Guard, to begin to right what has become a floundering acquisitions effort, veering far, far off course.

I believe that this decisive leadership will put this program on a path to success.

However, though the commandant has taken bold steps to bring the systems integration functions back in-house, to rebid parts of the Deepwater contract, and to ensure that assets are independently certified against the highest industry standards, it is essential that we learn the lessons of the past five years of Deepwater implementation, so that past errors are never repeated.

I've said it before, and I'll say it again. This is the country that's able to send folks to the moon. We ought to be able to build ships that float.
Today, therefore, we examine the 123 program. We will take a close look at all of the actions of the Coast Guard and its partner, the integrated Coast Guard systems team, that contributed to the colossal failure of the program.

We want to know why the Coast Guard and its partners went ahead with the design to lengthen the 110-foot cutters, despite warnings from the United States Navy that the hulls should have been strengthened before they were lengthened, warnings based on the Navy's own experience lengthening the 170-foot Cyclone-class ships to 179 feet.

CUMMINGS: We will also closely examine whether the equipment installed inside the converted 123-foot boats met all contractual requirements and was designed to ensure safety of the crews -- and I emphasize that, safety of the crews.

We want to make sure that Coast Guard personnel are safe.

And so, further, we want to examine whether the C4ISR command-and-control system was properly certified to ensure the protection of national security data.

I applaud the willingness of the dedicated individuals who worked in
various capacities in the Deepwater program to come forward today to share their concerns about what they experienced on that program and about the actions taken by managers leaving the program.

The committee's investigation also received critical assistance from an outside expert on TEMPEST process, who has dedicated countless hours of his own personal time to analyzing TEMPEST certification process on the 123s.

I thank Michael DeKort, Robert Braden, Scott Sampson and James Atkinson for their dedication to excellence. Our committee shares their dedication.

Therefore, while we examine what must be done to ensure the success of Deepwater, we also will be examining what must be done to build acquisition systems and develop experienced management personnel within the Coast Guard who can ensure that a single dollar is never, ever wasted in the procurement of a ship or plane for the Coast Guard fleet.

And with that, Mr. Chairman, I yield back.

OBERSTAR: I thank the gentleman for his very strong statement and again for his very diligent work.
And I recognize -- I yield now to the gentleman from Ohio, the ranking member of the subcommittee, Mr. LaTourette.

LATOURETTE: Thank you very much, Mr. Chairman. I'll try and move along expeditiously.

I want to thank you and Chairman Cummings for holding this hearing. And I have to say that I come to this hearing with a deep concern over the future success of the Deepwater program. As I indicated at the subcommittee hearing in January, there is no more important issue facing the Coast Guard now than the delays and setbacks that are jeopardizing this program.

This hearing today is going to focus on the conversion of the 110-foot patrol boat fleet. And I believe that we will examine and use this hearing to examine the roots of the problems that resulted in this failure and how the Coast Guard, I hope, will look -- how the Coast Guard can apply the lessons learned to future acquisition projects.

The original Deepwater contract, which has now run a number of years, established performance requirements for each asset and component system. It appears that in too many cases the responsibilities to
oversee, test and certify construction and performance of these assets
and systems has been vested in the contractors and not the Coast Guard.

The Coast Guard has addressed these issues under Commandant Allen's
direction, it was announced just yesterday. And I have confidence that
the Coast Guard will take a much more active role in reviewing and
ultimately approving or disapproving asset designs, performance, testing
and compliance with contract requirements.

While I appreciate the commandant's new directives and willingness to
address past problems, I remain concerned by the number and nature of
problems that seem to come to light every time this committee holds a
hearing.

LATOURETTE: It appears that there were several opportunities to make
significant changes to the design and the structure of the 123-foot
patrol boat hull, and that Coast Guard chose not to take those
corrective actions.

As a result, the Coast Guard took possession of eight vessels that can't
be used for any mission by the Coast Guard, and are now scheduled to be
scrapped.
The loss of these eight vessels and the impending delay in requiring more capable vessels hurts the Coast Guard's ability to safeguard and secure our nation's waters, and jeopardizes the safety of Coast Guardsmen that serve aboard increasingly aged and deteriorating vessels.

I'm further concerned by the apparent lack of control procedures that allow a contractor to install self-certified component systems that have not been tested against industry or military standards.

The Coast Guard is responsible for ensuring that the assets and systems that it accepts meet all terms and conditions of the contract and all relevant performance specifications. Under the commandant's new directions, the Coast Guard will take on additional responsibilities to verify compliance.

I can't emphasize enough how critical these new responsibilities are for the future of the service. The Deepwater program and the assets that will be acquired under Deepwater are critical to the Coast Guard's future mission success.

The men and the women of the Coast Guard carry out brave and selfless service to our nation each and every day. And we need to make sure that the Deepwater program is carried out in a way that the best, most
capable equipment is acquired to allow these Coast Guardsmen to carry out their important missions.

I want to thank the witnesses for appearing today.

And, Mr. Chairman, on the way over from my last series of votes, I mentioned some matters to subcommittee Chairman Cummings, and I'm not going to bring those up at this moment. But they do relate to issues that Mr. Mica was addressing, and I hope that we -- maybe the four of us could have a conversation in the future about some of those things.

I thank you for your courtesy and yield back the balance of my time.

OBERSTAR: I thank the gentleman for his statement, for his ever public-spirited concern about the work of this committee.

We have had some difficulties in proceeding with this hearing because we requested on March 20 documents from the Coast Guard, did not get what we were requesting until March -- not until April 6.

And not until subcommittee Chairman Cummings met with the commandant did we get at 5 p.m. Friday, April 13 the full set of documents that we requested much earlier.
That hampered and made difficult the task of saying -- structuring this hearing and getting the information we needed. So there have been some difficulties along the way. And we made our best effort to include the Republican side in this process and gave to staff the names of witnesses right at the outset, and how to contact them and invited the minority staff to conduct their own individual inquiry.

(UNKNOWN): Will the chairman just yield for...

OBERSTAR: Yes.

(UNKNOWN): I think the chairman and the full committee knows that I -- there's no member of Congress that I have greater respect for, and even affection for, than the chairman.

My invitation was that maybe, as we move forward, we can do a little bit better in talking to each other.

OBERSTAR: We always can do better. And we will.

(UNKNOWN): Thank you.
OBERSTAR: Now I call -- I ask all witnesses to rise. Raise your right hand.

Do you solemnly swear the testimony you'll give before the Committee on Transportation and Infrastructure is the truth, the whole truth and nothing but the truth, so help you God?

OBERSTAR: Thank you.

Mr. De Kort, we'll begin with you, and welcome your statement. And, again, I say that you have provided an enormous service to the public and to the committee, and I think, in the long run, to the Coast Guard by the work that you've done, so please proceed.

DE KORT: Thank you, Mr. Chairman, for those comments.

Good afternoon, Mr. Chairman, and the members of the committee. I deeply appreciate your taking the time to hear testimony on the C4ISR problems relating to the Deepwater effort.

While I will be highlighting the C4ISR issues, I'm sure you realize that they are only examples of the systemic engineering and management problems associated with this effort. The problems I will be describing
are not simply mistakes; they were informed, deliberate acts. As I will show, I have been trying to resolve these problems for almost four years.

After not being able to convince every level of management of every relevant organization in Lockheed Martin through to the CEO and Board of Directors -- and I believe there's a timeline up that shows some of that information -- as well as working with Integrated Coast Guard Systems, I turned to the appropriate government agencies, public officials, whistleblower organizations, and when all else failed, the Internet and the press for help.

What needs to be understood here is that every one of these problems was easily resolved with off-the-shelf products well before any of the assets were delivered.

Additionally, as the contract mandates system commonality, every one of these problems is a candidate for inclusion on every other maritime asset that ICGS delivers for the lifetime of the contract. This plan, if allowed to come to fruition, will literally cripple the entire maritime fleet of the U.S. Coast Guard for decades.

Before delving into the issues, I would like to tell you a little bit
about my background. I was an electronics technician in the U.S. Navy for six years. I specialized in communications systems. After my enlistment ended, I spent a brief time in the private sector before I joined the U.S. State Department as a communications engineer for embassy and consular duties, as well as for the counterterrorism group. After leaving that organization, I became a systems engineer in Lockheed Martin. Through the years, I was promoted to project, program, and engineering manager. During my last five years, I was a software project manager for Aegis Baseline 6.3, the lead systems engineer of C4ISR for the Deepwater effort and the software engineering manager for the NORAD effort.

It is the period where I held the C4ISR lead systems engineer position that is the focus of this testimony. At the point I joined the effort in the summer of 2003, the final design review had been completed and most of the equipment had been purchased for the first several boats.

In addition to creating a master schedule, I was tasked with identifying the final, deliverable requirements and planning the integration of the first boats. It was during this period that several critical safety and security issues came to my attention.

The first problem was that we had purchased nonweatherproof radios for
the Short Range Prosecutors, or SRPs. The boats are small, open aircraft that are constantly exposed to the environment. Upon first hearing about this issue, I have to admit I found it too incredible to believe.

Who would put a nonweatherproof radio, the primary means of communication for the crew, on a boat with no protection from the elements? The individual who brought this to my attention strongly suggesting that I look into it, no matter how incredible it sounded.

DE KORT: I called the supplier of the radio who informed me it was true. We had purchased four radios for the first four SRPs and they were not weather-proof.

As a matter of fact, the vendor asked me to not use the radios on any of the SRPs, which would eventually total 91 in all.

Upon informing Lockheed management that the radios needed to be replaced, I was told that there was a design of record. This meant the customer had accepted our designs at the conclusion of the critical design review and that we would make no changes that would cause cost or schedule impacts.

As a matter of fact, we ordered five more radios after I went to
management about the problem in order to prepare for the next set of boats we were contracted to modify.

I tried for several months to get the radios replaced. Just before delivery of the first 123 and its associated SRP, the customer asked to test the system. Coincidentally, it rained on test day. During the testing, several radios shorted out.

It should be noted that had we not tested the boats in the rain on that day we would have delivered that system and it would have failed the very first time it was used.

After this, I was told we would go back to the radio that originally came with the SRPs. I believe that this example, more than any other, demonstrates the lengths the ICGS parties were willing to go to hold to schedule and budget while sacrificing the safety and security of the crew.

The next problem uncovered involved the video surveillance system. The Coast Guard wanted a system that would permit watching the boats when in a Coast Guard port without someone having to be physically on the boat.

Our solution was to provide a video surveillance system that had
significant blind spots, leaving the bridge -- or pilot house -- vulnerable to penetration.

The most frustrating part about this issue is that the simple purchase and installation of a fifth camera would have resolved the problem. Bear in mind, we knew about the need for the extra camera several months before the first 123 was delivered.

Another problem we discovered involved low-smoke cables. There was a requirement to install low-smoke cables so that in case of a fire flames do not spread quickly, equipment is not overly exposed to corrosive smoke, and the crew is not exposed to a large amount of toxic fumes.

In a recent report, the inspector general for Department of Homeland Security confirmed that over 80 of these cables are the wrong type and that waiver the Coast Guard gave to the contractor said it could avoid having to provide these cables was invalid.

DE KORT: The next issue involved communications security and the standards necessary to ensure those communications are safeguarded from eavesdropping or inadvertent transmission of crosstalk.

These standards are known as TEMPESTs. We installed non-shielded cables, 101 in all, on all of the 123s, cables that did not meet standard
TEMPEST and safety and security requirements, as borne out by their failing of the visual inspection which was carried out by the appropriate test authority.

This situation could lead to serious compromise of secure communications not only for the Coast Guard, but for the government or other government organizations such as DOD, FBI and DEA.

I was informed that we had not included these cables in the design because we had not bid the TEMPEST requirements. And as such, we decided we did not have the money to include them.

The final significant problem was that of the survivability of the external mounted equipment. I saved this one for last because of how serious the repercussions are for the Coast Guard and nation.

The fact that the DHS I.G. agreed completely with my allegations relative to this issue, the incredible position Lockheed Martin has taken on this issue and the fact that the Coast Guard seems unwilling to allow them to get away with it -- surely before the first 123 was delivered, we finally received the environmental requirements.

During the late review of the requirements -- of the equipment for
compliance, well after the design, review and purchase of the equipment, we found the very first item we looked into would not meet environmental requirements. Given this failure, we feared the rest of the equipment may not meet environmental requirements.

Let me state this in simple terms: This meant the Coast Guard ships that utilized this equipment would not operate in conditions that could include heavy rain, heavy seas, high winds and extreme temperatures.

When I brought this information to Lockheed management, they directed me and my team to stop looking into whether or not the rest of the equipment met requirements. This meant that all of the externally mounted equipment being used for the critical communication, command and control, and navigation systems might fail in harsh environments.

Since that time, we have learned through DHS I.G. report on the 123s that 30 items on the 123s, and at least a dozen items installed on the SRPs did not meet environmental requirements.

In addition to their technical and contractual findings, the I.G. also made some of Lockheed Martin's responses on this issue known in that report.

Incredibly, the I.G. states that Lockheed Martin incorrectly stated in
their self-certification documents that there were no applicable
requirements stipulating what the environmental requirements were in
regard to weather. And they actually stated that they viewed the
certification of those requirements as, and I'm quoting, "not really
beneficial."

In addition, the I.G. states that the Coast Guard did not know the boats
were noncompliant until July of 2005, one and a half years after the
first 123 was delivered. The report also states that none of these
problems were fixed, not on any of the delivered boats.

That, along with this issue, not being called out in the DD-250
acceptance documents, supports my supposition that Lockheed Martin
purposely withheld this information from the Coast Guard.

DE KORT: Finally, the I.G. states that Lockheed's position on them
passing the self-certification without testing these items was the right
thing to do because they thought the tests would be -- and I'm quoting
again -- "time consuming, expensive and of limited value."

Bear in mind that the contractors have stated time and time again in
front of this and other oversight committees that they do not practice
self-certification.
Where does the situation leave us?

Had the hulls not cracked or the cracks not appeared for some time, ICGS would have delivered 49 123s and 91 SRPs with the problems I described.

In addition to that, the Deepwater project is a system of systems effort. What this means is that the contractor is directed to deliver solutions that would provide common equipment sets for all C4ISR systems.

Said differently, all the equipment for like systems need to match unless there's an overwhelming reason not to. This means that every faulty system I've described here will be installed on every other maritime asset delivered over the lifetime of the effort. This includes the FRCs, the OPCs and the NSCs. If we don't stop this from happening, I suggest we'll deliver assets with these and other problems.

I believe this could cripple the effectiveness of the Coast Guard and their ability to perform their missions for decades to come.

How have the ICGS parties reacted to the totality of the allegations?
At first, Lockheed and the U.S. Coast Guard stated, as stated by the ICGS organization, that they were baseless, had no merit or that all of the issues were handled contractually.

That evolved, after the I.G. report came out, to then stating that the requirements had gray areas. And later, by actually deciding, after the systems were accepted and the problems were found, that in some cases the Coast Guard exaggerated their needs and it was their -- as was their comment regarding the environmental survivability problems.

Up until the announcement yesterday, I have heard a lot of discussion about the changing of the ICGS contract structure, the fixing of the requirements, reorganizing the Coast Guard and adding more oversight.

While all of those things are beneficial, they in no way solve the root problem. Had the ICGS organization listened to the Engineering Logistics Center, or ELC, and my recommendations, there would be no problems on these boats.

We wouldn't be talking about more oversight or making sweeping changes. Instead, we would be discussing what a model program Deepwater is.

I guarantee you that had the changes that were made up until yesterday's
announcement been made four or five years ago, it wouldn't have mattered. Even with the incestuous ICGS arrangement, the less-than-perfect requirements and minimal oversight, there was plenty of structure in place and information available to do the right thing.

It is not practical to think that one can provide an ironclad set of requirements and associated contract that will avoid all problems. All that was needed were leaders who were competent and ethical in any one of the key contractor or Coast Guard positions. Any one of dozens of people could have simply done the right thing in this effort and changed the course of events that have followed.

It is because of that that I strongly suggest you shift -- suggest your focus shift to one of accountability in an effort to provide a deterrent.

DE KORT: No matter what structure these parties put in place, no matter what spin they come up with, promises they make, no matter how many people you spend taxpayer dollars to employ to provide more oversight, it still comes down to people.

We wouldn't need more oversight if the ICGS parties would have done as they promised when they bid the effort.
They told the Coast Guard, we know you have a lack of personnel with the right skills; let us help you; let us be your trusted agent; let us help write the requirements so we can provide you cutting-edge solutions; let us write the test procedures and self-certify so we can meet the challenges we all face in the post-9/11 world.

In the end, people have to do the right thing, and know that, when they don't, the consequences will be swift and appropriate. I strongly believe that, especially in a time of war, the conduct of these organizations has been appalling.

As such, I would hope that this committee and other relevant agencies with jurisdiction will do the right thing and hold people in these organizations accountable.

All defense contractors and employees of the government need to know that high ethical standards are not matters of convenience.

If you do not hold these people and organizations accountable, you will simply be repackaging the same problems and have no way of ensuring the problems don't happen again on this or any other effort.
In closing, I am offering to help, in any way I can, to remedy these issues. As I told Commandant Allen's staff and Lockheed Martin, before my employment was terminated, I want to be part of the fix.

With the right people in place and the right positions, this project can be put back on track rapidly.

I would like to thank you again for the opportunity to testify, and look forward to answering your questions.

OBERSTAR: Thank you very much for a very thorough, thoughtful and well-structured statement.

Mr. Braden, would you identify yourself and then proceed with your statement?

BRADEN: Yes, thank you, Mr. Chairman and members of the committee. My name is Robert Braden, and I have over 40 years of engineering experience, including nearly 30 years of service with Lockheed Martin Corporation.

I'm currently employed by Lockheed as a senior technical staff at Morristown, New Jersey. In this position, I'm often expected to provide program and project leadership for a variety of programs.
In early 2003, I was requested to join the U.S. Coast Guard Deepwater program as a lead system engineer for the communication area master stations, or CAMS, and legacy cutter program.

That program was to do upgrades of three different classes of cutters that were -- did not include the 123s.

Program objectives were to provide enhanced satellite communications and modern C4ISR systems for these existing legacy assets.

This included installations, upgrades, and new capabilities for 39 existing legacy cutters. We provided significantly improved satellite bandwidth, improved shipboard networks, new (inaudible) radios, new automatic identification systems, and expanded secret Internet protocol router networks, or SIPRNet communications capabilities.

These improved SIPRNet capabilities provide the legacy fleet with the ability to significantly improve coordination of law enforcement and homeland security actions with the U.S. Navy and within the Coast Guard.

After completing the total re-plan of the program, we submitted an aggressive fixed-price proposal to the Coast Guard. Unfortunately, the
Coast Guard contracting office continued to extend negotiations all the way to the end of the fiscal year. This required Lockheed Martin to either stop work or independently fund the continued engineering and procurement of our long-lead material. Lockheed elected to support the aggressive Deepwater deployment objectives of Admiral Stillman, and provided several million dollars of internal risk funding to allow my team to obtain the material, integrate the system and prepare for the first installations.

BRADEN: During this same period of development and design, I was engaged in intensive dialogue with my Coast Guard contracts technical representative, with the Coast Guard ships integration personnel, and with the Coast Guard's Telecommunication Security Organization, known as TISCOM. The purpose was to determine and negotiate all requirements for the cams (ph) legacy installations. Our key objective was to provide a communication installation that would immediately achieve a SIPRNet interim authority to operate, followed shortly thereafter by a full authority to operate. And the reason that was important is these ships were in port for a limited period of time. When those ships left port,
our installation needed to allow the crew to immediately use the new
secure capabilities.

I was also fully engaged in weekly program integration meetings
involving all Morristown management of the Deepwater program. These pit
meetings were mandatory every week and covered all aspects of the
program and included at every meeting U.S. Coast Guard representatives;
generally included representatives from the ICGS or Integrated Coast
Guard Systems organizations.

The purpose of the meetings were to ensure coordination among the
various programs and maintain commonality among all the assets. Topics
included status of the system-of-systems activities, the cams (ph)
legacy cutter upgrades, the 123 foot cutter conversion program, and the
other various assets.

Approximately once each month, the PIT meetings, Program Integration
Team meetings, would expand to a full Deepwater program review with all
management present, and that usually included the ICGS, the different
subcontractors, as well as the Coast Guard officers.

On numerous occasions I presented the design, installation and security
briefings appropriate to my cutter class to ensure coordination of our
During these PIT meetings, the various LSEs, or lead system engineers, would become aware of the problems and issues faced by their counterparts. So part of the purpose of the meeting was to make sure we compared notes and made sure that we all met a common design.

We would occasionally compare notes to see if a common resolution to our problems were possible. Often, the aggressive pace of my own project and the structure of the Deepwater program required that my team maintain focus on our own design issues.

However, whenever I found an issue that concerned me and I was unable to influence a change, I would advise upper management of the problem.

In August 2003, my team began upgrades of the cams (ph) (inaudible) or the Master Station Atlantic facility, an installation of the first Deepwater sea-based asset, the U.S. Coast Guard Northland. We completed these installations within one month, thereby establishing the milestone of the first successful asset delivery to the Coast Guard Deepwater program.

BRADEN: And by year end, we followed this achievement with the
successful installation of the Deepwater C4ISR suite aboard the Cutter Tampa. The subsequent string of successful installations has been a continuing source of personal satisfaction for my design and installation team. I personally take great pride in expeditiously and cost-effectively completing the first successful and compliant Deepwater installations in the history of the program.

I continue to manage and guide the installation of the first nine 270-foot legacy cutters, and develop the design and installation procedures for the remaining 210- and 378-foot cutters. In March 2004, I was removed from the Deepwater program and transferred to another program.

This concludes my testimony. I'd be please to answer any questions the committee may have.

OBERSTAR: Thank you, Mr. Braden.

Mr. Sampson, please identify yourself and proceed to your testimony.

SAMPSON: Good afternoon, Congressman Oberstar, Congressman Cummings and distinguished committee and subcommittee members. My name is Scott Sampson. I have been requested to come before you today to discuss my
involvement with the 123 Program as associated with the Deepwater program.

I have a unique perspective of this program in that I work for the DOD agency which expressed grave concern about a potential extension of a 110-foot patrol boat to 123 feet, and then changed jobs to work for a Coast Guard office which supports these modified cutters.

Today, I will tell you about the people I communicated my concerns to that were, unfortunately, realized.

If I may request, Mr. Chairman, I would like my written statement entered into the record.

OBERSTAR: Without objection, so ordered. Your statement will be included in the record.

SAMPSON: Thank you, sir.

The DOD agency I worked for was the Combatant Craft Division, a detachment of the Naval Surface Warfare Center Carderock Division, otherwise known as CCD. CCD had designed a similar extension on a similar platform and felt, based on lessons learned, that the proposed
method of modification of the 110 was at a high risk for failure.

While I was with CCD, three key contacts were made to express concerns over the proposed design modification. The first was Debu Ghosh of the Coast Guard's Engineering Logistics Center. Mr. Ghosh was the branch chief of the Boat Engineering Branch. Second, was Diane Burton of the Coast Guard's Deepwater program office. Ms. Burton is the Deepwater surface technical director. The third person that was contacted was Dennis Fanguy of Bollinger Shipyards. Mr. Fanguy was the head of their engineering department.

These conversations were conducted in the August to September 2002 timeframe, with the exception of Mr. Fanguy who was contacted shortly thereafter.

It was explained to each of these individuals not only concerns associated with a proposed modification of the 110, but where those concerns stemmed from as they pertained to a similar experience with a Navy craft. These concerns centered around several items, but specifically included longitudinal strength, running trim and engineering experience.

Mr. Ghosh appeared to share our concerns and attempted to hire combatant
craft to assist with oversight. Specifically, Mr. Ghosh requested, and I provided, a statement of work and an estimate to provide 14 days on onsite support at Bollinger Shipyards consisting of two naval architects, and also to provide an seakeeping analysis comparing the 110 to the 123.

SAMPSON: The estimate for this level of support was $42,000.

Mr. Ghosh told me shortly thereafter that the Deepwater program office would not supply the funding. Conversations with the other two contacts, Ms. Burton and Mr. Fungeye (ph), were short with little discussion.

Matagorda was inducted into Bollinger shipyard on the 2nd of February, 2003. On the 5th of March, 2004, the Matagorda was delivered back to the Coast Guard, and on 10th of May, 2004, entered a post-delivery maintenance availability.

Within days of leaving this availability, in early part of September 2004, Matagorda suffered damage in the middle of the cutter, buckling the side shell and deck.

This is the type of longitudinal failure that the combatant craft division anticipated seeing, and had warned the Coast Guard and
This predicted failure occurred not as a result of fatigue or corrosion, but rather from one short period of operation in a sea reported to be four to six feet in height. This longitudinal (inaudible) failure was acknowledged in a report issued by ELC entitled, "Matagorda Buckling Incident Analysis," dated 24 September, 2004, and verified our concerns expressed in August of 2002.

After two attempts to make the 123s usable for service, the Coast Guard made the decision to lay the vessels up until a final decision could be made as to whether or not they could be repaired.

The Coast Guard made this decision after extensive inspection of the cutters. All eight cutters are currently located at the Coast Guard yard.

Mr. Chairman, this concludes my own statement. I'll be more than happy to answer any questions you may have.

OBERSTAR: Thank you very much, Mr. Sampson. That's very critical testimony for the inquiry of the committee.
I've heard a couple of cell phones or other devices going off. Under the committee rules, all communication devices must be inaudible. Turn them off, or put them on vibrate.

Mr. Atkinson -- and you may feel free in your remarks to respond to the issues raised by Mr. Mica earlier.

ATKINSON: Thank you, sir.

My name is James Atkinson. I'm the president and senior engineer of Granite Island Group, located in Gloucester, Massachusetts.

We specialize in electronics engineering. We perform bug sweeps. We perform wiretap detection. We stop technical espionage. We plug leaks, both in classified and in unclassified communication systems.

Essentially, we hunt spies.

I am considered to be one of the top international experts on the subject matter of TSCM TEMPEST, and technical security.

I have attended private and government-sponsored TSCM TEMPEST, cryptographic technical intelligence, electronics and security training both in the United States and abroad. I have been involved in many
hundreds of TSCM TEMPEST inspections over the last 25 years of government service and private sector assignments.

My clients include the major heads of the major corporations, heads of state, diplomats, government agencies, defense contractors, hospitals, courthouses, political leaders, ministers, small businesses, large ministers and virtually every walk of our country.

Due to the nature of my services I render to my clients, it would not be prudent to disclose precisely who they are. However, I've been to Washington, D.C. many times on business to render such services.

I am one of the few people who can clearly explain the highly technical and highly classified subject matters such as TEMPEST and TSCM to this committee in an unclassified way, so that a non-technical layman can understand it. And I can provide a voice of reason.

ATKINSON: The documents in this matter are highly technical, and it takes a TEMPEST and TSCM expert to fully understand what is really in those documents, what it really represents, and what they really mean, and to bring forth the gravity of what is really going on.

The core message here is that TEMPEST is a rigorous series of government
standards which have been developed by the National Security Agency. The purpose is to protect classified equipment, signals and information from eavesdropping.

TEMPEST focuses on securing classified equipment and systems in order to keep electronics from leaking secrets. Our foreign adversaries know about TEMPEST and a related field and know how to steal our electronic secrets from equipment that does not comply with these rigorous standards.

For example, the nations of Cuba, Iran, India, China, Colombia, France, North Korea and many other countries have become quite adept in eavesdropping on our improperly protected classified equipment.

While most countries are our allies, the United States has designated over 30 nations to be openly hostile to the United States. And there is strong evidence that these countries not only do have the equipment to eavesdrop on our leaking equipment, but do so on a regular basis.

Gentlemen, it's my unpleasant duty to inform you that the Coast Guard, ICGS and Lockheed Martin have been highly negligent in their oversight of the Deepwater program, that many millions of dollars has been wasted on ships that don't float and classified electronics which leak national
During my review of the technical documents in this matter, I discovered that the United States Coast Guard was not being forthcoming with information to this committee and that the Department of Homeland Security Office of Inspector General had previously requested in regard to C4ISR and TEMPEST issues.

I found that instead they were hiding malfeasance within these documents and a deeply flawed procurement process.

Further review determined that there was significant lack of oversight on the part of the United States Coast Guard and that they were using doublespeak in their answers to this committee and evading politically uncomfortable questions put before them.

Based on the analysis of the numerous documents, to include detailed TEMPEST reports, which the Coast Guard eventually, albeit begrudgingly, provided to the committee, I was able to determine the following: From the very beginning, the very first day of the program, the Coast Guard did not clearly define the technical specifications and standards that these ships had to comply with in order to protect classified information.
The contractor, in turn, delivered substandard and highly defective assets, as there was little or no Coast Guard oversight on the project, even though the government was paying the contractor to provide oversight as the integrator.

The Coast Guard accepted delivery of these defective ships, and instead of correcting many of defects, merely covered them up with waivers or used substandard parts to create the illusion of a repair.

ATKINSON: An example is unclassified and classified local area network connection boxes were supposed to be separated from each other. The Coast Guard chose to resolve this problem merely by putting stickers on the equipment, as opposed to fixing it. So they patched the leak with a Post-it note.

Not only has the contractor responsible for this waste butchered eight valuable ships and rendered them worthless, they have then endangered national security in delivering ships that leak secrets, contain significant vulnerabilities and which provide a clear and present danger to our national security.

The Coast Guard was, and still is, spending money like a drunken sailor on shore leave with minimal oversight. The Coast Guard lacks the core
competencies and resources to protect this classified information through their TEMPEST program. ICGS has taken advantage of the United States after 9/11, and has taken advantage of the Coast Guard in particular. The Coast Guard put more priority on its public relations program than it did with her TEMPEST program.

My recommendations is that the -- this committee pull the plug on the Coast Guard's access to classified information, that it revoke SIPRNet access and essentially revoke the Coast Guard's security clearance. This should be done by the end of business today.

Also, I recommend that you initiate an exhaustive, top-down study of all COMSEC -- Coast Guard COMSEC, TEMPEST, non-stop, TSCM, emissions security and related technical security and engineering disciplines, and focus on all assets of the Coast Guard, not just the Deepwater ships.

I recommend that this committee assume that every Coast Guard asset is suspect until it can be scientifically proven secure through actual instrumented analysis, and not just waived as has been the case of late.

I recommend that all eight cutters be stripped of anything of value, and that they be sold off as scrap metal.
Cancel or suspend all current and upcoming contracts with ICGS and Lockheed Martin until this matter can be fully resolved. And consider issuing an interim debarment against Lockheed Martin and ICGS until their full management has been forthcoming with appropriate answers.

Also, refuse to allow the Coast Guard to possess, access, obtain materials or gain access to any classified networks until each asset has been subjected to a rigorous and independent, highly detailed technical inspection by somebody outside of the Coast Guard.

Refuse to allow the Coast Guard to purchase any further tactical or deepwater assets unless other elements of United States government provide very close oversight of the specifications, designs and procurement of such systems.

The natural agency to assist the Coast Guard with this would be the U.S. Navy, who should handle the procurement and oversight of the Coast Guard assets until such time the Coast Guard is competent and can be trusted to do this themselves, which they have not been able to of late.

Identify the top command-level officers within the Coast Guard who had the ultimate responsibility for the oversight of this program, and then
remove them from any further government service.

Finally, we have to assume that Department of Homeland Security is not competent in these matters, and that their lack of oversight is widespread and institutionalized.

Patrick Henry stated years ago that we are apt to shut our eyes against a painful truth. But from my part, I am willing to know the whole truth, to know the worst of it and to provide for it.

Gentlemen, the project was doomed to fail at the very beginning. When modern electronics operate, they generate electromagnetic fields. Digital computers, radios, typewriters and so on generate tremendous amounts of electromagnetic energy.

Compromising the emanations is that electromagnetic energy. This can be conducted through the airwaves, over the power lines, over the phone lines, cable TV. The TEMPEST standards are very rigid as to how these emanations are controlled.

The Coast Guard completely disregarded all of the specifications except one, and the one which they chose to pay attention to, they evaded on it significantly.
Most consumer market equipment leaks significantly. However, if somebody's computer leaked a little bit of information, they may have personal embarrassment. If a national security cutter, or a Coast Guard cutter, or a B-2 bomber or other tactical equipment leaks, national security is at risk.

This project was doomed to failure. It boils down to two core issues: a lack of oversight and malfeasance.

On the issue of my mission statement -- my mission statement was actually published many years ago. It says that I hunt spies and I hunt bad people. That's what it says.

Lockheed Martin has a real problem with this because that issue was brought up repeatedly by Lockheed Martin previously after their security people were caught dealing with convicted felons to purchase illegal bugging equipment and to do moonlighting.

ATKINSON: This issue was brought up my Lockheed Martin and provided to the Coast Guard. I have a full audit trail from my Web site logs of them doing this. That concludes my...
Mr. Atkinson has used -- and throughout the testimony, we hear -- the acronym TEMPEST, which stands for telecommunications electronics material protected from emanating spurious transmissions. A layman's definition might be unclassified signals that leak from improperly shielded cables.

You can go to RadioShack and buy a device that can tap into a modem that is not properly shielded and get fax information and get computer information from your neighbor's home, if you wish to do that.

The NATO electronic spies in Germany in the 1950s discovered that they could break into classified information by using unclassified signals that allowed them to trace back and into the heart of the technology in use, and that is why the issue of TEMPEST is so critically important here.

And we'll come to that later. We have a series of four votes on the floor. We have eight minutes remaining on the first vote. We will recess for the four votes, resume immediately thereafter with Mr. Cummings and the chair. The Committee stands in recess.
CUMMINGS: Ladies and gentlemen, we're going to resume the hearing. We left off with Mr. Atkinson to finish his testimony. And I want to thank our panelists for your remarks.

CUMMINGS: I'm going to start off with a few questions.

Mr. De Kort, you mention in your testimony that you brought a number of matters to the attention of senior Lockheed management. How high did you take these issues and what responses did you receive?

DE KORT: I took the matters to the CEO, Robert Stevens, on at least two occasions, and the board of directors. And the response I received was that the allegations were baseless or had no merit, and I believe that was based on Lockheed's contention that they had disclosed all the issues to the Coast Guard or resolved them, and they were handled contractually.

CUMMINGS: Now, did you ever contact the Coast Guard directly?

DE KORT: Yes.
CUMMINGS: And since you did that, who did you contact?

DE KORT: I contacted a Commander Ciampaglio and Mr. Jacoby, who's here. I contacted Lieutenant Commander Derr (ph), who was, I believe, on the commandant's staff at the time. I contacted the group commander of the boats in Key West. And I think that's it.

CUMMINGS: And what kind of responses did you receive?

DE KORT: Well, "Thank you," was the response I got.

CUMMINGS: "Thank you"?

DE KORT: Yes. "We're look into it."

CUMMINGS: "But no thank you"?

DE KORT: They didn't say the, "No, thank you," part, but I understand your point.

CUMMINGS: As a Lockheed employee, had you ever been involved in another Lockheed project in which the company failed to meet contractual requirements in the way that you describe on the Deepwater program?
Had you worked on any other contracts?

DE KORT: Not of the same type or scale, no, sir.

CUMMINGS: OK.

What was your role in the installation of the TEMPEST hardware in the 123s?

DE KORT: I was the lead system engineer for the 123s for C4SR, which meant that the final design, the installation, was my responsibility, and basically the final design.

Like I'd explained in my statement, I came on board after the final design review, so everything was pretty much locked in concrete at that point. And they had ordered all the materials.

The reason why the requirements were brought back up is because, as I understand it, after the RAND study the Coast Guard asserted a more aggressive posture in rolling out the programs, because the RAND study had said, you know, if you want 100 percent mission satisfaction, you have to pull back your schedule five or 10 years -- and they had
DE KORT: And I believe that was what precipitated us rolling out the 123s differently than was originally proposed.

Originally, there was something called an increment 1. Increment 1 was their first set of requirements. When I took over the system engineer role, they decided to deliver an increment 0, which was a subset of increment 1.

So we were trying to decide: What would that subset be and what were the requirements associated with it? Did we deliver them entirely, not at all, partially? So we -- part of my job was to figure out what increment 0 was.

And then, as I was figuring out what increment 0 was, I was asking, well, then, what is our implementation? What is it we're doing to resolve that requirement? And where are we in going down that road?

CUMMINGS: Did you all ever come to any conclusions as to what would be the standard?

You just talked about the conversations that you may have had. And I'm
trying to determine whether or not there was clarity at some point with regard to what those standards would be.

DE KORT: Well, there was basically, from the very beginning, sir, a difference of opinion. When these issues were brought forward, the response was -- and it occurred over and over again -- we have a design of record.

And what that meant is we don't want to hear it. If what you're bringing to me is that -- an issue that's going to cause any schedule or financial problems or cost problems, we're not going to change it; we're not going to do anything.

CUMMINGS: And I take it you had some concerns about the way things were proceeding. Is that correct?

DE KORT: Oh, yes, sir.

CUMMINGS: And what were your major concerns or fears?

DE KORT: Well, individually, I think the issues are pretty severe. I mean, it's the Coast Guard. So if you're putting equipment on Coast Guard vessels -- and I'm talking about every Coast Guard vessel for the
next 20 years, everything that Deepwater does -- that won't survive the
elements,

OK, that's bad enough.

That you can't use their classified systems without compromising and
have somebody eavesdropping.

You have low smoke cables that if, you know, if they catch on fire, you
know, could cause someone to be overcome with smoke or make the fire
spread faster.

The blind spots on their surveillance system. I mean, the blind spots
were very, very large, and they led right up to the bridge.

So, individually, some of those issues are pretty significant.

In total, I don't think it's an overstatement to say that if they
continued, it would have crippled the Coast Guard.

Had these boats not cracked or had they not cracked for some period of
time, all 49 boats would have been delivered with these issues.
CUMMINGS: The ICGS team produced a document called "Evaluation of TEMPEST Requirements to be followed aboard the Deepwater 123 (inaudible) Class patrol boat." And it was authored by a Joe Agat (ph). Are you familiar with that document?

DE KORT: Yes, sir.

CUMMINGS: And it was dated February 20th, 2003. Is that correct?

DE KORT: Yes, sir.

CUMMINGS: To your knowledge, were the procedures for installing the TEMPEST hardware spelled out in this guide followed during the installation of the C4ISR hardware on the 123s?

DE KORT: No, sir, the majority were not followed.

CUMMINGS: And was that book, this document -- I guess this was like the Bible as far as the guide that's concerned, is that right, as to what you're supposed to be doing?

DE KORT: Yes, sir, if I could, a little bit of history. As I understand it, going back to the beginning, there was some disagreement or a lack
of understanding on Lockheed's part of what it meant to do TEMPEST and
to have TEMPEST. And, as such, as it was explained to me, it wasn't bid,
or at least not entirely.

Well, at some point, Lockheed realized that they had classified
circuits. As soon as you put these classified circuits on a boat, you
assume TEMPEST. It's part of the deal. It's what happens. So they asked
an internal engineer to go tell them what they needed to do in order to
satisfy those requirements. And keep in mind, this is after the bid had
been accepted and they had already started.

CUMMINGS: So what you're saying is, is that the bid had been accepted.

DE KORT: Yes.

CUMMINGS: The requirements were not online to be met with regard to
TEMPEST?

DE KORT: They literally didn't know what needed to be done.

CUMMINGS: The Coast Guard did not know?

DE KORT: No, no, no, Lockheed.
DE KORT: Lockheed did not know, at the time they asked for that report internally, exactly what they needed to do to satisfy the TEMPEST requirements.

CUMMINGS: Now, you just made a very -- that's a very strong statement you just made. You understand you're talking about Lockheed Martin, do you not?

DE KORT: Yes, sir, you don't -- I'm sorry.

CUMMINGS: Let me finish. Now, you're talking about an organization that is known worldwide for producing all kinds of systems in this realm. You understand that?

DE KORT: Yes, sir. I'm saying they weren't competent.

CUMMINGS: I'm sorry?

DE KORT: I'm saying they weren't competent, and I can explain how they got to that position.
CUMMINGS: Well, tell me.

DE KORT: And this was explained to me by Mr. Bruce Winterstine who is on one of the panels. I was actually on the proposal team for three days.

DE KORT: During that period, when I came in, I had asked Mr. Winterstine how the bid was going to be structured. And he -- they explained to me that the Morristown group that primarily does Aegis was going to be the lead group, and that previously to that there had been another group that was going to be involved or lead out of Egan, Minnesota, where the C4ISR engineers were.

And they said, well, we'll going to bid it out of Morristown so we can leverage Aegis, which strategically is a great idea. Aegis is a fantastic system. I understand why you want to leverage it.

But I told them, I said, "Look, you people are Aegis engineers, OK, and you have a software background. You need to go back to Egan, Minnesota, get the C4ISR experts and have them as part of your team."

And I was told, "No, we don't need to do that." And I asked why. And they said, "Because Aegis is difficult. We've been doing it for 30
years. We know what we're doing. The C4ISR area is easy. We'll figure it out, no problem. We don't need that other group." OK.

That's literally how it happened. It's a perfect storm, sir.

So when you get into an aggressive bidding situation where you have to move out fast, you may have underbid and your staff -- and not in all cases. Let me say here that there are some very dedicated people, lower-level engineers who worked extremely hard and some who did have the background required. But there weren't nearly enough of them. OK.

So they literally shut out the C4ISR experts that they had in the company. Of course, sir, Lockheed Martin is the world's largest defense contractor. They have over 100,000 employees. They have plenty of people, sir, who know how to do this well. And I recommended to them that they go back to Minnesota and get those people, and they said no. I fought the issue for three days and they removed me from the proposal team.

CUMMINGS: So basically what you're saying is that the contractor personnel and the Coast Guard personnel working on the C4ISR system -- you're saying they weren't qualified to understand TEMPEST, TEMPEST requirements?
DE KORT: I'm saying, sir, that the people who were involved at time, that were working on the proposal at the time I was there, were not. What they were doing is, since Aegis is a very large command and control system, very complicated, large command and system, I believe they were trying to leverage that expertise.

DE KORT: And the ironic part is, is C4SR in these areas, since it's all off the shelf, compared to Aegis, is actually much easier to figure out. There's not a lot of complicated engineering.

However, you still need to know what you're doing.

CUMMINGS: Overall, why do you think the 123s had so much difficulty achieving TEMPEST certification?

DE KORT: Because when you have 100 cables that are not the right type, I mean, you run into problems. I mean, TEMPEST can be moderately difficult on a very small craft because of very tight space constraints. So a lot of engineering and thought has to be put into how do you co-locate systems that are red and black. And Mr. Atkinson can explain later.

But basically red and black were classifications for the part of the
system that is clear and unencrypted and the part of the system that is encrypted and not clear.

Well, it's very difficult to do on a small ship. But to go the extra degree to not actually purchase the equipment that is very, very basic to TEMPEST requirements just starts you off at a very bad place.

In DOD and the State Department, sir, everybody used the proper shielded cable. It was the backbone -- or one of the backbone items that you always do.

And they didn't do it because of cost.

CUMMINGS: The Department of Homeland Security I.G. indicates that the contract on the 123, Mr. De Kort, used aluminum mylar shielded cable as part of the cutter upgrade. The I.G. indicates that these cables met minimum Deepwater contract requirements for the shielded cable but do not have the mechanical durability of the braided metallic shielded cable.

Do you know which type of cable the ICGS TEMPEST requirements document required?
DE KORT: Again, sir, this is going to get into an area where even -- I have a TEMPEST background relative to working on cryptographic equipment and systems, but you're getting into some particulars that are better left to Mr. Atkinson. But I can say that.

CUMMINGS: Well, let me ask you this. What type of cabling was installed on the 110s prior to their conversion?

DE KORT: I've been unable to determine that, sir. I was told that they had the braided, shielded cable. Not only that, but Mr. Braden can tell you that the braided, shielded cable was used on his effort, not on mine -- or on the 123s, I should say.

CUMMINGS: Now, you know Mr. Braden?

DE KORT: Yes, sir.

CUMMINGS: And how did you come to know him.

DE KORT: We were both system engineering leads of our respective parts in the project.

CUMMINGS: So you have worked with him.
DE KORT: There were occasions, sir, that we did. Mostly it was in program management meetings. We actually didn't work side by side all the time.

CUMMINGS: OK. Now did you raise the issue of noncompliance of the topside equipment on the 123s with senior Lockheed management?

DE KORT: All the way to the CEO and the board of directors, sir.

CUMMINGS: All the way up to who?

DE KORT: The board of directors and the CEO of Lockheed Martin. I went up through my functional chain, the program management chain, the engineering chains and the ethics chains, all the way up to the CEO and board of directors.

CUMMINGS: And when you say you went up to the CEO, board of directors, what do you mean by that? How did you do that?

DE KORT: I sent e-mails to Robert Stevens, at least two of them, and the board of directors I sent a letter.
CUMMINGS: To the entire board?

DE KORT: Yes. Well, I sent it to a specific individual who I believe was the ethics officer on the board.

CUMMINGS: Now did you discuss with anyone at Lockheed the need for noncompliance of the topside equipment with the Deepwater contract requirements to be noted on the DD250s? If so, what was the outcome of those discussions?

DE KORT: I was told before the 123s, the first one delivered, the Matagorda, that every item that I had brought forth would either be repaired or clearly called out in the DD250s as being a problem. The first time I actually saw the DD250s or was told what they contained was recently. And, as I understand, the DD250 for the Matagorda, that item does not show.

CUMMINGS: Now, why was topside equipment so crucial?

DE KORT: The topside equipment is all the externally-mounted equipment that supports the C4ISR system. So for the communications systems, it's everything on the outside on the boat that you would need for the systems, usually antennas.
But for sensors, like radar, it's the radar antenna, and there's other equipment up there like amplifiers. And then for other vessels like the NSC and the FRC, there would be many, many more systems.

Basically, the 123s had communication systems.

DE KORT: They had sensor systems. And they had navigation systems.

So for those systems, if there was anything that those systems required to operate, that was attached to the outside of the boat.

CUMMINGS: Let me ask you something.

You mentioned a moment ago the word "ethics." You said you -- something about an ethics complaint or complaints.

Did you file complaints?

DE KORT: There were three separate ethics investigations internal to Lockheed Martin conducted.

CUMMINGS: And were those with regard to the issues that you just
DE KORT: Yes, sir, all of them.

CUMMINGS: Could you just tell us in a sentence or two what those were now?

DE KORT: The external equipment being able to survive the environment, the blind spots for the cameras, the (inaudible) cables and TEMPEST.

The reason why the non-waterproof radio was not included is because, like I explained in my statement, they'd actually swapped it out right before they delivered the Matagorda. So I did not include that in my ethics statement other than to say, "Look, you know, any group who is willing to put a non-weatherproof radio on an exposed boat like that -- something's wrong and something needs to be looked into." And especially when they order more radios after you tell them it's a mistake.

So it was an incidental item.

CUMMINGS: And what happened with regard to those investigations?

DE KORT: The answer for the first one was, literally, "The allegations
all have no merit. They are all baseless and we're not going to tell you why."

CUMMINGS: And that was the response from the ethics officer?

DE KORT: It was from a John Shelton, who was the ethics investigator for the Lockheed Martin organization out of Morristown.

And then after that there were two more investigations. Every time they came back to me and said that my allegations were baseless, I asked who their boss was.

CUMMINGS: And then you instead tried to go a step higher?

DE KORT: Yes, sir.

CUMMINGS: Now, would Mr. Braden or anybody else here have known of those -- because you said you work with Mr. Braden. Would he have known about that? We'll get to them a little later, but...

DE KORT: Would he have known that I necessarily filed an ethics...

CUMMINGS: Right.
DE KORT: Not that I was aware of. No, sir.

CUMMINGS: All right.

Did you see any evidence of Lockheed -- you mentioned a little earlier something about underbidding.

Is that -- is this a conclusion you came to, or...

DE KORT: Yes, sir. That's subjective on my part.

CUMMINGS: All right.

DE KORT: It's an observation of being in DOD. It's -- it's aggressively bid. Projects are basically priced to win. And more often than not, they turn out to be extremely aggressive, which is usually a politically correct term for underbid.

CUMMINGS: Did anybody at Lockheed ever tell you to just get on with it?

DE KORT: Yes, sir.

CUMMINGS: Is that right?
DE KORT: Well, everybody I talked to. I mean, my manager -- my functional manager actually told me -- and so did some other people, but they said, "You know, you're doing the right thing here, but it's going to come back to bite you."

CUMMINGS: Say that again? I'm sorry.

DE KORT: Several people, including my manager at the time, told me that I was doing the right thing, but it was going to come back to bite me.

CUMMINGS: So your immediate supervisor?

DE KORT: Yes, sir.

CUMMINGS: He knew you were doing the right thing, he told you.

DE KORT: That's what he told me, sir. Several engineers and program managers on the effort said the same thing.

CUMMINGS: Now, you said that you left the 123 program. Is that right?

DE KORT: I was removed from the program, yes.
DE KORT: Roughly January of February. I had sent an e-mail or letter, embedded an e-mail to at the time the acting technical director for the engineering group saying that I wanted to be removed from the project because they were going down a road that I just found intolerable.

However, later on I met with the V.P. of the organization, a man named Carl Banner (ph), and he told me everything would be resolved. And I said at that point, "Well, then, I would like to recall my letter to be removed. If you're going to do the right thing, then I want to be part of the right thing. I want to see this project to conclusion." But after that they removed me anyway.

CUMMINGS: My last question, Mr. De Kort. You understand that today you're under oath, do you not?

DE KORT: Yes, sir, I'm completely aware of that.
CUMMINGS: And you know what that means?

DE KORT: It means I should tell you the truth.

CUMMINGS: And that you are telling the truth.

DE KORT: Yes, sir.

CUMMINGS: And you understand that all kinds of agencies will probably review this transcript. Some are probably looking at this right now.

DE KORT: I would hope that they do.

CUMMINGS: And would you tell us why you've come forward? They term you a whistleblower, I guess you know that.

DE KORT: Well, at its essence I did not want a crew to come into harm's way down the road and to know that I could have done something about it.

It's just that simple.

My background is Navy, State Department, counterterrorism for a while.

I've been in DOD programs since I was 18 years in one capacity or
another. OK? It's just real simple: I couldn't have that on my conscience.

CUMMINGS: Thank you very much.

Mr. LaTourette?

LATOURETTE: Thank you, Mr. Chairman.

And thank you all for your testimony.

Mr. De Kort, I made a note during the latter part of your responses to the chairman that it's your allegation that Lockheed Martin didn't do the braided, shielded cables, the low-smoke cables, the proper environmental work on the topside and 360 degree camera radius because of cost.

LATOURETTE: Is that your observation?

DE KORT: I was told we didn't do the TEMPEST cables, the shielded cables because of cost. The rest to some degree is an inference. Their response consistently was, "We're not going to slip the schedule, we're not going to have more budget issues."
And, to some degree, because there was a relationship with Northrop Grumman that was extremely contentious at the time -- I now refer to it as playing chicken -- they didn't want to fix the issues for any one or all of those reasons.

LATOURETTE: But I guess my question is this: My understanding -- and we can quibble about the exact value of the contract, but this about a $90 million contract to convert these eight boats from 110s to 123s. And not being in the boat business, I would think that the big chunk of change was probably in extended the hulls by -- that's not where the big money is?

DE KORT: I've been told that the C4ISR proportionally was a larger part of the budget. I could be wrong, but...

LATOURETTE: And so let me get to that. Is it your understanding that low smoke cables were called for in the Deepwater contract that Lockheed Martin bid for?

DE KORT: Yes, sir.

LATOURETTE: But they were not installed.
DE KORT: Yes, sir.

LATOURETTE: And is it your understanding that they weren't installed because low smoke cables cost more than the cables that were installed?

DE KORT: Yes, sir.

LATOURETTE: And that the same with the braided, shielded cables?

DE KORT: Yes, sir.

LATOURETTE: And the weatherization or making sure that the antenna on the topside is the same as that?

DE KORT: It's more supposition because there wasn't -- I don't know which one of those four issues was the overbearing reason for the environmental issue. What I'm saying is, is in the others, somebody told me specifically cost. In that one, it was any one of the four or all four reasons.

LATOURETTE: OK, so just so I'm clear, it's your testimony and allegation that the reason that Lockheed Martin didn't comply with the
specifications that were in the Deepwater contract is because they wanted to install cheaper stuff?

DE KORT: Yes, sir. That is part of it, yes.

LATOURETTE: OK, and you understand that they say that's not so, right? And so we're going to be stuck with a problem here sooner or later.

DE KORT: Well, objectively, sir...

LATOURETTE: Yes.

DE KORT: ... if you look at the equipment that they wound up delivering and the equipment that I wanted them to deliver, the equipment that I wanted them to deliver, in every case, is more expensive.

LATOURETTE: OK.

DE KORT: So I don't think it's a leap.

LATOURETTE: OK. But I guess I'm trying to get expensive -- they put some cables in, and you're saying that the cables that the contract called for were more expensive. Are we talking on the scale of millions of
dollars?

DE KORT: For the external equipment, over -- understand, sir, because it's system to systems, they were leveraging designs.

LATOURETTE: Right.

DE KORT: So if very well could be millions of dollars if the -- you know, the 123 was establishing the pattern so all the rest of the systems, they were contractually directed to make them common.

DE KORT: So, while it appears like a small issue for the 123s, understand that it was 49 123s and every other boat that they delivered.

So it is millions of dollars spread out, yes, sir.

LATOURETTE: OK.

Mr. Atkinson, to you, one I want to thank you for your testimony and your charts because you truly did make the TEMPEST system understandable by people as dumb as I am. And I appreciate that. I now have an understanding. And I thought that your explanation was a good one.
But to you, how did you get involved in this project to the point where you wrote us 128 or 138 pages of stuff?

ATKINSON: Sir, I was contacted by the committee and asked to provide expert guidance as to how to query properly the Coast Guard and Lockheed Martin, because the documents which had been produced to date -- this is dating a month ago -- were not answering the questions that the committee needed answers.

And I was asked to assist the committee in demanding from the Coast Guard the relevant documents which the Department of Homeland Security OIG had failed to pick up on. TEMPEST is a very tricky matter. It's very easy for a defense contractor to ignore it. It's also very easy for them to conceal their ignorance of it, or their ignoring of it.

And I was engaged by this committee. I've donated my time to this committee to assist this committee in finding the truth and by helping the committee identify the documents that the committee needed to conduct its business.

LATOURETTE: Good. And I appreciate that. And I think everybody on the committee appreciates your willingness to donate and volunteer your time.
And I found the questions in your amendments to be -- I assume those are the questions you're talking about that people need to ask to get the answers that you think need to be answered?

ATKINSON: Yes, sir.

This committee needs to ask all of those questions on the responsible players.

LATOURETTE: OK.

Which brings me to the next part of my question, and that is the observations that you make in the first 36 or odd pages of your testimony relative to the TEMPEST tests that were performed and how they were performed, how they weren't performed properly and things of that nature.

But that comes about as not from an inspection of the systems on the 123. That comes about as a result of your examination of the documents that were obtained from the Coast Guard?

ATKINSON: Yes, sir.
I advised the committee on what documents to demand from the Coast Guard. The Coast Guard provided some of the documents, albeit reluctantly, to this committee. I examined those documents. I found significant inconsistencies in those documents, which I brought to this committee's attention in the form of my written report.

LATOURETTE: Right. And I saw that.

But I guess my question to you is -- and I don't know what people on the next panels are going to testify, but we have three more panels of people including the Coast Guard and people from the Navy and so forth and so on.

Is there -- based upon your field of study, your expertise, what you do for a living -- if people come forward and testify under oath that in fact the TEMPEST tests were performed properly, and that this system passed, is there any way in your opinion that they could give such an answer?

ATKINSON: Could I get you to repeat the question, sir?

LATOURETTE: No, I don't remember the question.
The question is that, as I read your testimony, you came to a conclusion that there's no -- not no way -- but that this system wasn't properly tested.

LATOURETTE: And you go to great lengths to tell us that. I don't know who's coming next -- I know who's coming next. I don't know what they're going to say until they say it, but based upon the documents that you reviewed, is there any way that you believe someone could sit before this committee and say that this system -- these systems that were installed in the eight 123s -- could pass the TEMPEST testing system?

ATKINSON: I will make the answer very straightforward. If anybody comes before this committee and indicates that these ships protect national defense information, they are committing perjury.

LATOURETTE: OK, and that is a very straightforward answer, but let me -- not to be lawyerly with you, but since I don't know the TEMPEST tests the way that you do -- and you went to great lengths to talk about how it's appropriate or proper to make the tests of the TEMPEST system.
I'm saying is that there -- if we have somebody that comes and says, "You know what? I tested this TEMPEST system and it meets the standard in the industry, the standard in the military," whatever the standard is, can a person make such a claim based upon the knowledge that you have today?

ATKINSON: No, sir. All of the documents that were provided to the committee stated, in the Coast Guard's own documents, that they failed the TEMPEST inspections and instead of correcting the deficiencies, they either ignored the deficiencies or they issued waivers to cover the deficiencies up.

LATOURRETTE: Right.

And, Mr. Braden, to you, based upon -- you've installed TEMPEST systems in other programs, have you?

BRADEN: Yes. On the 270-foot cutters, the legacy cutters and also the design for the 210s and the 383s.

LATOURRETTE: OK, and to Mr. De Kort's observation, did you, in the installation of those systems, have a specification that called for these braided and shielded cables?
BRADEN: The specification is actually a standard -- a TEMPEST standard. And as was mentioned before, I initially relied on a report from a Ms. Joe Agat (ph), who was asked to put together a list of criteria, if you will, for how a TEMPEST installation was to be done. The reason that I met with her to go over that document, although it was listed as a document for the 123s, is that some years ago, I was product manager for a line of TEMPEST terminals sold to several national security agencies.

And, as a result, I was familiar with TEMPEST requirements in a very detailed fashion at that time. A number of years went by and I wanted to make sure that the requirements had not changed.

LATOURETTE: And the requirement is braided, shielded cables?

BRADEN: The requirement consists of recommendations. In some cases, those recommendations give alternatives. Braided, shielded cable is the preferred alternative for ensuring security with the cabling?

LATOURETTE: Are you familiar with the cables that were installed on the 123 conversions?
BRADEN: No.

LATOURETTE: OK.

Do you know what they're called, Mr. De Kort? Is it like a...

DE KORT: The aluminum mylar cables.

LATOURETTE: Aluminum mylar?

DE KORT: Yes, sir.

Mr. Braden, is an aluminum mylar cable one of the alternatives that you had? Do you know?

BRADEN: It could be an alternative as long as it was confirmed that the aluminum mylar was properly shielded and that it gave a full coverage under all conditions. And, as was already mentioned, aluminum mylar is not recommended because of durability issues, so it would be more appropriate in internal compartments or places where movement isn't used.

LATOURETTE: And let me ask you this and do you know anything about what
2278 the different is, and how much 100 feet of braided, shielded cable costs
2279 as opposed to how much the mylar aluminum cable costs?
2280
2281 BRADEN: No, I couldn't say what the price difference is. It certainly is
2282 more expensive, but I think the key issue is that it's much harder to
2283 get schedule-wise.
2284
2285 LATOURETTE: It's harder to get because of the manufacturer?
2286
2287 BRADEN: From a schedule standpoint, it is no the common, ordinary cable
2288 that you can buy at CompUSA.
2289
2290 LATOURETTE: Right. But you could buy mylar aluminum cables?
2291
2292 BRADEN: Oh, absolutely, at almost any outlet.
2293
2294 LATOURETTE: You worked for Lockheed Martin for 30 years?
2295
2296 BRADEN: Yes.
2297
2298 LATOURETTE: Have you experienced a situation where the company has made
2299 a determination on cable that has the ability to be detrimental to
2300 national security just based on how much it costs?
BRADEN: I've never seen that before.

LATOURETTE: And what about scheduling?

BRADEN: I've seen a lot of pressure on schedule on many programs.

LATOURETTE: Well, I'm sure you've seen pressures, but where a decision was made -- I mean, the allegation that Mr. De Kort I think is making, his testimony is that part of it was cost and part of it was not wanting to get behind schedule. They were going to get behind schedule on this stuff. Have you experienced the same experiences that Mr. De Kort has testified to in any of the work that you've done for the Coast Guard?

BRADEN: On the Deepwater program, I did experience intense pressure on both schedule and cost. As I stated in my opening statement, my project was a fixed-price contract and so there was a fair amount of scrutiny on every issue associated with cost.

LATOURETTE: And, last question, not to be lawyerly with you, but did that pressure on cost and schedule cause you or others that you work with to do something that you knew violated either the specs or created a situation on the TEMPEST system that was likely, as Mr. Atkinson has
BRADEN: I didn't allow that to happen. I had a bit more oversight of my program than Mr. De Kort did, a little more independence in decision-making. And, as a result, we implemented our system totally correctly.

LATOURETTE: Were you ever asked to do what Mr. De Kort says he was asked to do?

BRADEN: No.

LATOURETTE: OK, thank you very much, Mr. Chairman.

CUMMINGS: Thank you very much.

As we go to Mr. Oberstar, let me just -- in fairness to Lockheed Martin and to the contract team, Mr. Atkinson, you said in the answer to a question about if someone were to say that TEMPEST certification was done here, with these votes, that they would be committing perjury. Is that what you said?

ATKINSON: Yes, sir.
CUMMINGS: Could it be that maybe they just didn't know?

I just want to be fair.

ATKINSON: Well, let me be very precise on this. In the delivery task order that the Coast Guard issued to purchase these ships, they listed only one TEMPEST specification -- one. There's a book roughly that thick.

It is called "Mil Handbook 232A, Red/Black Engineering." I have a copy in front of me. That was the only document that the United States Coast Guard provided to Lockheed Martin as part of the delivery order.

The United States Coast Guard did not ask for TEMPEST ships. They did not ask for these ships to pass classified information. I have it right in front of me, documents which this committee has in their possession, that irrefutably show these ships would not have complied with TEMPEST when they were delivered from the contract the Coast Guard gave Lockheed Martin.

CUMMINGS: All right, thank you.
Mr. Oberstar?

OBERSTAR: Mr. Braden, you knew Mr. De Kort during the Deepwater program?

BRADEN: Yes, I did.

OBERSTAR: Were you aware of the problems Mr. De Kort raised with 123s? And how did you come to know about those problems?

BRADEN: Well, I was aware of them because of the weekly integration team meetings that we had. Many of the issues on all the assets were discussed openly and presentations were given by the various lead members, and we would hear issues that were trying to be resolved across the entire program.

OBERSTAR: Did you discuss at length the issue of non-low smoke cabling, cameras that did not provide 360-degree coverage, problems with TEMPEST hardware?

And for the record, Mr. Chairman, we've been using this term, but it's telecom electronics material protected from emanating spurious transmissions.
We may have said that earlier, but I think we need to get that on the record, because it's a term frequently used and it has a very ominous sound to it.

And non-weatherproof topside equipment, did you discuss those matters?

BRADEN: I had occasion to speak on a couple of those matters with Mr. De Kort and that was as a result of an integration team meeting we had where I had presented the approach that we were using for the legacy cutters for our certification and accreditation.

I was approached after that meeting by Mr. De Kort, who quizzed me on what we were doing on those issues. We did not talk about the radios or environmental issues. We primarily talked about cabling. And TEMPEST issues was the nature of the conversation, and I related to him what we were doing on my cutters.

OBERSTAR: Are you aware of the cabling issue on aircraft in the 1980s and '90s where chaffing occurred in the bundles of cables on aircraft?

BRADEN: Yes, I've read about it.

OBERSTAR: Commercial, I'm talking about the commercial aircraft.
BRADEN: Yes.

OBERSTAR: You're aware of that.

BRADEN: Yes.

OBERSTAR: And it was similar, mylar aluminum, non-shielded cable. Chaffing that occurred inside aircraft resulted in wearing away of the shield, the protective mylar covering, that then resulted in sparking, with surge of very low voltage through those wires that then caused fire and caused aircraft damage and failure.

Are you aware of all that?

BRADEN: Yes. Yes, I am.

OBERSTAR: So you understand what the Coast Guard is doing or was doing in this case when they did not install the proper cabling, right?

BRADEN: I believe that the analogy you gave is appropriate in a hazardous situation. In the implementation of network cabling, in, at least for the assets that I was responsible for, all that cabling was
routed through the nine areas where no hazard would occur if the cable had been chaffed. But I do understand your point.

OBERSTAR: But making a leap from the hazard to a different kind of hazard of leakage of signal, that's the real issue here.

BRADEN: Yes, I believe so.

OBERSTAR: And you knew about Mr. De Kort raising his concerns to Lockheed.

BRADEN: Well, I learned about them through his "You Tube" video, which was widely viewed by many employees, and that's where I first learned of his allegations.

OBERSTAR: So you said that your program, the upgrade of the 270-foot cutters, was successful.

BRADEN: Yes.

OBERSTAR: What cabling did you install there?

BRADEN: We installed shielded, braided cable. In some instances, we
installed fiber optic cable, in instances where we went from secure compartments to compartments, and we armor jacketed that cable to prevent intrusion in non-secured locations on the ship. And we also specified low smoke, zero-allergen jackets on all the cabling.

OBERSTAR: And why were you able to install the more TEMPEST standard cabling on the 270 legacy cutters?

BRADEN: I can't say explicitly why that was, but I can say that the attention of most of the program and the management staff was attending to the 123 in terms of its schedule difficulties and, more or less, I guess I was left alone to do it right.

OBERSTAR: Well, why would the more secure cabling go into one class of vessel and not on the other?

BRADEN: I really can't answer that question. I don't know why that would be.

OBERSTAR: But you knew it was happening, and you saw the dangers.

BRADEN: Well, I had heard that it had -- it was one of the items that had been raised, but I think, as Mr. De Kort has stated, during the
course of any project, there are problems. These problems are usually mitigated or removed as the course of the program goes on.

And my team was very, very busy meeting our aggressive schedule. I did not have time to go investigate personally whether anyone had taken action on these or not.

OBERSTAR: Were you asked to use aluminum mylar cable? And if you had been, would you have used it on the 270s?

BRADEN: Where appropriate, I would have used it, yes.

OBERSTAR: Now, I want to come to the testing. There are visual tests and instrument tests. And did the 270 cutters pass the visual and then subsequently the instrument test?

BRADEN: We passed the visual on the second cutter. The first cutter we retrofit. And the reason for that is that the cabling that we had ordered for the fiber optic connections and some of the other connections was a custom cable that was being manufactured for us by a firm in Virginia.

There was a hurricane that hit and pulled the roof off of that factory.
That caused delays in that cable.

With the total agreement of the Coast Guard, we went ahead with the first installation and planned to retrofit it with the higher quality cable at a later date, which was subsequently done.

The visual inspection noted those discrepancies. They accepted them on the interim authority to operate. And we did replace that cable.

On the second cutter, we fully passed all visual inspections and then all subsequent...

OBERSTAR: And then subsequent, should be the instrument...

BRADEN: Yes.

OBERSTAR: ... inspection and testing.

BRADEN: Yes. And I left the program before that instrumented test had been performed on the first cutter.

OBERSTAR: Now, the I.G. at the Department of Homeland Security has confirmed that the contractor failed to install non-low smoke cabling and failed to install topside equipment that would function in all
BRADEN: I really can't explain how that would have taken place.

OBERSTAR: Did you raise your concerns about the cable installation with Lockheed management?

BRADEN: I had discussed with our technical director some of the issues that had come up in the reviews regarding the 123 and I discussed them with them only in the sense that I was expressing my concern that they really needed to deal with them so that we wouldn't keep talking about them.

OBERSTAR: Did you feel that this rose to the level of an ethics question and did you file an ethics investigation?

BRADEN: I didn't feel it did at that time, no. I subsequently did file an ethics investigation concern at a later date.

OBERSTAR: And to whom or to which level did you file that?
BRADEN: The ethics office at Lockheed Martin Morristown.

OBERSTAR: And what action was taken subsequent to the filing of that?

BRADEN: I received no response.

OBERSTAR: Nothing.

BRADEN: Nothing.

OBERSTAR: Do you know any outcome or any action taken later?

BRADEN: Only supposition on my part. One of the concerns I had had to do with an employee morale program that had not been followed through with and I suggested that the ethics officer might want to contact our H.R. department to reinstate the employee award program. And about one month after that, the award program was reinstated.

Now, I don't know whether that was as a result of my conversation or just a normal course of...

OBERSTAR: To the best of your knowledge, that's the only follow-up that occurred?
BRADEN: That's the best guess I have, and that's it.

OBERSTAR: I'll have further questions later. Thank you very much.

CUMMINGS: Mr. LoBiondo?

LOBIONDO: Thank you, Mr. Chairman, very much.

I want to commend you for holding this hearing. I think it's absolutely imperative that we try to get to the bottom of the situation.

I'm hoping that we're going to hear something about the buckling hulls, and I may ask that in a couple of minutes, but I wanted to say that while I think this hearing today is very important, I think it's equally important that we not lose sight of the fact that the Coast Guard currently operates the second oldest fleet of vessels and aircraft in the world, and that was the purpose of Operation Deepwater.

Some of these assets are over 60 years old. They're rapidly failing. Operations tempo continues to increase. Service-wide readiness is down. Hundreds of patrol days are being lost annually.
And probably most importantly, the safety of the men and women of the Coast Guard who operate these assets are more in danger, I think, every day.

The success of the Coast Guard's many vital missions I think are in serious jeopardy.

As we move through this, I just hope that we can keep in sight that it is critically important that the service get these aging assets replaced with fully functioning and capable assets, and as soon as possible.

I would hope that we remember the videos of the Gulf hurricanes of Katrina and Rita, and the job that the Coast Guard did. And however miserably the federal government failed, no one faulted the Coast Guard.

And part of the ability of the Coast Guard to perform so admirably at that time was the result of the Deepwater program and the upgrade of some of the helicopters that had incredible lift capability and thousands upon thousands of lives were saved in that whole process.

I'm very pleased with Admiral Allen's decision yesterday. I think it was very proactive. I think it will help rein in control of this program.

And it's a serious situation that needs to be fixed.
I have a lot of confidence in Admiral Allen. I have a very serious regret that Admiral Allen did not get his hands on the helm sooner than when he did. I'll leave it at that.

I would say to my colleagues that I know this situation makes it pretty easy for us to throw our hands up and to walk away from Deepwater and say that it's fatally flawed and it's got to be scrapped, but I plead with you not to turn your back on the men and women of the Coast Guard, those young men and women who are heroes every day, who are putting their lives on the line for us in so many different ways and are depending on us to come up with a solution that meets the challenges or the problems we're hearing about today, but still finds a way to give them the replacement of the assets.

The safety and success of their missions depend on the replacement of these assets. And it's our job to make sure that we do the best possible.

So, Mr. Chairman, I once again commend you and Mr. Oberstar for really getting at the heart of this problem and I hope we can get to a point where we can move forward.
I thank you very much. And I will later on try to ask some questions about the buckling of the hulls, when that's an appropriate time.

CUMMINGS: That will be good when we have the Coast Guard up.

Let me just say, Mr. LoBiondo, there's not one syllable, not one syllable, that you just stated that I disagree with. We all are trying to get -- make sure that the Coast Guard has equipment so that they can do the great job like they did down at Katrina and the things that they do every day, the largest seizure that they've ever had in their history just recently taking place.

And so this is all a part of making sure -- and I agree with you that we want them to have that equipment, but we want that equipment to be safe, and we want it to be safe for our personnel.

And, again, as I said a little earlier, we just want ships that float, planes that fly, just want what we contracted for.

Before we get to Mr. DeFazio, I just have one quick question.

Mr. Braden, just in follow-up to Chairman Oberstar's question, you said that -- he asked you about whether you had been asked to use -- he asked
you whether you would use aluminum mylar shielded cable, and you said in certain instances.

Is that correct?

BRADEN: Yes.

CUMMINGS: Let me ask you these. Would you have used them in secure situations where we were trying to make sure that there was no eavesdropping, the very thing that Mr. De Kort complained about? I think that's the question.

If you had been asked to use that kind of cabling under the circumstances that Mr. De Kort complained about, would you have used it?

BRADEN: That's a difficult question to answer because the application of the cabling is also dependent on the type of compartment that you install it in and whether it's a totally shielded and contained and properly grounded compartment.

And what I mean by that, and I'm sure Mr. Atkinson can lend more detail to this, if I have a piece of equipment that is totally contained within a shielded enclosure and it's sharing that enclosure with other
equipment of its same classification level and the same network connection, connectivity, then if that cable is properly grounded, shielded, then, yes, the mylar cable would be acceptable in that instance.

CUMMINGS: I see you shaking your head, Mr. Atkinson.

ATKINSON: Yes, sir. If you build a cabinet that contains classified equipment and the cabinet itself is TEMPEST certified, you can take an uncertified piece of equipment, put it inside this cabinet and it will provide some level of protection.

A very common thing is to take a printer or a plotter or a certain type of computer that there is no TEMPEST equivalent of and to encapsulate it inside of a TEMPEST box or a TEMPEST shield, which now renders it protected.

We can do the same thing with cables, where we can use a non-TEMPEST involved cable to hook up something that is put into a box which is itself protected.

And we had to be very careful what we put into this box, because some things we put in this box will cause TEMPEST hazards to occur.
CUMMINGS: From all the records that you've read, would you agree with Mr. De Kort?

ATKINSON: In what regard?

CUMMINGS: With regard to his complaints about the aluminum mylar shielded cable and that it should not have been used?

ATKINSON: Yes, sir. I have actually researched the cable that he's referring to and have found Coast Guard records in regards to them and have identified that we're talking a difference of about $20 for the cable.

CUMMINGS: Mr. DeFazio?

OBERSTAR: Would the gentleman yield before...

DEFAZIO: I would certainly yield.

OBERSTAR: I just want to reassure the gentleman from New Jersey, who has served us for a long time as the chair of the Coast Guard Subcommittee, that our purpose here is not a public hanging.
We're here to try to fix the underlying problems of the Coast Guard's management, of its contractual responsibilities to deliver on the program that the gentleman played a large part in authorizing for the Coast Guard, just as we have done over many years, and when I chaired the Aviation Subcommittee and the Investigations and Oversight Subcommittee, to get FAA on the right track, learn how to manage multi-billion dollar contracts and then fund those programs.

I assure the gentleman that is the purpose of this hearing, is to go to the core of the problems uncovered here, fix them and then report out a robust Coast Guard authorization program so they can fix those old ships and have the equipment they need to carry out the many responsibilities we've loaded upon them.

I yield.

LOBIONDO: Through the chairman, would the gentleman yield for reauthorization minute?

Mr. Oberstar, I applaud your efforts. I in no way meant to intimate that that was the case.
But my concern was from some other colleagues who were not on the committee who have just, in casual conversation, said to me, "We ought to just scrap the program." And I don't think they understand what scrapping the program would mean.

OBERSTAR: I just want to reassure the gentleman we are on the same...

LOBIONDO: OK. We're in synchronization. Thank you, Mr. Oberstar.

DEFAZIO: And I would certainly second those comments. Ten years ago, as the ranking member on the Coast Guard subcommittee, I became very well aware of and was a strong advocate for increased funding and new equipment for the Coast Guard. I had one of the antique ships in the Coast Guard serving my district for a while, and I'm well aware of that problem.

But it was only after 9/11 that Congress and this administration began to recognize the need.

And Katrina certainly highlighted the efficiency and valor of the Coast Guard. And none of that's in question here today. But there are extraordinary questions about how we got to this point.
And I guess I'm going to direct most of my questions to Mr. Sampson. And I will be questioning the buckling and the design on the 123s, which the former chairman hoped we'd get to. I've been waiting to get to it, too. I'm not much of an electronics guy, but I am and have been a lifelong sailor and boat owner.

Mr. Sampson, these will be directed to you, but just keep this in mind as I ask you the questions. This is a statement that will come after you have left and I want to give you an opportunity to sort of respond to it in your responses to me.

Mr. James Anton, vice president, Deepwater Program, Northrop Grumman Ship Systems, and if you look at page two of his testimony, he says, "HBJV added a 13-foot extension to the 110, which was similar to the 9-foot extension they had successfully added to the Cyclone patrol boats starting in 2000." Note, no mention there of the early problems with those extensions, but he does say they were successful.

He goes on further on that page to talk about hull deterioration. He goes on, page three, to talk about the ships being operated in seas beyond their design capacity.

He goes on, on page four, to say that an outside engineering forum, designers and planners engaged by the Coast Guard, analysis showed the
overall hull structure design was adequate under all expected operating conditions up to the worst operating condition modeled.

And then, in summary, he says, "It's premature to speculate on the final cost and final way forward."

I assume you probably don't agree too much with that analysis or those remarks.

SAMPSON: No, sir, I don't. There's several different perspectives that I'd like to address. I haven't had the opportunity to read the comment that you're discussing.

I wrote down some quick notes. So if there's something there that I missed, please remind me and I'll feel free to discuss.

In regards to the Navy's experience with the PCs, I want to make sure it's very clear. CCD Combatant Craft emphasized to the Coast Guard, as well as Bollinger Shipyard, because this was kind of a misconception among many, that Bollinger Shipyard built the 110, they built the 170, they did the extension.

What never appears to come to the surface is the fact that Combatant
Craft Division was the one that did the entire design work for the 2830 extension. The failures that occurred were actually prior to when the 2831 170s were first built. When the PCs were first delivered, they started 2832 failing immediately.

That was a function of -- after extensive investigation, Combatant Craft 2835 came to the position that the 1997 ABS rules, high-speed craft rules 2836 which the PCs were built to, had under-predicted what they call a 2837 dynamic loading condition.

The ABS later, in their high-speed naval craft code, did correct this 2840 based on that experience. It was a known issue to ABS, to Combatant 2842 Craft, and we made that very clear to Bollinger Shipyard.

DEFAZIO: Is that what you discussed with Mr. Debu Ghosh on 9/3/02? 2844

SAMPSON: That was one of the topics, yes, sir.

DEFAZIO: OK, go ahead.

SAMPSON: The Combatant Craft, when they did the design work, Bollinger 2850 is a great fabricator. However, they did not facilitate the engineering, production detail, things of that nature, but the actual first extension
was not performed by Bollinger, to my understanding. It was actually by another shipyard.

So they did not perform the engineering. That expertise resided with CCD. During that 9/3 meeting with Mr. Ghosh, we emphasized to him that this was not a simple evolution, that the design was very complex. The PC went from a 5 percent length increase of nine feet as compared to the 123 or the 110, which added 13 feet, to 12 percent increase. This is a substantial, substantial increase in length.

As a result of that, the rules that were being used or we were told were being used for the 110 and 123 conversion were these what CCD felt were flawed rules of ABS, the 1997 high-speed craft code.

DEFAZIO: So that was probably the point at which -- that you, the Navy, CCD offered to provide some design and engineering support to Bollinger, Northrop Grumman or the Coast Guard on the conversion.

SAMPSON: Yes, sir. Let me make it clear. CCD did not go out and necessarily try -- Combatant Craft is a capital funded program. So in essence, we're like a contractor. We have to go out and sell our services.
DEFAZIO: Right.

SAMPSON: So I can't voluntarily.

DEFAZIO: But you made an offer that...

SAMPSON: We informed the parties involved, yes, sir.

DEFAZIO: And I believe it was not particularly spendy in terms of how much money's been wasted here. What would the cost have been?

SAMPSON: Just for oversight to determine if a problem existed would have been $42,000.

DEFAZIO: $42,000.

SAMPSON: Yes, sir.

DEFAZIO: And how much did we spend per ship conversion?

SAMPSON: A lot more than that, sir. I'm not aware of the exact number.

DEFAZIO: OK. But that offer was declined.
SAMPSON: Yes, sir.

DEFAZIO: OK. And was there any particular reason given for declining that offer?

SAMPSON: No, sir.

DEFAZIO: OK. Then you went to the Coast Guard.

SAMPSON: The order that we talked, we had talked with Mr. Ghosh first.

DEFAZIO: Right.

SAMPSON: Then I had talked to the Deepwater program office up in Washington, D.C., talked to Ms. Diane Burton and another gentleman that, for the life of me, I can't remember his name, but I remember him as a program manager. I don't recall if he was specific to the 123 or in total.

Explained the situation to them. Ms. Burton, being a former NAVSEA employee, I think understood some of our concerns. However, the discussion was very short and thank you very much, and we never heard anything further from them.
Northrop Grumman, Combatant Craft did not contact directly. However, Bill Moss, who is our point of contact for the Cardarock division, did provide a capabilities brief to Northrop Grumman to explain what the Navy had to offer them specific to the 123. Nothing was mentioned.

DEFAZIO: So do you think that there's any possibility that Mr. Anton, who raises the other issues, was aware of these concerns as a Northrop Grumman executive?

SAMPSON: I have no idea, sir.

DEFAZIO: Perhaps he'll be asked that on the next panel under oath and why action wasn't taken.

I've got to jump ahead here because the time is valuable and we've been holding people a long time.

This is, I think, a critical question because there was some concern raised earlier by Mr. Mica that we're just plowing old ground and that, in fact, this has all come out before.

But did Mr. Carl Cassamassina (ph) of Navy CCD warn the Coast Guard that
it was in danger of losing a ship if the hull cracking problem was not correct?

SAMPSON: I don't have firsthand knowledge of that specific conversation where those words were used. I do, however, know that Mr. Cassamassina (ph) and myself talked at length to the Coast Guard and Bollinger and explained the severity of the situation, and we felt confident that they understood that.

DEFAZIO: That apparently was -- the Navy did give us that statement, that they afforded that warning, but I thought you had knowledge of it.

You had conversations...

SAMPSON: Not that particular phone call.

DEFAZIO: ... similar to that with Mr. Cassamassina (ph).

SAMPSON: Yes, sir.

DEFAZIO: So the risk here was catastrophic failure, hull failure, loss of the ship, potentially loss of life.
SAMPSON: Potentially, yes, sir.

DEFAZIO: And then, finally, it's our understanding the Coast Guard made two efforts to fix the 123s after the problems with the deck -- that the decks appeared. Did the Coast Guard consult with CCD on these proposed fixes, that you're aware of?

SAMPSON: I, as employed by the Coast Guard, did consult with CCD, but purely on a professional peer level.

DEFAZIO: Right.

SAMPSON: Having worked with them, I consulted them and asked them their thoughts or to confirm what I was suspecting or believing, which they provided to me as a personal interest that, yes, these fixes were not going to work.

SAMPSON: However, there was no direct involvement, to my knowledge, between CCD and...

DEFAZIO: Did you report that up the chain that these proposed fixes were not likely to work, according to your consultation with CCD?
SAMPSON: Absolutely. My command, the Maintenance and Logistics Command Atlantic, voiced those concerns repeatedly.

DEFAZIO: But they went ahead anyway.

SAMPSON: Yes, sir.

DEFAZIO: And they didn't work.

SAMPSON: Correct.

DEFAZIO: Well, so none of the efforts to fix the 123s succeeded. And would you then think that -- you would disagree with Mr. Anton's statement that it's premature to speculate on the final cause and the way forward -- of the failure.

You think we know the cause.

SAMPSON: I think there's a strong case to be made that the cause is due to the hull strength of the hull girder issue.

The localized failures that have occurred on deck and some other places were, in my opinion, a result of the modifications, where they just
moved stress from one location to another.

The actual initial failure of the Matagorda was a clear classical failure due to bending.

DEFAZIO: Mr. Chairman, I want to thank you for the generous grant of time and for your leadership on this issue.

I do want to say, in closing, that Mr. De Kort, in his testimony, said that -- and he was referring to a number of things here -- that these were actually informed and deliberate acts.

And I hope if, through our investigation, we find that any of these acts were informed and deliberate, that both defrauded the taxpayers and jeopardized national security and potentially jeopardized health and safety of our Coast Guard crews, that we will be providing all of that to the Justice Department in the hope that maybe some of those responsible could enjoy federal hospitality.

CUMMINGS: Thank you very much.

I take it, Mr. Sampson, that you did not believe -- I've seen the ships. I saw them last Thursday and I can tell you they're a mess.
SAMPSON: Yes, sir.

CUMMINGS: Have you seen them?

SAMPSON: Yes, sir. I've done extensive investigations and inspections on those craft.

CUMMINGS: And the amazing thing is that I thought we were talking about a big ship. Some of these boats are not as big as some yachts.

SAMPSON: Yes, sir.

CUMMINGS: I mean, it's incredible. And it so happened to be in Baltimore, where I live, it so happened to be there, and I wanted to go see them. But anyway.

Mr. Gilchrest?

GILCHREST: Thank you very much, Mr. Chairman.

I, too, want to make sure that that Coasty who is today similar to Gene Taylor 30 years ago, whether they're breaking ice to McMurdo -- maybe 10
years, I don't know when Gene Taylor was in the Coast Guard.

When those Coastys are breaking ice to McMurdo Station in the Antarctic, on that ship, when they're at Cape Disappointment rescuing people, when they're in the Gulf of Alaska because a crab boat is in trouble, or the Chesapeake Bay, or these guys are out there determining international standards at the IMO in London, it's an extraordinary service.

But I do remember a time 40 years ago when I was using an M-14 in Vietnam, worked every time we pulled the trigger. Sadly, we had to pull the trigger occasionally. Rain, monsoons, heat, mud, dust, you name it.

We were given an M-16 about February of 1967, and it didn't work. Who was responsible for that? In 1967, these young men, like we have now in Iraq and Afghanistan, assume the chain of command is competent.

Well, we're here to praise the stunning abilities of the Coast Guard people. And we also want to find out the chain of command, that whoever and wherever it is, that changed the basic physics, they changed the physics of the boat when they wanted to put in some add-ons which would have made it more serviceable under certain conditions, but they changed the physics of the boat.
So who was responsible for approving that change up the chain of command, including everybody and the contractors?

So I guess -- and we're not here -- I'm glad the chairman is holding this hearing. We're not here to unfairly reprimand anybody, but we'd like to know how this came about, that we have eight boats now that don't work.

Mr. Sampson, did the Coast Guard consult with the Navy engineers when reviewing the proposed design of the 110-foot patrol boat conversion?

SAMPSON: No, sir, they didn't necessarily consult us. We, as CCD, did notify them of our experience with the PC and the lessons learned, and we shared that with the Coast Guard voluntarily.

GILCHREST: So there was a basic consultation that took place.

SAMPSON: Yes, sir, on that 3rd of September with Mr. Ghosh, in addition to the Deepwater program office, we shared that we had extensive knowledge and experience with this type of design and modification and that they were at very high risk of failure if they were to proceed.

GILCHREST: So what were the specific concerns that would cause the high
rates of failure if they proceeded?

SAMPSON: As I stated earlier, sir, that ABS 1997 high-speed craft rules, it uses two methods of prediction for the strength of the boat. One is a static loading and one is a dynamic loading.

That 1997 rules under-predicted the dynamic loading. As a result, the static was the driving factor, according to that rule set. Combatant Craft, through investigation, realized that that was actually not the case and they used another classification society's rules in conjunction with some additional calculations to determine the actual correct strength that the vessel had to be.

Because of that, we cautioned the Coast Guard extensively, because we knew they were going to use the old set of ABS rules.

GILCHREST: Did they take your caution seriously?

SAMPSON: We felt that they understood our concerns. I do not know what they did with our information.

Mr. Ghosh certainly tried to -- I think understood and he tried to hire us to provide...
GILCHREST: So you don't know if those recommendations were followed through by anybody in the Coast Guard.

SAMPSON: Eventually, they weren't, sir, because the boats were built as proposed. We also shared, real quick, sir, that when you lengthen a boat, those bending moments, that static bending and dynamic loading, those are affected primarily by the length of the vessel and the dynamic also has a speed component. But the length of the vessel is a significant contributor to that bending force.

So when you lengthen a boat by 12 percent, that's a tremendous length increase for that size craft and so you have to add strength to the vessel.

Vessels that are high-speed craft, such as the 110...

GILCHREST: So strength was not added to the vessel.

SAMPSON: No, sir, not at all.

GILCHREST: Can you just tell us -- I know my time is up -- why wasn't strength added to the vessel if those recommendations were made?
SAMPSON: The only thing that I can speculate, sir, is that the static condition was a driving factor and they felt they complied with that static condition. Other than that, I have no idea, sir.

GILCHREST: I see. Well, thank you very much.

Thank you, Mr. Chairman.

CUMMINGS: Thank you.

Mr. Taylor?

TAYLOR: Thank you, Mr. Chairman.

Mr. Sampson, I want to follow-up on what you were just touching on, because I've heard now three different explanations for the 110 problems.

First, I was told they never did hogging and sagging calculations. Then I was told, "Yeah, we did them, but we didn't figure in fatigue." "Yeah, we figured in fatigue, but we misjudged the steel."

Apparently, the initial hull had some high tensile steel, apparently got
a "Made in USA" waiver. I'm told it was from England, but I'm told no
one ever tested it on the initial building of the hull and that, like
you said, when the hull's only 110 feet and you're stretched between two
waves, you didn't have the hogging and sagging problem, you make it 123
feet, get between two waves, you have substantial problems.

My question to you is, since I'm getting so many different stories from
people who ought to hopefully be telling me the truth and since we've
now got eight ruined ships, $40 million down the drain, to my knowledge,
no one's been fired. To my knowledge, no one has claimed responsibility.

I can assure you if this had happened in the private sector, a bunch of
people would have been fired by now.

So what do you think happened?

SAMPSON: Sir, you bring up some good points.

TAYLOR: And I also want to say, Mr. Cummings, if you owned a crew boat,
a boat that takes people out to an offshore oil rig, and you wanted to
stretch that crew boat and still have it certified to carry passengers,
the Coast Guard would have run the test before they ever recertified
that vessel again.
So it's absolutely crazy that something they do every day in judging the private sector, they apparently didn't do for themselves. And no one's ever answered that question.

SAMPSON: Sir, I think to clarify, I think there are some issues there that may have been crossed over. The metal fatigue and the material properties were things that were subsequently looked at, well after the Matagorda failed.

Those were things that were addressed after the fixes did not work in the hopes to try to figure out exactly what transpired.

TAYLOR: To the point, I was told they never looked at metal fatigue in the beginning when they were running the hogging and sagging calculations. Is that true?

SAMPSON: That I'm not aware of, but I would suspect that's the case.

TAYLOR: Did they run hogging and sagging calculations up front, just like they would have if a crew boat operator had gone to them wanting to stretch their vessel?
SAMPSON: Mr. Ghosh would probably be the best one to answer that, sir. My understanding is they did and there were some errors in those calculations, but he would give you a definitive answer on that, sir.

TAYLOR: Did anyone ever test the steel that I'm told came from England, which probably would have required a "Made in USA" waiver, and that if we did that, we undoubtedly paid a premium for it in the first place, to see whether or not it was up to the spec that we probably paid the premium for?

SAMPSON: To my understanding, no steel was imported from England. The initial design, both the 110s and the 170s, all those craft were designed by a British company called Vosper Thornycroft.

They had a material requirement in their design of what they called British steel 4360. It's a British standard saying this is the material properties.

It's my understanding, and Bollinger may be able to correct this, but it's my understanding that they had specifically mill runs performed by U.S. steel mills and all that material made to that British standard and delivered to Bollinger Shipyard for construction of the 110.
Whether or not they had any material testing done at that time, I'm not
aware of.

TAYLOR: So to the point, what do you think happened? Since I'm game now
for the fourth opinion of why these ships failed, and yet no one's
responsible.

SAMPSON: Sir, I think there's a combination of things, but I believe
that the longitudinal bending, the -- in real simple terms, and I'll try
to make this brief, when you take a hull and you put it in the water, it
has to be designed to handle, to go through waves and over waves.

TAYLOR: Mr. Sampson, I have stretched these boats. So I'm familiar with
all that.

SAMPSON: You have to design for both of those loading conditions. The
loading conditions that were initially assessed by the 1997 ABS rules
under-predicted those loads that the boat would have to meet.

It may have been, I do not know, Mr. Ghosh may be able to provide the
information, but we understood, as Combatant Craft, that those rules
were faulty.
We did our own simplified investigation to determine that the loadings would have been much more significant to require to provide strength of that hull sufficient enough to withstand the operations.

There were other issues later on where the specification, the performance specification came into question. I've read the performance specification that was issued. To me, it's very clear that the intent was to have a platform that was as capable as the 110 WPB at the end of the conversion.

That did not happen, obviously. At all the times of the failures of the 123s, we had 110s out and operating that suffered no hull damage whatsoever.

TAYLOR: So for the record, who did you notify?

SAMPSON: I notified ELC, Mr. Debu Ghosh. I notified the Deepwater program office, Ms. Diane Burton and another gentleman who I cannot remember his name. Notified Bollinger Shipyard, Dennis Funge (ph), and anybody else who would listen.

But those were the three primary contacts that we notified.
TAYLOR: And for the record, did any of them change their plans in any way or did any of them recalculate the test to see if -- to address your concerns?

SAMPSON: At the time, sir, I was with CCD. The Coast Guard -- I was not intimate with the Coast Guard. I do not know what they did. Mr. Ghosh took the matter very seriously. I'm not sure what he did.

TAYLOR: Thank you, Mr. Chairman.

CUMMINGS: Before we get to Mr. Diaz-Balart, let me just ask you one question. I'd direct this to Mr. Braden and to Mr. Sampson.

Yesterday, the Coast Guard announced its intention to bring the systems integration function back in-house. How do you think this changed process will help?

Do you think it'll help at all? Do you think we'll still be in the same -- still have the same kind of problems?

And I'm following-up on what Mr. Taylor just talked about. It seems like we've -- nobody's been fired, to my knowledge either. And it seems like this is a situation that all parties involved have some responsibility
in some issues. But I'm just wondering, he's made this announcement apparently in an effort to try to cure the situation and make it better for the future.

And I was just wondering what your -- are you familiar with that?

BRADEN: Yes, I am.

CUMMINGS: Mr. Braden, do you have an opinion on that?

BRADEN: Well, I feel, and I think this was mentioned previously, that the Coast Guard is ill prepared at this time to provide quality system engineering and integration oversight.

I have heard from the members that there are efforts to beef up their staff, to hire the necessary people. I think that's going to be a major challenge for them to do that.

I think they will still need to rely heavily on industry to provide that guidance. I believe personally that oversight, meaning an independent assessment of what the requirements have been agreed to, is the biggest key to success on the program.
In the past, as a performance-based requirement, there was a good bit of subjectivity as to how you achieve the final performance goal. And that subjectivity was, I would say, a major point of contention between the Coast Guard and, in my direct experience on the 270s, and ourselves in terms of debating, probably needlessly and sometimes seemingly endlessly, as to someone's interpretation.

And I think by getting clear requirements and then having oversight of those requirements, that would go a long way towards making sure that things got done exactly right the first time.

CUMMINGS: It sounds like, Mr. Braden, that you were very strong with regard to your standards and you were not going to bend, no pun intended. But you were not going to bend. And it sounds like, to me, you -- basically, they kind of let you alone and you did what you had to do and apparently, as we see now, it worked out fine.

That's what it sounds like now.

BRADEN: Well, I'll echo what I have heard previously, too, and that is that I have the utmost respect for the people who put their lives on the line daily in the Coast Guard. And it was my intention to be certain that we delivered the best quality systems we possibly could.
And I found that in some instances, I saw, in other areas of the program, sort of an adversarial relationship between the Coast Guard and the contractors. I tried to nurture a friendly, cooperative, open discussion and that is how we did finally nail down some of the tough issues we had to contend with in terms of interpretation.

CUMMINGS: Mr. De Kort, same question.

DE KORT: We had a different experience, Mr. Braden and I. If I'd have had the ability to be that independent and to have that relative authority, we would not be talking right now.

CUMMINGS: Mr. Sampson?

SAMPSON: Sir, I guess my...

CUMMINGS: You have a unique perspective, Mr. Sampson. You had the Navy and the Coast Guard experience.

SAMPSON: Yes, sir.

CUMMINGS: And what we've been hearing is that the Navy is well equipped
to do a lot of these things and maybe the Coast Guard isn't there yet.

But you go ahead. I'm listening.

SAMPSON: I love the Coast Guard, sir, through and through.

CUMMINGS: We do, too.

SAMPSON: It's the best organization out there. I think the Coast Guard's -- one of the more trying aspects that the Coast Guard has is resources.

If you look at the Navy, it's a huge organization, lots of money, lots of human capital to take care of many of the challenges that are put before them.

With the Coast Guard, this is Scott Sampson's personal opinion, but the Coast Guard, we are asked to do more and more and more. I had to give up billets out of the section that I supervised to provide people for (inaudible), the 110s that we have overseas supporting our men and women over there. I had to give up a lieutenant JG for an admiral's billet that doesn't get replaced.

We're continually asked to do more and more. I have a friend of mine
who's in the acquisition office that puts in routinely 12 to 14 hour days, including weekends, and he doesn't get to see his wife much, because we ask more and more of our folks and we're never provided or very rarely are we provided the resources to try to get those tasks accomplished.

And while I have the utmost in confidence in the commandant's direction and leadership, I think this is going to be a significant challenge for the Coast Guard to provide that additional oversight that's going to be placed upon us.

CUMMINGS: Thank you very much.

Mr. Diaz-Balart?

DIAZ-BALART: Thank you, Mr. Chairman. I actually really don't have a question, but more just a couple of comments.

First, I want to thank you, Mr. Chairman, for what I think has been a very important hearing. And I want to thank, also, those of you who have come forward for spending all this time with us and I think it's been very helpful to allow us to understand a little bit what the issue is.
Secondly, when I was listening to Mr. Taylor, I shared his concern and his frustration. The fact that what he said, and I'm paraphrasing, Mr. Taylor, but about the fact that nobody's been fired. I've obviously been surprised, Mr. Taylor and I, that in the public sector, it's very hard to fire people anyways, which is one of the problems with creating larger bureaucracies is that you never can get rid of them.

But it's clearly frustrating for him and for me, and I don't think it should surprise us.

Number three is that I think it's very important -- and you all have not done that, so I'm not -- but it's very important that anybody listening doesn't -- when we speak about the Coast Guard or Lockheed Martin, it's not the Coast Guard of Lockheed Martin.

There may be some individuals that have made mistakes and that's not the entity, the entirety entity, and I just -- you all understand that. We understand that. I just want to make sure that everybody else understands that.

DIAZ-BALART: And, lastly, Mr. Chairman, I just want to thank you and, also, Chairman Oberstar for your statements to Mr. LoBiondo's question or comments, and your commitment to that, because as Mr. Sampson just
stated, the Coast Guard has always been underfunded, which is why this
project, this Deepwater project is so important.

But obviously it's important not only that it receive the funding, but
that it's funded and the money's spent efficiently and effectively, and
that's the purpose.

I want to thank both you gentlemen for clarifying that, again, nothing
that we didn't expect to hear from you, but it's always, I think,
important that we thank you for that strong statement of support for an
efficient, effective Deepwater program that does protect our national
interest, our national security, and obviously the men and women who...

(UNKNOWN): Would the gentleman yield just briefly?

DIAZ-BALART: Yes.

(UNKNOWN): For an observation. I've served on the Coast Guard
subcommittee since I came to Congress 32 years ago. We have added 27 new
functions to the Coast Guard in those years, but the Congress and
administrations, Democrat or Republican, have not given the Coast Guard
the funding they need to carry out those functions.
That's what I'm talking about. That's the frustration and, by damn, we're going to work on that and do that in this Congress.

DIAZ-BALART: And I thank the chairman. Reclaiming my time. I thank the chairman for that, for his commitment. I know that.

I've been in conference with you not that many years, obviously, and I've seen that commitment. Clearly, the Coast Guard deserves the funding.

I think one of the problems that I am seeing here from Mr. Sampson's statement, and, again, I don't want to paraphrase, I'm paraphrasing what you said, but one of the issues that may be unfolding here is that, yes, frankly, with this Deepwater program, we've finally funded some assets for the Coast Guard that, frankly, since probably the Coast Guard has been so underfunded for so many years, they just weren't ready for it and no excuse there.

But anyways, I just wanted to make those statements. I want to thank the chairman of the subcommittee and the chairman of the full committee for allowing us this opportunity. I think it's been very fruitful.

Thank you.
(UNKNOWN): Will the gentleman yield to me on your time?

DIAZ-BALART: Yes, sir, I give you the rest of my time.

(UNKNOWN): Thank you very much. I just wanted to, so I don't have to drag out this panel, Mr. Atkinson, could you clarify your $20 remark? Because I had asked Mr. De Kort and Mr. Braden about it and I thought I heard you say, and I don't want to put words in your mouth, but the difference between the mylar aluminum and the braided, shielded was 20 bucks.

Is that 20 bucks a foot, 20 bucks a mile?

ATKINSON: No, sir. The Coast Guard -- excuse me. ICGS purchased the cable made by a company called Cable General. This was an Ethernet cable similar to what many of you have in your offices, but it's a heavier duty version of that cable.

Now, this cable is made in two formats. It's called a ship LAN cable designed for local area networks aboard ships. The first version is an unshielded twisted pair with a mylar shield only.
There is also another version, which is only slightly more expensive, which is a double shielded braid and foil. On the ends of this cable is a connector made by Sentinel Connector Company or Sentinel Connector Systems, Inc., which the actual connector itself was developed by Lockheed Martin.

The price difference between the shielded cable and the mylar shielded cable or the double shielded cable, if you will, and the mylar shielded cable, total cost for a 10-foot cable, that mylar shielded, is about $7.50. The cable that is double shielded is roughly $27.

(UNKNOWN): For 10 feet.

ATKINSON: For a 10-foot cable.

(UNKNOWN): Anybody have any idea how many feet of cable we're talking about in the 110 conversions, Mr. De Kort?

DE KORT: There are almost 400 cables in total. I don't know how many there are, but I'd imagine several dozen, but, again, sir, that would need to be multiplied times 49 times the rest of the vessels, because it's a system of systems.
And if I could, because I understand why you're going to down, if I could clarify really quickly. When you have a program where you bid $4 million per boat and you know you're overrunning double that and it's $8 million per boat, it's very possible that they thought their potential profit was literally in five cents per cable. And, also, though, by the time these issues had snowballed, I believe Lockheed Martin, part of their thought was this is embarrassing. So at some point, they just didn't want this to come out because of how avoidable it was and how crucial these issues were. So it's the combination, sir, of the cost, schedule, as well as not wanting to necessarily come out.

(UKNOWN): And I thank you, Mr. Diaz-Balart, for yielding. Thank you.

CUMMINGS: Mr. Hall?

HALL: Thank you, Mr. Chairman and Chairman Oberstar. Thank you for the patience of all our witnesses and our other witnesses. I'll keep this really brief.

Mr. Sampson, I gather you're, among other things, a naval architect.
SAMPSON: Yes, sir, that's correct.

HALL: And when one builds a 110-foot vessel or any vessel, I would guess that the naval architect tries to make it of the ideal proportions to begin with. In other words, you're going to have the right proportion of length overall, beam, draft, deck strength and so on and so forth and the boat is designed to handle varying sea states in its existing proportion.

There have been a number of famous cases of failures or believed failures, "Perfect Storm" being one, for instance, where a fishing boat was altered without consulting a naval architect in that case and wound up, some people think, capsizing because it had lockers installed on the deck that caught a sea that came transverse and pushed hard on it and it rolled over. We'll never know about that.

But my question is when you take a 110-foot boat that was originally designed to be the ideal proportions, aren't you taking it off of its ideal proportions by lengthening, almost by definition?

SAMPSON: Absolutely, yes, sir. That was one of our main points, that this was such an elementary decision point or observation, that if you lengthen a vessel, the mid-ship section modules or the strength of that
vessel has to be increased.

This is a high speed craft. You don't have that much reserve margin built in to an existing craft or you'd over-design it and it wouldn't make the speed.

So to make the assumption that the craft did not have the -- or that had that reserve strength...

HALL: That's fine. And I just noticed in some of the testimony, the written testimony of the later witnesses, that the design specs call for it to operate up to sea state five, 8- to 13-foot seas.

I have a 39-foot cutter myself that I sailed in seas bigger than that. That seems to me rather like a low threshold for a ship that may have to operate -- or a boat, it's a ship to me, but I think it's a boat that may have to operate under considerably more extreme weather, and does probably.

And on top of everything else, I'm just curious how one could not overbuild in this situation when you know you're cutting a boat open and then extending it.

Has that occurred to you?
SAMPSON: Absolutely. There's several things that are associated with that performance specification and later information that I was told in regards to the requirements.

We were always verbally told that it was designed to be the same capability as a 110, just a 123. So a 110, for purposes of the operators, Mr. Ghosh has commented to me and he'll probably confirm this, that the 110 is, in essence, unrestricted. It can go out and operate in a sea that normally the human will give up long before the ship.

HALL: Right.

SAMPSON: They will pull the throttles back. With the 123, after the failure, it was explained by Mr. Jacoby that the design spec was actually poorly written and that the requirements that were being interpreted were actually lower than what we felt was operationally needed.

HALL: Thank you.

And, Mr. Atkinson, I just wanted to ask you, I understand that by Coast
Guard accounts, the Matagorda was given its ATO in January of 2005 and then later that year had a visual inspection.

Do you know if the deficiencies identified in that visual inspection were severe and was it appropriate that they were waivered?

ATKINSON: No, sir. None of the items that were detected in the visual inspection should have been waivered. By issuing these waivers, they quite literally were covering up significant vulnerabilities.

While our enemies may not have directly exploited those vulnerabilities, they did nonetheless create vulnerabilities that the Coast Guard decided were acceptable.

HALL: And what's the risk to national security if TEMPEST certifications testing process is not done properly and the vessel operates and broadcasts to other vessels?

ATKINSON: National security. A foreign government will be able to access our classified communications, not just on a one-ship basis, but more of a -- everything our country has, they can detect our codes, our ciphers, our hopping patterns, our communications.
They can exploit that not just on the Matagorda, but on everything in our inventory. You give them the keys to the kingdom when you breach TEMPEST.

HALL: Thank you very much. Thank you, Mr. Chairman.

CUMMINGS: Thank you.

First of all, I want to thank all of you for your testimony.

I was just sitting here thinking about what you all have said -- and I'm so glad that we have Americans who care as much as all of you care, and I really mean that.

One of the things that's really nagging at me, though, is Mr. De Kort and I'm wondering, Mr. Braden, you've been with Lockheed Martin how long?

BRADEN: Thirty years.

CUMMINGS: Thirty years. And you've heard the complaints of Mr. De Kort. Were those, in your mind, I mean, the things that you know about that you can express an opinion about, were those reasonable things to raise?
I just want to make sure that -- here's a man who, just like everybody else here, is making it clear that he wants the best for the Coast Guard and the best for our country. And I'm just wondering, what was your opinion on those things?

BRADEN: I think the issues he raised I would expect to be raised by any competent program manager, project manager or engineer.

CUMMINGS: Thank you very much.

Mr. Chairman?

OBERSTAR: I just want to nail a couple of things down with Mr. Atkinson. The difference between a visual test and an instrumented test, a visual review and certification through follow-up instrumentation testing, what is the significance of the one and the other, and the two in combination?

ATKINSON: The physical inspection tells us if hardware has been properly placed onto the equipment, that cables are properly bonded, that cables are connected properly, that they're properly grounded, that isolation
distances have been rigorously adhered to.

Those must be done in a visual inspection before you do an instrumented inspection.

OBERSTAR: And is it sufficient to do the visual? If those factors are verified, can the inspector say that's sufficient?

ATKINSON: No, sir. It must pass a visual inspection and then pass an instrumented inspection.

OBERSTAR: And the instrumentation will tell us whether there is leakage and at what distance and what can happen with how the signal can be intercepted.

ATKINSON: Yes, sir.

OBERSTAR: Is that correct?

ATKINSON: It is very similar to going to the doctor with a cough. The doctor can hear your cough. He can see that you're in pain, but he doesn't know that you have water on your lungs. So he will send you to a radiologist to have your chest examined and X-rayed.
The X-ray is an instrumented test. An instrumented test is an absolute measure based on scientific principles, not just a visual observation.

The two must be done, but the visual needs to be done before the instrumented and then the visual needs to be repeated on a fairly regular basis.

OBERSTAR: There is a risk to national security in a vessel handling classified information and conducting classified communications with shore side and airborne equipment.

What is the risk to national security if a vessel handles such traffic without proper TEMPEST certification?

ATKINSON: If a Coast Guard cutter goes into the territorial waters of Cuba and while they're in the territorial waters of Cuba, they transmit a classified message through their satellite communications link or through other means and they have leaky equipment and Cuba picks up on those leaks, they will have just disclosed to the Cuban government how our cryptographic equipment works, how our C4ISR equipment works, the coding that it works on, and they will be giving away not only their position, but they'll be giving away, again, the keys to the kingdom.
They will allow Cuba to listen in now on any of our ships.

OBERSTAR: And it can be at close range or at long range.

ATKINSON: Depending on the specific vulnerability, it can be as little as somebody getting within 30 to 50 feet of a vessel or, in other cases, it can be in excess of several hundred miles.

OBERSTAR: Under those circumstances, was it acceptable that -- an acceptable risk that the Matagorda received authority to operate in January 2005?

ATKINSON: No, sir.

ATKINSON: The Matagorda had an instrumented test. It failed.

ATKINSON: Without a successful test. However, in Coast Guard documents, there is indication that they had planned a second instrumented test which was never accomplished.
OBERSTAR: Never accomplished, that's right.

I thank you very much.

Mr. Chairman, I think, as you said earlier, I think we should move on to the next panel. I'm grateful to these four public spirited citizens who take their sense of responsibility deeply and genuinely and grateful for your testimony today.

It will help us get the Coast Guard on a better track.

CUMMINGS: I understand Mr. Kagen has a few questions.

KAGEN: Thank you, Mr. Chairman. I apologize for being late.

Mr. De Kort, I'll keep you only very briefly. Would you agree that this process of self-certification by Lockheed Martin played a key role in the failure that you observed?

DE KORT: Yes, sir. It was the fox in the henhouse.

KAGEN: So you think this process of self-certification should be
DE KORT: I don't know that there's a place where you would allow self-certifying anywhere, whether it's in the government or private enterprise. It just doesn't sound like something you'd want to do.

KAGEN: Very good.

And would you also agree that in this project, overall, there was no effective oversight?

DE KORT: Yes. The oversight was not effective and the reason I hesitated is because I want to draw a distinction between the oversight that existed and needing more.

I don't necessarily -- I know you need more, OK, because of coverage issues. Again, there was plenty of oversight, though, with these issues being raised with the people who were there who had the authority to make changes.

So more in this case wouldn't have solved a thing. It was decisions that the people they had made. And every bit of it could have been avoided.
KAGEN: And it was the effectiveness of that oversight that was lacking.

DE KORT: Yes, sir.

KAGEN: And on a personal note, have you ever, at any time, felt that your health or you life was in danger? Do you ever feel nervous?

DE KORT: No, sir. I feel that I suffered retribution after this while I was in Lockheed Martin, but it never elevated to the point where I thought that myself or my family -- I never -- and nothing ever occurred to make me actually think that.

KAGEN: Very good. Thank you very much.

I yield back.

CUMMINGS: Just to clear up, following up on Chairman Oberstar's questions.

You know, Mr. Atkinson, one of the most troubling things is this whole idea of waivers, because you could have all the standards in the world, but if you're waiving, that's a problem.
The Matagorda, the visual TEMPEST test results are the most troubling or
dangerous from a perspective of protecting classified materials. Is that
right?

ATKINSON: No, sir. My concerns would be with all of the ships. The
Matagorda received extra attention because it was a prototype. That
which was on the Matagorda is also on the other ships, because Lockheed
Martin was required to make it identical on every ship.

Therefore, if the first ship failed, all the ships failed. If the first
ship passes, all of the ships pass. All eight ships failed.

CUMMINGS: So waiver, although there were waivers, I guess you're saying
that even without the waivers, they would have probably failed.

ATKINSON: Yes, sir. It is akin to developing a hull breach and putting
duct tape on it. It will fix it, but not really.

CUMMINGS: This is a mess.

ATKINSON: It is an enormous mess.

OBERSTAR: One last question, Mr. Chairman, if I may, in connection with
that. I know the panel has visited this subject, but on the question of certification, would you recommend that for hull, for TEMPEST, that the Coast Guard engage or be subjected to an outside independent party for certification purposes?

ATKINSON: That's a very difficult issue. The Coast Guard lost their -- it's referred to as a CTTA, which is a certified TEMPEST authority that attends and graduates a TEMPEST school.

They lost that person due to death prior to the Matagorda being commissioned or inspected. This person's second in command was then appointed an acting CTTA. He was not formally recognized by the National Security Agency as the cognizant authority. This is a matter of documentation which the committee has in their possession.

As a result, he was not recognized by the NSA as being competent to perform these inspections nor competent to make the instrumented inspections.

The Coast Guard turned to the Navy. The Navy sent their CTTA to the shipyards. He performed the instrumented inspection, which had three failure points.
The report then went back to the Coast Guard, the acting CTTA, and they stated issuing waivers. Things were found bad. Instead of fixing it, they threw a waiver on top of it.

OBERSTAR: Let me ask the other members of the panel, briefly, your response to that question.

SAMPSON: In regards to structural certifications and such, sir, Mr. Ghosh would probably be better suited for that question. The issue primarily is focused, I think, for purposes of the hull.

We have the capabilities. It's just a matter of whether or not we have the time, resources or the administrative authority to correct the contractor. Many times, this has been stated before, that I've been told many times, as an engineer, by a contracting officer that we have to give the contractor the opportunity to fail.

And that's a very frustrating position to be when we know for a fact that they are going to fail, but because we're required to give them that option, if we try to correct the contractor, it's always, "Well, delay and disruption" or "you're telling me, this is my way, it would have worked," and it's a very tenuous situation.
OBERSTAR: Mr. Braden or Mr. De Kort, do you have a comment?

BRADEN: As I said earlier, I believe that, say, an independent third party that would provide some degree of oversight would go a long way toward resolving differences, subjective differences of what a requirement is or isn't and I think that would help immensely, both for the efficiency of the Coast Guard side and the contractor sides.

OBERSTAR: Would the American Bureau of Shipping perform that function?

SAMPSON: That would be for the hull. ABS does have that capability to do certifications of designs.

OBERSTAR: Thank you.

Mr. De Kort?

DE KORT: Relative to TEMPEST, I could see utilizing, sir, the Navy to do that, because of their capabilities.

However, I'd come back to ships that float, planes that fly. These are basic items that are just done, and they're considered to be elementary.

So I don't know that we necessarily need to over-think oversight or who
You get in your car, you put it in drive, you push the gas and the car goes forward. If it doesn't go forward, it failed. I mean, sorry, these are basic things.

The Coast Guard should have equipment that survives the elements. If they don't, then who is? If you have every ship in the Coast Guard inventory matching designs, like I've said to Mr. Atkinson, 20 years from now, the Coast Guard gets in level sea state six or whatever condition or excessive wind, whatever it is, who's going to rescue the Coast Guard?

And I'd imagine, sir, that you could find pleasure craft, especially research vessels, that are in much better shape than these craft would have been going forward.

OBERSTAR: Thank you.

GILCHREST: Mr. Chairman? To your left, I'm to the left of the chairman.

CUMMINGS: Yes. Sorry, Mr. Gilchrest. My Maryland buddy.
GILCHREST: I just had a quick question to Mr. De Kort or anybody else who wants to answer this.

Standard design, and I'm curious, people have been making these Coast Guard cutters for a long time now. So if you go from 110 feet to 123 feet, why should that be a problem?

DE KORT: Mechanical engineering is not my background, sir, but I'll just say, from an observer at 30,000 feet looking in on this, it shouldn't.

I mean, here's the thing. If the contract was that loose or the requirements were that gray, I'd like to know how ELC, Mr. Sampson or I figured it out?

I don't know that we had some special insight, capabilities or we're clairvoyant. So we had the same requirement set, the same contract, the same everything.

Now, it wasn't perfect. Did we need more oversight? Yes. Would I suggest potentially a contractual mess? Fine, yes. Could the requirements have been written better? Yes. But we're talking about just elementary items here that really don't take much discussion.
GILCHREST: And this is Lockheed Martin. This is not a new boat builder.
If it's elementary design, you go from 110 feet to 123, I mean, is this
that difficult that the hulls are going to breach? What happened?

DE KORT: Well, sir, I can't speak for the breach, but I can speak for
all C4ISR. Again, it was the perfect storm. They made a strategic
decision to bid the job without enough C4ISR engineers and to use people
who literally didn't have enough background or they didn't have enough
people who had the background.

And when they got into it, they were behind right away, because it was
aggressively bid. So they quickly had to make decisions so that they
could stay on schedule. Like I said, the person who picked the
non-waterproof radio's background was a software configuration
management specialist. It was a hardware item.

I mean, it sounds kind of incredible, I suppose, but it's literally what
happened.

So that perfect storm just hit -- I'm sorry. I'm mixing metaphors. But
then it snowballed and they just got in so deep that I don't know that
they could figure a way out.
GILCHREST: This is like the chaos theory in reverse.

DE KORT: Yes, sir.

GILCHREST: Thank you, Mr. Chairman.

CUMMINGS: Well, again, I thank you all.

Mr. De Kort, what you just said is -- you're right. It seems so elementary. It seems so elementary it's painful.

And it's painful from the standpoint that we're talking about lives, lives of our Coast Guard folks. We're talking about ships that are not out there now guarding our coasts, interdicting drug runners, and the American people are paying big-time.

So I want to thank all of you. And all I can say is that if we can send -- and I'll say it 50 million times -- if we can send people to the moon, we ought to be able to fix a ship that's no bigger than this room.

It's incredible to me. We ought to be able to have communications whereby Cuba and other countries don't even have the capability of eavesdropping onto those communications.
It's incredible and literally shocking to the conscience. Thank you all very much. We'll move on to the next panel.

Mr. MacKay, Mr. Anton, Mr. Hamblin, Mr. Stanley, Mr. Rodgers, Mr. Winterstine, before you all sit down, I'm going to administer the oath.

(WITNESSES SWORN)

CUMMINGS: Thank you.

Mr. MacKay? Sorry, Dr. MacKay?

MACKAY: Good evening, Mr. Chairman and ranking member. I'm very grateful to be here on behalf of the people of Lockheed Martin and get the chance to explain the progress that Lockheed Martin is achieving on the integrated Deepwater system program, where we are responsible for aviation, C4ISR integrated logistics and system engineering.

Lockheed Martin has enabled deployment of more than 75 upgraded AJ-65 helicopters featuring more powerful engines, delivered two new HZ-144A maritime patrol aircraft, with six more in various stages of contracting and construction, progressed through developmental test and evaluation.
of the HZ-144A electronic mission system, commenced mission system and  
sensor installation on all six J model HZ-130 long range search  
aircraft, and sustained service of the MH-68A armed helicopters,  
comprising the Coast Guard's helicopter interdiction squadron.  

Lockheed Martin has upgraded command-and-control systems aboard all of  
the Coast Guard's 39 medium and high endurance cutters, resulting in  
significant increases in the seizure of illicit drugs.  

In March, the Coast Guard issued full authority to operate the Deepwater  
command-and-control system at its district command center in Miami in  
District 7.  

Achieving authority to operate is the government certification that the  
system performs and operates correctly. This system provides enhanced  
mission planning tools and facilitates rapid exchange of information  
through a common operating picture among Coast Guard commands, cutters  
and aircraft.  

The system is now being installed in sector San Juan in Puerto Rico,  
soon to be followed at major Coast Guard commands in Massachusetts,  
Virginia, Washington, Hawaii, California and Louisiana.
Deepwater is delivering and making a real difference, impacting drug seizures, migrant interdictions and lives saved.

On the Pacific coast earlier this year, the Coast Guard performed a rescue utilizing an H-65C helicopter under conditions that would have been impossible for the aircraft that it replaced.

And just last month, the Coast Guard Cutter Sherman, patrolling off Central America, utilized its Lockheed Martin installed electronics to track passively a ship of interest, to board her without alerting her, and to coordinate the seizure of a record 21 tons of cocaine with a street value of $300 million, via secure satellite communications.

We take the concerns raised by the Department of Homeland Security's inspector general seriously. For example, during a Lockheed Martin review of 123-foot boat cabling, it was determined that 85 out of approximately 490 cables per ship could not be confirmed as having low smoke properties.

Subsequently, the government determined that the risks were low enough to grant a waiver. The cables extend outside on the mast or on the deck, are surrounded by windows enabling easy ventilation and are short in length.
After C4ISR equipment environmental requirements were updated in 2005, it became necessary to resolve inconsistencies in the specifications. A joint Coast Guard-Lockheed Martin working group was established and after their consideration of the mission criticality of each component, its specification compliance and its function aboard the boat, a request for waiver was determined to be the appropriate action. This action permitted reconciliation of the program's acquisition strategy to maximize the use of ruggedized off-the-shelf commercial and government equipment with a multitude of military standards incorporated into the requirements.

By requesting a waiver, the Coast Guard was afforded the ultimate decision as to a course of action according to its standards of cost-effectiveness and safety.

While there has been much discussion regarding C4ISR TEMPEST capabilities, the inspector general determined in its report that the installed C4ISR system was not a security vulnerability.

In fact, an independent third party, the U.S. Navy Space and Naval Warfare Systems Center, or SPAWAR, as it's colloquially known,
determined the system on the 123-foot patrol boats did not have compromising emissions in two instrumented tests and was subsequently approved by the Coast Guard to operate in a classified environment.

Finally, as the inspector general found, the camera system on the 123-foot patrol boats fully complies with the video surveillance system requirements. It was designed as part of an overlapping series of measures, including sentries and an intruder detection system. Lockheed Martin did not consider it prudent to unilaterally increase costs by providing functionality that the customer did not want or need.

We continue to support the implementation, contractual and program management process improvements initiated by the Coast Guard, as well as the active incorporation of lessons learned.

We have supported the creation of a joint configuration control board and the participation of third parties for independent certification.

In closing, I'd like to read a short quote from the commanding officer of the Coast Guard's new Lockheed Martin installed C4ISR training center in Petaluma, California.

Quote, "The contrast between our tools of 1983 and the tools of the
future ships like the Berthoff (ph), is significant. I remember analog
digital radar, message traffic by teletype, paper charts and maneuvering boards,
Polaroid cameras and slow criminal history checks.

"By contrast, our new national security cutters will train on
computerized digital sensors, radar and charts, have live sharable
digital video, message traffic by PC, voice communications with anyone
clear or secure, and real-time criminal histories and intelligence
checks.

"The Coast Guard will have increased maritime germane awareness to
identify threats and accommodate operating (inaudible) to act when
necessary, all to protect our coastlines and citizens," end quote.

Thank you again for the opportunity to present and explain the progress
we're achieving on the Deepwater program. I look forward to answering
your questions.

Thank you, Mr. Chairman, Mr. Ranking Member.

CUMMINGS: Thank you very much.

Mr. Stanley, do you have a statement?
STANLEY: No, I don't have a statement. I'm here to answer your questions.

CUMMINGS: Thank you very much.

Mr. Anton?

ANTON: Good evening, Mr. Chairman and Ranking Member of the committee, and thank you for the opportunity to appear before you to discuss the Deepwater program.

I am the executive vice president of Integrated Coast Guard Systems and the vice president of the Deepwater program with the Northrop Grumman Ship Systems.

As you may know, NGSS has nearly 70 years of experience designing, constructing and maintaining ships of all types. In that time, NGSS Gulf Coast operations has produced a total of (inaudible).

I would also like to thank this committee for their strong support of the Coast Guard and of the Deepwater program.
The 110-foot patrol boats have seen extensive duty since their entry into service some 20 years ago. The 123-conversion was intended as an interim measure to enhance the capabilities of the aging patrol fleet until a new vessel, the fast response cutter, was available to replace it.

The conversion work was performed by Bollinger Shipyards, the original builder of the 110s, under subcontract to Northrop Grumman. The conversion project underwent a traditional set of design and review processes with contractor and Coast Guard personnel.

After being awarded the patrol boat conversion work, but before beginning the actual conversion work, the Coast Guard, ICGS, NGSS, Lockheed Martin and Bollinger, with their joint venture partner, Halter, engaged in design reviews, including a preliminary design review, a critical design review and a production readiness review.

These reviews were reviews of the 123 conversion design which were presented to the Coast Guard in increasing levels of detail. Although not a contract requirement, ICGS conducted the preliminary design review, or PDR.

As part of the PDR process, drawings and analysis were submitted to the
Coast Guard for consideration and review.

Half of the attendees at the PDR were Coast Guard personnel. The next phase was critical design review, or CDR. In conjunction with CDR, the Coast Guard reviewed a series of design deliverables. CDR presentations included results from a number of design tests and the Coast Guard represented nearly half of the attendees.

CDR was followed again by a production readiness review. During the PRR, the production process procedures and state of the design to convert the 110 vessel into the 123 were presented.

As with the design reviews, the Coast Guard fully participated in the PRR process. Four days later, the Coast Guard delivered the Matagorda to Bollinger for conversion in Lockport, Louisiana.

In addition to these various reviews with the Coast Guard, during the conversion of the first vessel, the Matagorda, the American Bureau of Shipping examined the designed of the hull extension, the new deckhouse and monitored key elements of the work being performed.

The Coast Guard also had program management resident offices onsite to oversee the 123 conversions. At the completion of each conversion and as
part of the acceptance process, the Coast Guard, similar to what the Navy does, established an in-service inspection board to examine the performance of the converted cutter and make a formal recommendation of acceptance.

At the conclusion of the Matagorda work, ABS issued a letter of approval for the conversion work and expressed no reservations with the feasibility of the conversion.

Based on all of the reviews and actions, the Coast Guard accepted delivery of the Matagorda. This same process was applied to each of the seven patrol boats delivered to and accepted by the Coast Guard.

To date, the problems associated with the 123 conversion include buckling or hull deformation and shaft and propeller alignment problems. Neither Coast Guard engineers nor our engineers have been able to determine the root cause for the 123 patrol boat structural problems.

We understand that Admiral Allen has decided to decommission the eight 123 boats converted under the Deepwater program. Though I'm not privy to the research, tests and reports that led to this decision, we will continue to support the Coast Guard's effort to address its mission needs.
Thank you again for the opportunity to discuss with you the Deepwater program.

CUMMINGS: Does anyone else have a statement? Thank you very much.

Let me just begin the questioning.

To Mr. Rodgers, what position did you hold with regard to the Deepwater program?

RODGERS: From January '03 through September '05, I was the lead program manager for Lockheed Martin.

CUMMINGS: So did that position give you an overall day-to-day cost and schedule responsibility for the entire Deepwater and C4ISR effort?

RODGERS: The C4ISR effort was part of that responsibility.

CUMMINGS: All right. Was there ever any suggestion provided by you or your superiors at Lockheed Martin that cost and schedule goals were paramount and that the mission needs of the Coast Guard took a backseat to these considerations?
RODGERS: No, sir.

CUMMINGS: Was there pressure to produce this -- you were here when Mr. Braden testified, were you not?

RODGERS: Yes, I was.

CUMMINGS: And I think he talked a little bit about pressure, not trying to put words in his mouth, but he did talk about pressure. So you don't know anything about that pressure, the pressure he talked about.

RODGERS: From an overall program, there's always pressure to perform in that sense. In my 24 years, there's always pressure to execute the job you're assigned to.

CUMMINGS: Is it the case that employees of Lockheed Martin, regarded an assignment to the Deepwater project, as a type of punishment, did you ever get that impression?

RODGERS: No, I did not.

CUMMINGS: To what degree did limited resources available for the C4ISR
RODGERS: Overall, we had a schedule challenge. We missed the original schedule in November of '03 and it was replanned with the Coast Guard to make March of '04. That was the major focus area, was that how do we achieve the first delivery.

CUMMINGS: Wait a minute. I'm sorry. I didn't hear a word you said.

RODGERS: OK.

CUMMINGS: Say that again.

RODGERS: The original schedule for delivery of the 123 was November of '03. And with that, we did a replan with the Coast Guard to make that March of '04. So from a schedule point of view, we replanned the original schedule.

CUMMINGS: All right. Now, you heard the testimony of Mr. De Kort, did
you not?

RODGERS: Yes, I did.

CUMMINGS: Were you here for the entire testimony?

RODGERS: Yes, I was.

CUMMINGS: Did Mr. De Kort raise each and every one of these issues to you and your superiors, the ones that he stated?

RODGERS: Not to me personally.

CUMMINGS: Did you know about them?

RODGERS: I knew after the fact in the sense that I knew there was -- I facilitated him meeting with some of the senior management. To that point, I was aware of them.

CUMMINGS: So in other words, did you know what he was going to meet with senior management about?

RODGERS: I know he had some concerns with the program that were not
being addressed and he wanted to have the ability to talk to some people
in more senior management.

CUMMINGS: So in other words, you made it possible for him.

RODGERS: That was facilitated.

CUMMINGS: All right. And so you never really discussed them in any kind
of detail. Is that what you're saying?

RODGERS: Yes, sir. From my seat, I would not. I was the overall program
manager. So I would have not have spoken in technical detail to his
concerns. We would have relayed that to engineering.

CUMMINGS: Let me ask you this. Do you know whatever became -- do you
know who he met with as a result of your facilitating discussions? Do
you know who he met with after that?

In other words, who you made it possible for him to talk to.

RODGERS: He mentioned in his testimony that he met with the vice
president of engineering, Carl Banner (ph). I was aware of that meeting.

CUMMINGS: And so you know for a fact that he did with meet with the vice
president. What's his name again?

RODGERS: Carl Banner (ph).

CUMMINGS: You know for a fact that he met with him.

RODGERS: I knew that meeting was being set up and since he -- I have no reason to disbelieve that did not happen.

CUMMINGS: Now, when you heard -- you did hear -- I guess to facilitate the meeting, you had to hear a little bit about what he was concerned about. Did you have any immediate response other than facilitating a meeting?

RODGERS: Overall is that he has a chain of command within his department and, in particular, said, OK, those -- his concerns, I believe, were expressed through his chain of command, as he testified.

CUMMINGS: Now, where would you have been on the chain of command with regard to him?

RODGERS: I was the overall program manager.
CUMMINGS: In other words, what I'm trying to say is that were you -- did he have to go two steps up to get to you? Were you on the same level?

CUMMINGS: I'm trying to figure out...

RODGERS: In general...

CUMMINGS: Hear my question. I'm just trying to figure out where you fit on the chain.

RODGERS: Overall, from a Lockheed perspective, there was approximately 350 people on the Deepwater program. I was the overall lead.

CUMMINGS: The last words?

RODGERS: I was the overall lead.

CUMMINGS: So you were like at the top.

RODGERS: Or second to the top, yes.

CUMMINGS: So in order for him to get to you, that man, he skipped over some folks. In other words, what I'm trying to get to is, he got to you and you said there was a chain of command.
You said there's some 300 people. You're at the top. So you then told
him to meet with somebody above you. Is that it?

RODGERS: Overall, he had concerns about some engineering concerns. We
had him meet with the head of engineering to share his concerns.

CUMMINGS: And the person who you facilitated the meeting with, the vice
president that you just spoke of...

RODGERS: Yes.

CUMMINGS: ... that person was above you.

RODGERS: Correct.

CUMMINGS: OK, got you. Now, you've heard -- you're familiar with the
Deepwater program, and you just said that you were responsible for the
day-to-day cost and schedule responsibilities.

So you're pretty familiar with it, are you not?

RODGERS: I left the program 18 months ago. So I'm familiar with it up
CUMMINGS: Well, let me ask you, you heard the complaints of Mr. De Kort today, did you not?

RODGERS: Yes, I did.

CUMMINGS: And I'm just wondering, do you have an opinion? Do you think they were reasonable complaints?

RODGERS: The first time I -- I do not have -- the first time I read his complaints was in the inspector general's report, which, when I got called to testify, I read.

I understand the inspector general's report. I don't have a specific opinion on his complaints, from a technical perspective, because his complaints, to me, are technical perspectives.

CUMMINGS: Is that unusual for employees to have complaints of this nature, to have had them with regard to this Deepwater program? I'm just curious.

I'm sure you've done other programs, too. Is it unusual for people to
bring issues like this to you?

RODGERS: No, it's not unusual for people to bring issues like this to me.

CUMMINGS: Now, did you ever have a conversation with the vice president that you referred him to about his complaints? Was there ever a conversation, ever?

RODGERS: No, not about his complaints specifically.

CUMMINGS: Say that again.

RODGERS: Not about his complaints specifically.

CUMMINGS: About him?

RODGERS: Other than facilitating the meeting, I did not get feedback from the meeting.

CUMMINGS: All right.

Now, were you aware that Lockheed had planned to install a non-
RODGERS: No, I was not.

CUMMINGS: Were you aware that the installation of a non-waterproof radio in the prosecutors would put the crew of the prosecutors at risk of potential electric shock?

RODGERS: Can you clarify? When you say "are you aware?"

CUMMINGS: Well, this is what I'm asking you. You're the day-to-day guy.

RODGERS: Right.

CUMMINGS: You're number one or number two. You're there. You're up there and you said, I didn't say this, you said it. You're the day-to-day cost, schedule responsibility guy and you said you're familiar with the project.

RODGERS: Correct.

CUMMINGS: Is that right? I'm not trying to put words in your mouth.
RODGERS: The 123 is just one of many projects within the Deepwater program.

CUMMINGS: OK. Now, what I'm asking you is that I think you would agree, if you heard Mr. De Kort, and I think maybe another person may have said it, too, but this radio that they used is their means of communication, is that right?

RODGERS: I don't know. I'm not a technical expert from -- I'm not a technical expert on the 123 design.

CUMMINGS: Let me ask you this. If you're producing a boat and water's splashing up on it and there's a radio, would you deem it prudent to have a radio that's waterproof?

RODGERS: Yes, I would.

CUMMINGS: Let me ask you something else. Were you aware that that topside equipment was installed on the 123s that would not meet environmental requirements?

RODGERS: No, I was not aware at that time.
CUMMINGS: Were you aware that Mr. De Kort tried to identify this noncompliant equipment and have it replaced and that Lockheed directed him not to do so?

RODGERS: No, I was not aware of that.

CUMMINGS: Were you aware that the contractor eventually self-certified that the topside equipment met specifications when, in fact, it did not? Did you know that? That's from the I.G. report. Are you aware of that?

RODGERS: I've read the I.G. report once. I'm not familiar -- I have not studied its contents.

CUMMINGS: Let me ask you this. Do these things that I'm saying to you concern you? I mean, in other words, you were the top guy.

RODGERS: Right.

CUMMINGS: And we've got a radio that's not waterproof. We've got topside equipment that they claim met specifications, but didn't. And you're the top guy. You're the one, I guess, that if anything goes wrong, somebody says, "Wait a minute. What happened?" Is that right?
You're the one that I guess the president would ask questions of.

RODGERS: I have overall program oversight.

CUMMINGS: Does it concern you that these things have come out in the I.G. report when you were responsible for this?

RODGERS: The I.G. report, as I said, I've read it. I have not studied its results. I've been off the program. The first time I saw the I.G. report was on Tuesday of this week.

CUMMINGS: Maybe you can answer this and maybe you can't, because it seems like there's -- well. Why was the deficiency in the topside equipment on the 123s not clearly spelled out on the Matagorda's DD-250, as the intention to submit a waiver for noncompliance with the requirement for low smoke cabling was clearly singled out in the DD-250?

RODGERS: I don't know.

CUMMINGS: Was the deficiency with the topside equipment noted on any of the DD-250 forms or any of the eight 110-foot patrol boats lengthened to 123 feet?
RODGERS: I would not have had the day-to-day cognizance of what went on that 123 DD-250.

CUMMINGS: Did the integrated team indicate on self-certification forms that there were no applicable environmental requirements for the topside equipment?

RODGERS: I'm not familiar with the self-certification form, other than...

CUMMINGS: Is there anybody up here that would be familiar with that? Do you know? Nobody? Can you all, can anybody tell us who we can get the answers to these questions from?

Mr. MacKay, you seem like you've got an answer.

MACKAY: Mr. Chairman, if I might.

CUMMINGS: This concerns us, because we're here, just trying to get to the bottom of some things and you tell us that you're in charge. This is a major corporation, major project. You're sitting there under oath and then you tell us you don't know anything.
And Mr. Taylor said something that was very, very interesting when he talked about the fact that he couldn't understand why nobody had been fired. I guess nobody's been fired because nobody knows anything.

Mr. MacKay?

MACKAY: Mr. Chairman, if I might just explain some things about the way the certifications and the other things or requirements on the program are determined.

As other people have mentioned, it's an IPT environment and issues are vetted in a joint environment, the Coast Guard, Lockheed Martin, Northrop Grumman and industry.

In spec'ing out a ship program in the C4ISR specifically on that, the way the program operated was that there's a cutter certification matrix. Some 1,700 documents that have all the requirements and specifications that go into outlining the requirements for a cutter that industry must meet as it presents the cutter for DD-250 and acceptance.

What happens is from those universe of requirements, a cutter specific certification matrix or a subset of those requirements is culled out,
and they are either assigned to the HM&E lead, Northrop Grumman, Bollinger, Halter-Bollinger, those folks or to C4ISR.

In the event of the -- as I understand it, I've talked to people who have contemporaneous knowledge, the issue is that the -- if you look in the I.G. report, the standard that's called out, MIL Standard 1399-C, at the time, was only specified for HM&E. It was not specified for C4ISR.

It was not until the July 2005 timeframe that that specification was deemed and agreed to by Coast Guard and industry working together that that specific sort, sort 21, if you look on the document, presented in the I.G. report, photostatically copied there, was deemed to apply to C4ISR.

That's why, if you look closely at that document, the signature attesting to the S016 is from Bollinger. They were attesting to environmental standards with respect to HM&E.

Once it was understood that those -- and assigned properly to C4ISR, a joint working group was undertaken and as the I.G. outlines in his report, eventually, a request for waiver was -- a process was undertaken.
And let me be clear about what that process entails. Industry presents to government the conditions, specifications, costs of complying with the requirement. Then government looks at that data and makes an independent judgment based on its standards of cost-effectiveness, its assessment of the safety considerations, and either grants the waiver or deviation or does not do so.

And so it's a very disciplined process in which all the facts relevant come out on the table and the government is allowed to make a decision about the prudence of a waiver or deviation or compliance to the requirement.

And so the reason that the Form S016 that's photostatically copied in the I.G. report does not bear a Lockheed Martin signature is at that time on the program, in March '05, I think if you look on the document, those specifications, MIL Standard 1399-C or Sort 21, as it's also called right there on the form, were not understood by either government or industry to pertain to the C4ISR portion of the program.

That judgment was subsequently corrected or changed, altered by mutual agreement.

CUMMINGS: So the Coast Guard has always said that the certification was
required. Are you aware of that? You haven't heard the testimony, but are you aware of that?

MACKAY: No, sir, I'm not.

CUMMINGS: They've consistently said that.

MACKAY: The facts that I am aware of, Mr. Chairman, are that it was not until July 2005 that that specific sort was deemed to apply to C4ISR. It was given to the HM&E side of the program. It was not given to the C4 side until later in the spring, summer time frame of '05.

CUMMINGS: Would it concern you if we produced a system, C4 system, where the Cubans and others could eavesdrop? I'm just curious. Would that concern you?

I watch when the president comes to the Capitol, and they go through 50 million changes. They bring in all kinds of experts to make sure he's got a secure line. I mean, they have somebody guarding the line, literally. I wish you could see the operation.

And when I listened to the testimony that we heard a little earlier about countries being able to eavesdrop, I'm just wondering, is that
MACKAY: Yes, sir. It very well would. And I'd like to just read from the DHS I.G. report on page 5. The complaint -- I am quoting here, I'm reading from the report itself.

"The complaint also alleged that the use of non-braided cable would limit the 123 cutter's ability to meet TEMPEST testing requirements," what we've talked about at length here. "However, TEMPEST testing conducted on the Matagorda and Padre between February 2004 and July 2006 indicated the cabling installed during the C4ISR upgrade was not a source of compromising emissions."

Those instrumented tests were conducted by SPAWAR, by the Navy's Space and Electronic Warfare Command, the U.S. Navy, with all their expertise.

CUMMINGS: To your knowledge, was there ever certification, TEMPEST certification done and it passed?

MACKAY: I'm not...

CUMMINGS: Are you familiar with any TEMPEST certification that took place with regard to the systems that you put in place?
MACKAY: I'm aware of these tests that were done by the Navy's Space and Electronic Warfare Command. One was done prior to the DD-250 or the acceptance of the vessel in the February '04 timeframe and the other was done in '06, after the allegations were raised in the I.G. report, sir.

CUMMINGS: Why were you testing in 2004?

MACKAY: That would be testing pursuant to the DD-250, which is the turning over of the vessel from industry to government. It's the acceptance form. That's what a DD-250 is, sir.

CUMMINGS: And so you were testing then. So then there were tests later on, is that correct?

MACKAY: Yes, sir. After the I.G. report and the concerns were raised, another instrumented test was performed by the Navy and SPAWAR, and I just read the quote from the I.G. report about the results of those instrumented tests conducted by the Navy. I can read it again, sir...

CUMMINGS: No, no, no, no, no. I'm going to go to Mister -- I'm going to come back.

Mr. LaTourette?
LATOURETTE: Thank you very much, Mr. Chairman. Just a couple of observations before I make my questions.

I would say to both chairmen, over my spring vacation, one of the places that I visited was the Lockheed Martin site in Akron and, Mr. Chairman, you should see it. They've taken over the air dock down in Akron, Ohio. It's one of three, it's my understanding, that are existing still in the country and they're going to build a high-altitude airship.

And we're not only excited about that, but we're happy with the work of the aerostats that are protecting our border and also doing yeoman's work at 5,000 feet in the Middle East.

Having said that, I know that you were all in the room for the first panel. There's nobody, I think, on the committee, there's nobody in the audience, there's nobody in the country that thinks that spending $90 million for eight ships that don't work is a good idea or that it's acceptable.

But taking that off the table -- and if anybody thinks it was a good idea, then you can chime in, but I don't think I'm going to get any responses.
There's a big difference between that, in my mind, because that, you prosecute people, you sue people, money damages are awarded. There's a big difference between that and some of the stuff that came up during the first panel and some of the accusations, quite frankly, that are being leveled against Lockheed Martin.

And the staff tells me that these cameras located around here are "60 Minutes." And I'm going to tell you that there's two types of stories. I mean, there is bad performance on a contract, which is unacceptable, but there are also two allegations that I really think, Dr. MacKay, I would like you to address that have been made during the course of the first panel and maybe as we proceed.

And Mr. De Kort, the whistleblower in this case, and let's start with one first, and that's national security. The story sort of perking under the surface here is that because of a difference between $7 a cable, $7.95 for 10 feet of cable and $27.95 for 10 feet of cable, that Lockheed Martin, in the reconfiguration of these 110-feet ships, made either a schedule decision or a cost decision to put our national security at risk by installing aluminum mylar cable instead of the braided, shielded cable.
And I think I need you to tell me what you think about that allegation.

MACKAY: Well, what I will tell you is what I know, sir, is that the -- and these facts are verified by the I.G. report -- that the aluminum mylar cable met contract specifications.

I think the experts that were here said that there are design choices that are made. Braided cable has some superior characteristics, but it's not always and universally a superior or the appropriate choice.

As verified by the I.G. report, the aluminum mylar cable met contract specifications and both these tests conducted by the Navy's SPAWAR and reported in this I.G. report said that there were no compromising emissions.

That's what I...

LATOURETTE: And that's my next question, because Mr. Atkinson said, you may remember I asked Mr. Atkinson can any witness, under oath, and even not under oath, I mean, I don't think everybody has to be under oath. If you don't tell the truth, that's a bad thing, oath notwithstanding.

But I believe, in response to my question, can any witness come before
us and indicate that this system passed the TEMPEST test, and he said

that anybody that said that would be committing perjury.

Now, I understood you to say to not only read that section on page 5 of
the I.G.'s report, but I understood you to say in your introductory
testimony that the TEMPEST system passed. Is that right?

MACKAY: Sir, what I'm attesting to is what I -- there were no
compromising emissions. That was the judgment of the DHS I.G. reviewing
that data.

LATOURRETTE: OK. But I really want this, for your sake, as well as the
country's sake, I want that in language that people sitting at home
apparently some Sunday evening can understand.

The allegation was made that Fidel Castro is going to be listening in on
our most secure -- the keys to the kingdom was the phrase used by the
first panel, that because Lockheed Martin made a design choice to put in
the $7.95 cable as opposed to the $27.95, that the keys to the kingdom
are given to Fidel Castro and our enemies.

And I want you to tell me that that's not so, if you believe that.
MACKAY: Sir, that's what I believe and that's what I -- if you read the inspector general's report, that's what they attest to.

LATOURETTE: OK. Now, let me get to the second issue, because just as important, if not more important than national security are the lives and the well-being of the Guardsmen that serve on these ships.

Mr. De Kort's second observation was about low smoke cabling and I think Mr. Oberstar was -- I think many of us remember what happened when the bundled cables ignited and we had horrible problems on airplanes.

And there has to be a reason for low smoke cabling specifications for fires, as well as certainly the health and safety of the crew.

I understood you to say that the low smoke cabling, you went to the Coast Guard or the Coast Guard -- who came to who on the low smoke cabling? I'm sorry for not remembering.

Did you go to them for the waiver or did they come to you and ask for a waiver?

MACKAY: Since we're in an IPT, it's sort of you always discover these things almost simultaneously, sir.
LATOURRETTE: OK. But regardless, a waiver was granted. So somebody reached the conclusion, and maybe jointly, if you're all in these meetings, that low smoke cabling wasn't required on these 110 conversions or at least we'd waive that requirement.

MACKAY: The determination that was made is that in a situation like this, you examine all of the relevant facts, which is where the low smoke cabling is, what the density of it is. Just a couple of things that -- 16 of the -- when an analysis was done, 85 of the 490 C4ISR cables that are on each individual ship were not low smoke.

A couple of facts. Sixteen of the 85 cables were actually extended outside to the mast or on deck. So if the issue is that when there's a fire, that there are fumes, those fumes immediately waft away.

Seventy-one of the 85 cables run into the pilothouse, which is surrounded by windows, enabling easy ventilation. And the cables are -- we're using commercial off-the-shelf or government off-the-shelf, trying to maximize. That's our acquisition strategy.

So a lot of times you have proprietary cable assemblies where there's not a low smoke equivalent available. There are cable assemblies that are attached to equipment, to radar, masts and the like. Sometimes if
you remove the manufacturer-supplied cable, you void the manufacturer's warranty. And in some situations, it might be cost prohibitive due to the employment of unique connectors.

But all of that data, and it is a request for a waiver of deviation, all of that data, all those considerations are bundled together. They are given to the government.

The government makes a judgment based on cost-effectiveness, its safety standards, how much risk it's willing to take and whether it's a prudent risk, and they either grant the waiver or they say, "No, you have to..."

LATOURETTE: No. I get that.

MACKAY: That's the process, sir.

LATOURETTE: I get that. And during these hearings, I think there was bad judgment all the way around. But, again, I want this to be real clear on the record.

The allegation is made, and people aren't being shy about the allegations here, the allegation is made, to save money, to meet a deadline, Lockheed Martin installed low smoke cables on a ship that
endangered the lives of Coast Guardsmen.

And I want you to tell me whether that's true or not.

MACKAY: No, sir.

And because of the explanation, I assume.

(CROSSTALK)

MACKAY: I'm not saying that there's no low smoke -- that there's no --
that all the cabling is low smoke.

LATOURETTE: I know that.

MACKAY: I said that for all the factors that I mentioned...

LATOURETTE: But my question was, I mean, the allegation is that by not
using low smoke cables, you put Coast Guardsmen at risk and you put the
ship at risk.

I believe your answer is no, but could you just say no if that's your
answer?
MACKAY: No, sir, not in the judgment of the government which granted the waiver.

LATOURETTE: OK. And the last question, Mr. Chairman, just so we're not parsing words on the TEMPEST system passing.

I think that if Mr. Atkinson were able to come back in here and take another swing, he would say that the reason that the TEMPEST system passed the SPAWAR test was because so many waivers were granted that it really didn't pass the test, it passed the test that wasn't a test.

Would he be right if he said that?

MACKAY: Sir, that's a question that would have to be asked to the government agencies...

LATOURETTE: And I will.

MACKAY: ... that granted that. And also to, I would guess, to the I.G. that made the determination that there were no emanations that compromise those standards, sir.
LATOUTETTE: Thank you very much.

Thank you, Mr. Chairman.

CUMMINGS: In fairness, I want to be real clear. We're under oath here and I want to be real clear.

SPAWAR has stated to this committee that they did not certify the ships in an instrument test. They simply ran the test.

They gave the data to the Coast Guard. It had deficiencies. The Coast Guard has turned over records that we have in our possession that we have reviewed that show that they could not have passed, and if they did pass, quote/unquote, it was because of waivers.

The I.G. told the committee that the Coast Guard told them they passed. In other words, the Coast Guard says they passed. But the I.G. did not have the expertise, and that's according to the I.G., to evaluate the records.

And so the committee did have the records evaluated.

So we can mess with words from now until forever, but everything we have
gone through, (inaudible) changes, getting records, as a lawyer, I've never seen anything like it -- from the Coast Guard mainly.

And our staffs have spent literally 19-hour days going through those records. We got records as late as yesterday evening that we requested almost a month ago.

And so I hear you, Mr. LaTourette, but I don't want the record to remain there that there's something where there has been TEMPEST certification, because I know you are as concerned as I am that certification is, in fact -- has been, in fact, done.

And all I can say is that's what we have.

And I'm going to come back to you, Mr. Rodgers, because I have some concerns about some of your testimony.

But now we're going to Mr. Oberstar.

OBERSTAR: Was there a contract specification for a particular type of radio for these vessels?

MACKAY: Mr. Chairman, if you're directing that at me, I was not on the
program at that time. My entry to the program was in July of 2005. I don't have any contemporaneous knowledge of that.

OBERSTAR: Well, in the contract, this is an unusual type of contract, in which there was an absence of very specific contract specifications.

So in the agreement, in the contractual agreement between the Coast Guard and Lockheed, who is the electronics supplier, was the contractor free to choose what it, in its judgment, felt was the proper equipment to put on board this class of vessels?

You don't know? You can't answer that question?

MACKAY: With specific reference to those radios, no, sir, I cannot.

OBERSTAR: Is anyone on the panel able to answer that question?

RODGERS (?): Dr. MacKay mentioned the IPT. Within the IPT environment, the Coast Guard, working with ICGS, with Northrop Grumman and Lockheed Martin, was then gone through that process choose which radios.

OBERSTAR: So somebody made a choice for a radio that was not waterproof. It's going to be operating at sea in an exposed situation, where it can short out or shock someone or worse. Right?
No one wants to take responsibility for that. No one knows anything about it on this panel. Lockheed was the contractor, right?

MACKAY: Yes, sir. My experience on the program just doesn't extend back that far, Mr. Chairman.

OBERSTAR: The issues that I think Mr. LaTourette was raising about whether individuals were compromised, it's not a question of whether you made a deliberate choice of the type of cable to achieve a particular end.

But the fact is that this cable was not sufficient, the cable used on the to be 123-foot patrol boats was not sufficient to prevent leakage, correct? That's what we heard from the previous panel.

But on the 170s, that cable, the more secure cable was, in fact, used. Now, why was cabling on one class of vessel used at a higher level and a different level used on the other class of vessel?

Dr. MacKay, have you got an answer?

MACKAY: I don't, Chairman. As I've mentioned, my tenure on the program
doesn't extend back to that time frame.

I can take the question for the record, if you (inaudible).

OBERSTAR: Mr. Winterstine, do you believe Lockheed made the right technical, contractual and ethical decisions on the 123 program?

WINTERSTINE: Mr. Chairman, Lockheed Martin entered into a contract arrangement to satisfy the 123 requirements that we had under contract. We went through the design processes, shared those designs with the Coast Guard, discussed those designs with the Coast Guard and then implemented those designs. So, yes, sir.

OBERSTAR: You were the program management liaison to the integrated team. Are the allegations made by -- that you heard previously by Michael De Kort, are they with or without merit?

WINTERSTINE: Mr. Chairman, Mr. De Kort made quite a few allegations. I'd rather not offer opinion, sir.

OBERSTAR: Well, on January 7, 2004, Mr. De Kort sent a memo to a number of people, including Mr. Rodgers, and there are others who are -- Clifford, Ewing, Patrick, Laverty (ph), Brian Laverty (ph) -- Brian
Laverty (ph), I'm sorry -- he's got the names in reverse order -- in which he says, "I've become increasingly frustrated with the direction the Deepwater project is following. We have sacrificed hard earned and well founded engineering and customer-focused principles in order to meet the needs of non-realistic schedules. I believe this path will lead, at best, to the delivery of a substandard product that will harm our reputation and, at worst, the delivery of a product that will hamper our customer's ability to successfully carry out their mission."

Are you aware of that memo?

WINTERSTINE: No, sir, I am not.

OBERSTAR: Mr. Rodgers, you are on that memo. Are you aware of it?

RODGERS: Not specifically.

OBERSTAR: If you received such a memo, would that get your attention?

RODGERS: Was it a memo? Was it e-mail?

OBERSTAR: Whether it was an e-mail or a memo makes no difference. It was a message sent on January 7, 2004, time 11:53 a.m. Maybe it was an
The question is, it's a very strong allegation, "a substandard product that will harm our reputation and, at worst, the delivery of a product that will hamper our customer's ability to successfully carry out their mission."

RODGERS: So what you're referring to is an e-mail and I'm not specifically familiar with this e-mail itself.

OBERSTAR: If you had gotten that, would that trouble you? Would you want to do something about it?

RODGERS: Overall, with that said, I would encourage him to express his concerns to his management and let's get them adjudicated.

OBERSTAR: Well, it doesn't appear that much was done about it. It was sent and you didn't see it. You're one of the signees.

RODGERS: I receive many, many e-mails in a day (inaudible).

OBERSTAR: This is a big contract.
RODGERS: Yes, sir.

OBERSTAR: This goes to the expertise of your organization. You're supposed to pay careful attention to this stuff and not dismiss it, saying, "I get many e-mails." I get thousands, all of us get thousands of communications a week.

RODGERS: Yes, sir. I did not...

(CROSSTALK)

OBERSTAR: .... something of this magnitude, it's serious. You got to pay attention to it.

CUMMINGS: Would the gentleman yield just for one question?

OBERSTAR: Yes.

CUMMINGS: You said a few minutes ago -- and thank you, the gentleman, for yielding -- in answer to one of my questions, you said that the first time you had heard about this was, I think, recently, about you just did not have very much detail about it.

This memo really outlines everything very, very carefully. And I'm just
wondering, would you now like to -- does this refresh your recollection at all, I mean, this memo, now that you have it in your hand?

Because he really lays out everything and you're one of the top people on the project, and if somebody came and said, "I've got these issues, Mr. Rodgers," and they put them in writing and they're talking about issues that go to our national security and go to the safety of the wonderful, brave men and women, patriotic men and women of the Coast Guard, that we're supposed to be producing a vessel for that's safe, it seems to me that that would -- that's something that would go to the very essence of your thought process. And it would also concern you that your corporation, Lockheed Martin, you don't want them, I'm sure, to be placed in an embarrassing position.

But what you're saying is that you don't remember the e-mail at all.

RODGERS: Let me clarify, sir. Overall, I mentioned the schedule issue in November of that year. With that, we added resources. We added additional talent.

Some of the people on this e-mail were added, such as Mr. Clifford, Mr. Ewing, Mr. Wilhelm. They were added to the team. My day-to-day interaction was with those gentlemen.
So to clarify with that, after the November time frame, I did not interface with Mr. De Kort on a day-to-day basis.

CUMMINGS: Did any of those gentleman bring it to your attention, the memo?

RODGERS: This memo? Not to my recollection, sir.

CUMMINGS: I yield back.

OBERSTAR: What's emerging from the questioning and from the responses is the fundamental issue that we're concerned about and there's a structural failure in the way this program was carried out. There's a structural failure of the Coast Guard self-certifying and allowing the contractor to self-certify and there was not a third-party oversight of this in an effective way.

Ms. Lavan, you're vice president of ethics and business conduct for Lockheed, correct?

LAVAN: That's correct. Actually, right now, I'm vice president of internal audits since February.
OBERSTAR: You were at the time of...

LAVAN: For the past three and a half years, since October 2003.

OBERSTAR: When you get an ethics complaint, what was your procedure for dealing with it?

LAVAN: Well, just as a bit of background on Lockheed Martin and its ethics program, we have a very solid program that's comprised of a number of components.

One of the most important components is that we have ethics officers at each of our major locations, for instance, here, where Deepwater is located.

And so those ethics officers are tasked with taking in any kind of complaints that employees bring forward. So they are to conduct thorough and complete investigations of any complaints that are brought forward, and that's what Mr. De Kort brought forward in October of 2004 to the ethics office.

OBERSTAR: He brought forth a very technically complex complaint.
LAVAN: He did. Yes. And the ethics officers that investigated it were both -- had both engineering -- both had engineering backgrounds.

OBERSTAR: So they had the technical expertise to evaluate the complaint from Mr. De Kort. Then what was -- in what way was it disposed of?

LAVAN: They conducted an investigation that took over two months. They looked at all his concerns, talked to people on the program, reviewed documents and determined that his concerns about an ethical issue were not substantiated in that they -- we believe, they believe that the customer was well informed and involved in this decision-making process on the issues that were raised.

I do want to mention that Mr. De Kort, at that time, had raised the radio issue.

OBERSTAR: Yes.

LAVAN: It was not investigated, because, as Mr. De Kort himself mentioned to the committee, it was replaced under warranty by Lockheed Martin. So those radios were never put on the boat.
OBERSTAR: Do you have a document of exoneration, self-exoneration of
Lockheed that you just mentioned? You said the issue was resolved and it
was determined that there was not an ethical issue here.

Was that in writing?

LAVAN: The issue about the radio?

OBERSTAR: No. The other, the previous question.

LAVAN: Oh.

OBERSTAR: (inaudible)

LAVAN: We keep a record of our ethics investigations. That's not
something we typically share with the complainant. It's internal to
Lockheed Martin.

OBERSTAR: Mr. De Kort said that you told him that the official response
is that the allegations -- his allegations were baseless and had no
merit. Is that the way the ethics...

LAVAN: There were three...
LAVAN: Actually, there were three separate ethics investigations, as Mr. De Kort continued to be unsatisfied with the results of the investigations and went to increasingly different levels.

The next level involved what we call our business area, where we put together a team of experts that had technical background, procurement background, as well programmatic background, and they again looked at the original investigation. They talked to people on the program, looked at documents, talked to Mr. De Kort, and found that his concerns were unsubstantiated because they were being worked with the customer through the customer system.

OBERSTAR: So did you dismiss the De Kort complaint, ethics complaint, on grounds of ethics or on substance of the work to be accomplished?

LAVAN: But we never dismissed his complaint. We took his complaints very seriously and invested...

OBERSTAR: You said it was disposed of and...
LAVAN: Internally, we would go back to Mr. De Kort...

OBERSTAR: You found it not substantiated.

LAVAN: Exactly, yes.

OBERSTAR: So I call that a dismissal.

That's a very important element in this whole inquiry. And you said that you hold these matters internally. Could the committee receive a copy of your internal documents for our review, if you wish in a confidential manner?

LAVAN: Yes. The ethics investigation, certainly, you'd be entitled -- you could receive a copy of that.

OBERSTAR: We'd like to have that.

LAVAN: There's actually -- they're fairly substantial documents.

OBERSTAR: It's a very substantial issue and I think it goes to the core of our inquiry here.
In the end, did your office at the time or did Lockheed conclude that the deficiencies existed, as listed by De Kort, but that Lockheed was not responsible for them because the Coast Guard took contractual delivery of the boats?

LAVAN: The way we looked at it, and then there was a third investigation, which I spoke with Mr. De Kort myself and looked at the program myself personally, and the way we looked at it, for the issues that Mr. De Kort raised, was that was the customer informed? Were they fully aware? And were there decisions that were being made in terms of the -- for the benefit of the customer and the program?

We knew that, at that point, that the SPAWAR had approved the TEMPEST, had passed the TEMPEST test. We also knew that the ongoing IPT was looking at the C4ISR specifications and that was to be resolved on a contractual basis.

So we knew that there was ongoing dialogue and debate between the customer and Lockheed Martin.

OBERSTAR: So in the end, Lockheed took the position that if the Coast Guard wanted the problems fixed, they would deal with it, extend the schedule and add the funds to do so. Is that correct?
LAVAN: We viewed that there was an open and honest dialogue between Lockheed Martin and the Coast Guard and that both Lockheed Martin and the Coast Guard, through the IPT provisions of the contract, would reach a decision that was well informed on both sides.

OBERSTAR: Mr. Chairman, I'll withhold at this point.

CUMMINGS: Mr. Coble?

COBLE: Thank you, Mr. Chairman. I apologize. I've been going between four or five different meetings, and I was here earlier, but I missed a good portion of this panel.

It appears what we have is a dependable, respected armed service in the U.S. Coast Guard and two highly regarded defense contractors plagued by an expensive fiscal error.

Dr. MacKay, let me ask you a question. In light of the commandant's proposal for a new direction for the Deepwater program and the problems that have been revealed today and in previous hearings, how would you suggest -- what suggestion would you have to improve the protocol and the procedures that govern acquisition, design, construction,
coordination, et cetera, for future projects?

MACKAY: Sir, I'll limit my remarks to the Deepwater project.

I think that the course of actions that the commandant has laid out is prudent and goes to a direct and active dealing with issues that have surfaced on this program.

Industry, both Lockheed and Northrop Grumman, both myself and Mr. Anton and well above us, extending to our CEOs, have been in active consultation and discussion about the way forward on this program.

And the new acquisition plan that the commandant lays out, the features of it, some of the other things at a lower level, like the joint configuration control board, the incorporation of ABS, I think, are an affirmative series of steps to meet the challenge and the issues that have been raised by this committee and other bodies.

And we look forward to continuing to cooperate with the Coast Guard to effectuate those steps to improve this program and to continue to deliver the kind of performance that I alluded to in my opening statement.
The fact that every Coast Guard station now has new HH-65C helicopters, that all of their medium and high endurance cutters in the Coast Guard have been touched by not one, but two rounds of upgrades, the fact that though we have spent a lot of the program time upgrading legacy cutters, in this year of 2007, we now turn to deliver all new systems, the HC-144, and eventually the national security cutter, and redeliver the C-130Js to the Coast Guard, it'll be their longest range and most capable maritime patrol aircraft.

There's a lot that can be gained as this program goes forward, and I think the commandant has laid out a prudent and well considered way to get there.

COBLE: Thank you, sir.

Let me ask you this, Doctor. What level of responsibility do the system integrator and the contractors have for the failure of the 110-foot conversion project?

MACKAY: Lockheed Martin is responsible for the C4ISR. I am not aware of a C4ISR issue that's directly connected to the issues that led to the lay-up of these cutters.
COBLE: Anybody else want to weigh into that?

Mr. Stanley, Mr. Sampson, the naval architect who was employed by the Navy and the Coast Guard, appeared on the first panel.

Did he ever contact you regarding this matter?

STANLEY: Not to my recollection, no, sir.

STANLEY: It could have happened, but not to my knowledge.

COBLE: Do you know whether he contacted anyone in your company?

COBLE: All right.

I thank you, Mr. Chairman. I yield back.

CUMMINGS: Thank you very much, Mr. Coble.

Mr. Taylor?

TAYLOR: First, I want to thank all of you, gentlemen and ladies, for staying around until 8:20 tonight.
I'm going to go back to my question to the last panel. Well over $50 million was spent, eight working Coast Guard cutters are now rendered useless, and everybody says, "It wasn't me."

Now, if I was running a large offshore supply boat company and had tasked a company to design a change to those vessels to make them longer and had hired a company to implement that, and then I found out in a subsequent Coast Guard inspection that those vessels were now rendered useless, I would do one of several things.

I would sue the company that designed it, I'd sue the company that built it and I'd tell all the parties involved that my company's not going to do another dime's worth of business with any of you until someone accepts responsibility.

Now, the reason I say that is I'm fortunate enough to serve, as is Mr. Cummings, not only on this committee, but on the Armed Services Committee, and there's a heck of a lot of similarities between this vessel and the LCS, both very similar, thin-hulled vessels, designed to operate in very tough conditions.

The Navy is counting on the LCS program to ride to the rescue as far as
getting the numbers of the fleet back up. We're having substantial problems with the LCS program, dollar-wise, cost-wise. Some very serious mistakes, I think, were made in the construction of it, not addressing problems as they arose, but continuing to build the vessel so that when it came time to fix those things, it cost a heck of a lot more than it should have.

And so, again, using that analogy, I do think this Congress has some very substantial leverage when it comes to someone stepping forward, because it just is really easy in my capacity to say we're not going to build any LCSs.

If the folks who've made the screw-ups here are being counted on to do great work there and no one's going to admit a mistake and then I've got to believe they're going to make the same mistakes on the next one.

So at what point does one of you step forward and say, "We made a horrible mistake. We're not going to bill our nation $50-plus million for mistakes we made and we're going to accept responsibility for ruining eight ships that still had a good 10 to 15 years life left in them." Because that really is an option that's available to me.

I can't guarantee you that the other members of my subcommittee or the
other members of my committee would go along with it, but at this point,
I am dead serious when I make that statement, because I can't look
700,000 Mississipians in the eye and say you all treated us fairly, and
I sure as heck can't look 300 million Americans in the eye and say that
you all have treated me fairly or our nation fairly.

And I'll open it up to the panel, because apparently all of the
decision-makers are represented right there.

I think the stakes are pretty high, folks. I'm giving you an opportunity
to tell me what went wrong and who's going to accept responsibility,
because we do know that there are eight ruined ships that the Coast
Guard is not even trying, at this point, not even trying to fix. They're
either going to scrap them or sink them.

And hope that it's swept under the rug. It's not swept under the rug.
It's a very real problem, and it's a very real problem that could occur
again in the LCS, and I cannot, in good faith, let that happen.

MACKAY: Mr. Taylor, I will tell you that I have met with the -- and
Lockheed Martin has put forward to the Coast Guard for the C4ISR...

TAYLOR: Let's talk about the hull, sir.
MACKAY: The hull?

TAYLOR: Let's talk about the hull.

MACKAY: Sir, I don't...

TAYLOR: Because the reason that the ships are being retired is not because the radios weren't waterproof, which strikes me as really dumb, or that we had vulnerabilities on the communications, particularly if you're a Colombian drug lord and want to know whether or not a vessel is going to be in a certain place, and there are countries around the world that might be cooperating with them. So I can see that one, too.

But the reason the ships are being retired is because of hull failure. And no one has stepped forward to say, "We screwed up."

The builder says he didn't do it, the designer says he didn't do it. I can tell you one thing: Apparently, the two welders I hired in Bay St. Louis with a sketch that I did on the back of an envelope, we built a boat that still works.

All these experts apparently couldn't do what those couple of guys in Bay St. Louis did for me.
MACKAY: Mr. Taylor, I can't address the hull aspects. Lockheed Martin wasn't under contract for that.

But I will tell you that we have approached the...

TAYLOR: Sir, I think, as a point of clarification, I think Lockheed Martin was the lead contractor on that.

MACKAY: No, sir. No, sir.

TAYLOR: You were not involved in any way in the stretching of that vessel.

MACKAY: No, sir, not with respect to the hull. The HM&E, the hull, machinery and the electricity, no, sir. That was a...

TAYLOR: You weren't involved in the design.

MACKAY: No, sir.

TAYLOR: You did not hire someone to do the design work.
MACKAY: Sir, the way...

TAYLOR: You didn't pay the folks who did the work.

MACKAY: No, sir. Let me just -- as a point of clarification, sir, and then I'll turn it over to my -- my partners can comment, because they -- in ICGS, Lockheed Martin is responsible for C4ISR.

With respect to shipbuilding, that is the responsibility of Northrop Grumman and its partners, one of which is represented here in Halter, Bollinger.

What I wanted to tell you is that with respect to C4ISR, we have discussed with the Coast Guard Lockheed Martin proposals for the reuse of the 123 C4ISR data, equipment on the 123s, and that is -- the Coast Guard has considered that and they will dispose of that as they deem fit.

We were not contractually responsible or otherwise participated in the design or fabrication of the hull. That was a responsibility, under the joint venture, of Northrop Grumman Ship Systems and their partners on that side.

TAYLOR: Mr. Anton?
ANTON: The Coast Guard yesterday made the announcement that they were going to lay up the 110-123 converted -- the converted vessels. In that announcement, the commandant indicated that there were multiple pieces of analysis that have been done and that the root cause cannot be determined based on that analysis.

Now, we're not privileged to that analysis, but we have requested a copy of it. We need to determine the cause of the failure, sir, and when we determine the cause of the failure, we'll determine accountability, and when we determine accountability, we'll know who needs to stand up.

TAYLOR: How long does that take? What was it, two years ago?

ANTON: We just...

TAYLOR: Right around the time of the hurricane, so I realize some of us were busy with other things. To the best of my understanding, the Matagorda, the problems on it were better than two years ago.

ANTON: The first problem on Matagorda did occur two years ago. We immediately dispatched a team, both the Coast Guard, industry, and Bollinger, Northrop Grumman, Bollinger and the Coast Guard, dispatched a
team to the Matagorda to survey that ship and to find out what had happened and why the ship had buckled.

In that survey, we found an unwelded stringer right in the area where the buckling occurred. When we went back and reviewed the analysis, we felt like that the stringer had caused the problem.

At that point, Bollinger welded the stringer under warranty or under no cost and the ship -- we thought we had the problem solved.

And I don't -- for the record, I'll have to take for the record the string of events, but I can't tell you when the next failure occurred, but I can tell you all eight boats were already in conversion.

And when the next failure occurred, I believe four or five of the boats had been delivered.

So it does take a long time. A lot of people have looked at it. Just today, testimony from Scott Sampson indicates that the ABS rules, 1997 ABS rules were flawed.

It takes time. And we were not aware of that, of that comment until today.
With respect to the design and with respect to the fabrication of the extension and the vessel, I'll have to let Mr. Stanley comment on that.

TAYLOR: But for the record, because I think I have heard otherwise, and so I'd like a clarification from you gentlemen under oath, for the record, was anyone from Bollinger shipbuilding ever invited to look at the vessels after the problem occurred to see if they could identify what they thought was causing the problem?

ANTON: I'll let Mr. Stanley answer that.

OBERSTAR: Will the gentleman yield? And the gentleman's right on with the line of questioning that, in fact, I was going to pursue at a later point.

So at this stage, Bollinger also did the Navy's extension of the 170- to 179-foot and you had no failures there.

> From what I understand, it's that the work proceeded by strengthening the hull, and you advised the Coast Guard that they needed to do the same because they were doing a much greater percentage extension of the hull than the Navy was doing and they did not take your counsel.
And I want you to add that on to the question, in your response, that the gentleman from Mississippi raised.

STANLEY: I'll be glad to answer all the questions.

If we could, Congressman Taylor, there's several periods of damage to the Matagorda, and you've got to decipher and discuss to be for clarity where Bollinger was involved and where it was not.

And I'd like to offer, if I could, and I think it might be helpful if we'd spend a couple of seconds to go back over the history of the Matagorda and then the...

TAYLOR: Can we go back to my direct question first? And then we'll go to what -- and I certainly want to give you an opportunity to say what you want to say.

STANLEY: All right.

TAYLOR: I thought I heard representatives from Bollinger Shipyards say that they had never been invited to inspect the failed vessels so that they could give their opinion of what went wrong.
STANLEY: That's correct. You heard that in your office and I was there the day it was said.

TAYLOR: OK. That seems to be a little different from what the gentleman from Northrop just said.

STANLEY: No...

TAYLOR: So, again...

STANLEY: It's not.

TAYLOR: I'm giving you -- everyone an opportunity to clarify that.

STANLEY: Well, that's what I was trying to do. I need to spend just a moment with you.

The Matagorda, after she came out of completion at Bollinger of the work that was contracted under Deepwater, Matagorda went into what they call a PDMA. It went into a maintenance period.

So there was work done on the ship that was separate and apart from the Deepwater scope of work. Before it went into its PDMA, it went through
an operational test evaluation period to see if it had -- effectively
would perform to the specification in the contract or the conversion.

It went into the PDMA and then after the PDMA, it went to Key West, and
then following the arrival at Key West -- it left Key West en route to
Miami fleeing one of the storms that year. This is September time frame
of '04.

In fact, several of the boats -- all of the boats in Key West left
fleeing the same storm to Miami. And the damage on Matagorda, the first
damage, buckling damage, happened at that time.

That was reported to Bollinger. The ship was brought back to Bollinger,
to Lockport, Louisiana, and repaired by Bollinger, with a joint
discussion with the Coast Guard of what had happened, what had caused
the failure, and what should be done to correct it.

Northrop Grumman was in that discussion. ICGS was in that discussion.
All the Coast Guard collectively was in that discussion. And we
recognized that in the early calculations of the 110's conversion, that
some mistakes was made in those calculations.

We all identified those mistakes and for the part of the mistakes that
Bollinger made, Bollinger stepped up to the table and certainly said:

That was a mistake and this is the right, correct number and this is what should be done with this number.

Then what happened was that ship sailed and it had other damage and it had other decisions made to correct that damage.

Believe it or not, I didn't know until January, in some of the Coast Guard's testimony, of some of the repairs that was done to the damage -- the Matagorda after it left us.

So it's very difficult for us as a shipyard. And you personally have known our owners many years and we are very proud of our work and we're very proud of what we've done with the Coast Guard.

We built all of the (inaudible) class. We built all the CPBs. We dealt with -- our employees has married Coast Guard people. Our employees have sons and daughters that serve in the Coast Guard.

We take this very seriously. We are at a loss as to what happened. And we don't believe, although we respect the commandant's decision, we don't believe that this question should remain unanswered. There is an answer, you're absolutely correct.
And the commandant, I can't speak for him, but I think what his decision was that in the best interest considering everything, it's better to decommission those ships and move forward.

I think that's what he's thinking. I certainly can't speak for him. But if you want an answer, there is an answer, and there has been, as Mr. Anton said, many independent studies done that Bollinger nor Northrop has seen.

I think we could be very helpful in resolving the solution, but that information needs to be shared.

TAYLOR: Well, I appreciate the gentleman's answer. I stick by what I'm saying. If all the parties involved are also involved in the LCS and none of the parties involved are going to step forward and say, "That's the problem, this is who ought to pay," then I don't see why our nation ought to be doing business with you for the LCS.

Mr. Chairman, I yield back my time.

OBERSTAR: Mr. Chairman, I'd like to follow-up on Mr. Taylor's...
CUMMINGS: Mr. Gilchrest, if you don't mind.

OBERSTAR: But just one minute, because Mr. Stanley has said something extremely important here. We're at a loss as to what happened. There should be an answer.

And is the answer that Bollinger built both the 170 and the 179 and the 110 and the 123? The 179 did not crack because the hull and the hull girders were strengthened and the Navy specified that strengthening and the Coast Guard did not.

STANLEY: That's not quite correct, Mr. Chairman. And if I could, let me separate two issues for you.

STANLEY: The patrol coastals, the P.C.s for the Navy, were strengthened very early after their delivery into service, long before the extensions were added to them and for a much different reason.

The patrol coastals, like the Allen class and like the specifications for the 123 and like most operating equipment in the marine and in the air environment, they have operational restrictions.
And in the case of the P.C., P.C. was actually designed and specified to work in the littorals, but it found itself making many transits on open ocean. And as it made transits with its normal Navy operations, it made those with large ship convoys at convoy speeds, and sometimes the speed of the convoy and the size of the ship would get into weather that would not affect big ships, but it really affected small ones, like the P.C.

So the Navy -- and we had cracking on the P.C., because the P.C. was operating outside of its planned and designed environmental envelope.

And we strengthened the P.C.s, which allowed them to then transit with the big ships in heavy seas at transit speeds.

Much later on, some of the P.C.s, not all, but some of the P.C.s received stern extensions for a very similar reason as we extended the 110s, to allow for the boarding of a small rigid hull inflatable, for the safe boarding and exit of a rigid hull inflatable.

But the two are not necessarily connected together and I think that's very important. It is true that the hulls of the P.C.s were strengthened. In the case of the 110, this calculation...

OBERSTAR: But did the Navy specify a strengthening of the hull of the
STANLEY: I'm sorry, Mr. Chairman?

OBERSTAR: Did the Navy specify hull strengthening for the extension of the 170 to 179? Did they not give specifics?

STANLEY: No, because the hulls had already...

OBERSTAR: That's what the Navy told us they did.

STANLEY: Well, no. I don't think there's a...

OBERSTAR: The Carderock Division, David Taylor, model basin specialist told us that, and you're saying they didn't.

STANLEY: I think it's a matter of timing. The Navy and Bollinger strengthened the hulls on the P.C.s, all of the P.C.s, long before, long before, several years before the stern extensions were added.

So to say that the Navy instructed Bollinger to increase the strength of the hull because it wanted to add a stern is incorrect. The hull had already been changed for another reason and its strength increased for
another reason.

OBERSTAR: All right. We'll desist there, because there are other members who have questions and I want to go on, in all fairness.

Thank you, Mr. Gilchrest, for forbearing here.

CUMMINGS: Mr. Gilchrest?

GILCHREST: Thank you, Mr. Chairman. I guess I'd like to stick with the hull design here for a little while.

Mr. Anton, you are executive vice president of Northrop Grumman. Is that correct? And so you, working with the ICGS, got the contract to work on the hulls on these 110s. Is that correct?

ANTON: ICGS is the prime contractor. When the contract comes in to ICGS, the HM&E portion of the work is given to the Northrop Grumman partner of the joint venture.

GILCHREST: So Northrop Grumman has this contract and you subcontract to Mr. Stanley or to Bollinger?
ANTON: We did.

GILCHREST: So when Mr. Bollinger was done -- when Bollinger Shipyard was done with each of these boats at various times, what was your responsibility before the boat was put into service, after Bollinger boat yard finished the boats?

ANTON: Could you ask that again?

GILCHREST: Northrop Grumman is the contractor to extend the hull or make the 110 into a 123. So you subcontract to Bollinger Shipyard to do the work.

ANTON: Yes, sir.

GILCHREST: Once Bollinger Shipyard is done, what is your responsibility to ensure that the work was done appropriately?

ANTON: During the production effort at Bollinger, we had a Q.A. team -- a Q.A. plan and a quality assurance team, and we worked side-by-side with the program office from the Coast Guard reviewing the work that Bollinger was accomplishing.
In addition to that, the Coast Guard, again, formed an in-serve team, an
in-service inspection team, which actually took the ship out on trials
and then made a recommendation as to whether to accept the ship or not.

GILCHREST: And apparently you and the Coast Guard accepted each of these
ships at various times.

ANTON: Bollinger certified to Northrop Grumman that the work was in
accordance with the spec. In the case of the hull extension, ABS
monitored the structural part of the conversion process and they also
signed a certification that the work was done in accordance with the
design and we accepted that certification based on our on-site Q.A.
team. And we certified that, yes.

GILCHREST: So as a result of that, looking in hindsight at each of these
eight ships going into service, the Matagorda, at 7 February '05 went
into service, and the hull problem was identified 10 September '04,
that's what I have here.

The hull problem -- well, rather than go through all the dates, in
hindsight, was there a design flaw in this extension or was there less
than top grade material used?
Mr. Stanley and Mr. Anton, what was the problem with the breach of the hull?

ANTON: I'm going to tell you we have to determine the root cause for the failure. Then we'll understand, and we'll be able to answer that question.

GILCHREST: Are each of the eight ships different in their failure?

ANTON: Yes. Each ship is, in fact -- you know, fails in a different area.

The modeling that's been done to date, to my knowledge, I know the modeling that we have done, but the modeling, I believe, that the Coast Guard has done has not been able to predict the occurrence of these failures on each vessel.

GILCHREST: Has there ever been a 110 extended to a 123 in the past?

STANLEY: No, not to my knowledge.

GILCHREST: This is the first time.
STANLEY: Yes.

GILCHREST: So did you, Mr. Anton or Mr. Stanley, who conducted the technical review of the design prior to the beginning of construction?

STANLEY: We initiated the design, which Northrop reviewed, as well as the Coast Guard reviewed in the design process. Before we took the design to construction or to conversion, that design was generated and vetted many different times.

GILCHREST: How was the design vetted? Was it vetted with third parties, other engineers, other boatyards, other ship builders?

STANLEY: No. It was vetted inside of our -- inside of the Deepwater or the ICGS structure. And parts of that design, the stern extension, the superstructure was vetted to ABS outside to review that design.

GILCHREST: Now, the hull failures went from 10 September '04 to 24 March '06. Can you tell us anything about -- once you had a failure in '04, was there any sense or anticipation that you were going to have another failure in another boat? Was the design changed in future boats?

STANLEY: As I outlined for Congressman Taylor, we were involved in the initial failure of the Matagorda, and, in fact...
GILCHREST: You say you were not involved.

STANLEY: No. I said we were involved.

GILCHREST: I see.

STANLEY: And the boat brought back to Louisiana, calculations reviewed with the Coast Guard and hull strengthening on the Matagorda and all the boats that followed her was applied.

Failures that happened after that point and studies that happened after that point and events that happened after that point, we do not have any knowledge of. That has not been shared with us.

GILCHREST: So you were the contractor that worked on the hulls of all these eight boats.

STANLEY: Yes, sir.

GILCHREST: But you're not familiar with the problem of the breaches in the hull other than the Matagorda.
STANLEY: That's pretty much correct. And let me say that we're not the only contractor that worked on the breaches in the hull. As I reported, the ships left us, they went into an availability. And then, at some point in time, those ships also received modifications to their hull structure.

GILCHREST: Where did they receive modifications, at different shipyards around the country?

STANLEY: At different shipyards, in Savannah, in Alabama.

GILCHREST: But regardless of the modifications, every one of them that had this extension failed.

STANLEY: I'm not sure of that, and we don't have those records of how many boats failed.

GILCHREST: Thank you, Mr. Chairman.

CUMMINGS: All eight failed, the ones that I saw, all eight of them failed.

Mr. Kagen?
KAGEN: Thank you, Mr. Chairman. I recognize the hour is late and the interest is still quite high, at least for this new representative.

I've been here 100 days and change, so I'm new to ship building. I'm a physician, a doctor. I design laboratory tests. I have never designed a boat.

I want to thank you all for being here and giving your best opinion, but I'm still trying to sort out, in my mind, about these ships that have a hull that doesn't work.

It's obvious to me that the design was less than perfect and that no matter who touched and tried to repair the ship after this design was put into place, they were unable to keep it together.

So I'm trying to decide where the buck stops. Earlier, when you were testifying about the electrical wire and how well or unwell it's wrapped for security purposes, I got a little bit dizzy and confused trying to decide who's in charge.

So with regard to who's in -- where does the buck stop with regard to the hull design? Would that be Northrop? Would that be Bollinger? And
just to make it easy for me, I've built this for you. So I'll hand it to you and you pass it around, but when it stops, that's the person I want to talk.

The buck stops here, who's going to take it?

ANTON (?): Bollinger did the design work for the 110-123 extension. So I think it's appropriate that Mr. Stanley answer your question.

KAGEN: Mr. Stanley?

STANLEY: I'd be glad for the buck to stop here.

KAGEN: Very good.

STANLEY: I can only supply the information that we have and I can only tell you that I -- the reason that I'm here today and our basic -- one of our basic corporate tenets in our company is to not shy away from good times or bad times.

I can't answer your question where the buck stops yet. I really can't. I can tell you that we did the design.
KAGEN: All right. So the answer is, yes, you did do the design for the hull.

STANLEY: We did the design.

KAGEN: And if that design has been proven to be inadequate for the task at hand, would you agree with me that your company then would be responsible for the failures that follow?

STANLEY: That could be possible.

KAGEN: And so if I represent the people in Wisconsin, northeast Wisconsin and we got something designed, the design failed, would it be too much to ask for our money back?

STANLEY: You certainly could do that. You certainly could do that.

KAGEN: If you did accept damages and we did get all of our money back, including loss of use for these eight ships in their future years, would that permanently damage your company? Would it put you out of business?

STANLEY: There's a question before that. There are very clear ways contractually, in Deepwater as well as naval ship building, that Mr.
Taylor refers to, to determine where the buck stops.

KAGEN: Sir, Mr. Stanley, we cannot hear you. I'm sorry. And this testimony, I really, really want to hear this.

STANLEY: There's very clear ways and established ways to settle where the buck stops. There's contractual obligations that are placed on the contractors. There's obligations the government undertakes in its side of the contract.

And in the case of the 110 and in the case of any dispute where the contractors and the government have a problem, there are very clear ways forward. And we encourage those ways at Bollinger to be pursued, and I hope that answers your question.

KAGEN: It does in part, and it leads to some other queries. When you do design a piece of work to extend a ship off the rear end, I'm sure you had other people take a look at your plans and your designs. Is that true?

STANLEY: Yes. And I can't tell you how many that...

KAGEN: Would that also mean that there might be other people besides
your own company that should accept at least partial responsibility for
this failure of design?

STANLEY: Well, that's part of the process that I tried to describe.

KAGEN: Are any of those companies represented here this evening?

STANLEY: Well, the Coast Guard is here, Northrop Grumman is here.

KAGEN: That's two other individuals.

STANLEY: And Bollinger is here. I don't know if there's ABS people here,
I haven't seen them.

KAGEN: You don't think anybody else...

STANLEY: But certainly all three of those groups have a responsibility
to share a part of the success or failure of the contract.

KAGEN: I want to applaud your honesty in accepting the buck stops here
sign. I think that it takes a great deal of courage to be here when
things are bad.

I know in the practice of medicine, sometimes doctors will do everything
right, but things still don't work out. People still succumb even to an
illness that's treated appropriately.

And I'm a little saddened because no one has really got to the bottom
line in figuring out why this unprecedented modification of a
lightweight high speed craft hasn't been analyzed to the point where you
could present the data here this evening to someone who really
understands ship building that could explain exactly where a single or
multiple failures occurred in the design.

But, obviously, this is a troubled project and you'd accept that. And I
applaud you for accepting, if not total, at least partial
responsibility.

And I yield back my time.

CUMMINGS: Thank you very much.

I've got to tell you, Mr. Stanley, I just heard what you said. And let
me make sure I'm clear.

Are you trying to tell us -- I just want to make sure I'm clear on this,
because I want the record very, very, very clear, because a lot is
riding on what you just said.

Are you telling me that you believe that Bollinger is responsible for the hull problem? Is that what you're telling us?

STANLEY: No, not at all.

CUMMINGS: Oh. Then what are you saying? Because I want to make it clear. I want to make sure that whoever's responsible, going back to what Mr. Taylor was talking about, is held responsible, because it's not going to -- we're not going to be able to prevent these things from happening in the future if we don't get to the bottom line.

And so as I listened to your answer, the answers that you just gave, I'm sitting here as a lawyer and I'm saying if this was my case and I were representing Northrop Grumman, I'd say hallelujah, because apparently somebody had taken responsibility.

Now, I'm just asking you to be clear. What are you saying? He talked about the buck stopping. And when I hear the buck stopping and to hear what you just said, it sounds like you were accepting liability here. Sworn testimony, I would think that somebody would be able to take that into a court of law and do something with it.
So I'm just curious.

STANLEY: I would like to be very clear with you, as I thought I was very clear with the congressman. I said there is a process in federal contracting, a very clear one, that adjudicates disputes. And in the adjudication of the dispute, it places responsibility and accountability.

And in our interchange, the congressman asked me how many people was here in that process that could have responsibility, and I said three.

CUMMINGS: OK, I got you. I just wanted to make that clear and I wanted to make sure that people back at your company wouldn't be mad at you when you got back.

Ms. Lavan, let me go to something that you said that is troubling me. You said that the Coast Guard was kept informed, when we were talking about Mr. De Kort's complaints and then we showed -- there's a letter that's sitting up there somewhere from Mr. De Kort, where he made some complaints.

But you said -- yes, would you pass that to her, Mr. Rodgers?
You said that the Coast Guard was kept informed of various things that was happening with this contract. Is that correct?

LAVAN: Yes, sir.

CUMMINGS: Now, would they have been kept informed of the topside issue?

LAVAN: You're referring to, first of all, the e-mail. This is January 2004, before the ethics complaint came in, which was October 2004.

And in terms of the topside equipment, where I was talking about the blow-down of the specifications and where -- as Mr. MacKay was talking about, where the sort should have been placed, the Coast Guard was part of the IPT, which is the integrated product team, that was looking at that issue.

CUMMINGS: OK. So when De Kort raises topside, and that memo is January 2004, is that right?

LAVAN: That's right.

CUMMINGS: It's dated January 2004. The Matagorda is received and a DD-250 is dated -- that would have been dated around March 2004. Is that
LAVAN: Yes.

CUMMINGS: Now, the Coast Guard becomes aware of noncompliance, according to the I.G., and I know everybody's very familiar with the I.G. report, which I'm very impressed with, thank you very much, July of 2005. Are you aware of that?

LAVAN: Yes.

CUMMINGS: And on August 29th of 2006, the Coast Guard gets a letter from the integrated team indicating that the topside equipment did not meet minimum standards. Are you familiar with that?

LAVAN: Not specifically, no.

CUMMINGS: Well, they did. Are you familiar, Mr. MacKay?

LAVAN: I think we're talking about two different...

CUMMINGS: All right. Help me.
LAVAN: One is the TEMPEST issue. The other is the topside equipment issue. The TEMPEST issue is the one that was approved by SPAWAR in March of '04.

CUMMINGS: OK. And so...

LAVAN: Separate issues.

CUMMINGS: So the Coast Guard was made aware of that. Is that right?

LAVAN: The Coast Guard was, as I understand, part of the testing.

CUMMINGS: All right. That clears that up. That's good.

Ladies and gentlemen, any other questions?

Let me say this -- we've heard a lot of testimony here today and I tell you, if I were a judge, I would let the higher authority try to ferret all this out. I'm being to be very frank with you.

We have so many documents that, to be frank with you, show all kinds of inconsistencies, to be very frank. And I'm at a point right now where I have questions, but I think it's better that I turn them over to
somebody else, a higher authority, because this has been -- this
concerns me tremendously.

Thank you very much. Thank you for being here. You're dismissed.
Mr. Ghosh, Mr. Michel, Lieutenant Commander Jacoby and Ms. Martindale.

(WITNESSES SWORN)

CUMMINGS: Thank you.

Mr. Ghosh?

GHOSH: Good evening, Mr. Chairman and distinguished members of the
committee. It is a pleasure to appear before you today to discuss
compliance with the requirements of the Deepwater contract.

I am Debu Ghosh, director of research of the Coast Guard's asset project
office (inaudible) boats. I'm a naval architect with over 30 years of
experience, specializing in the design of high speed craft.

I have been in the boat engineering branch of the United States Coast
Guard for the last 23 years, serving as the branch chief for the last 15
years.
Mr. Chairman, I would like to submit my written statement in the record.

I have a bachelor's degree in naval architecture from IIT, an MBA from Tulane University in New Orleans, and a master of science degree from the ICAF (ph).

I have been involved with all the coastal patrol boat acquisition programs in the Coast Guard, including the 110, plus the 87-foot coastal patrol boat, the 123 boat conversion and the fast-response cutter.

My branch (inaudible) integrated policy stance on the (inaudible) patrol boat program began in the spring of 2002 following the contract award to Integrated Coast Guard Systems.

After identifying our initial concerns with possible (inaudible) and stern problems, I asked both Coast Guard and the members of the technical management information team to (inaudible) to the Navy's (inaudible).

I also solicited to Bollinger that Bollinger consider (inaudible), the original designer of the Allen class patrol boats. I was unable to get support for this because the Deepwater contract was a performance-based
contract, so the contractor was solely responsible for the structure of
the design.

Nonetheless, I advised Bollinger to study this matter more carefully due
to the unusual nature of the (inaudible) lightweight vessel by adding
length up instead of by adding length amid ships, which is the normal
process.

After the cutter Matagorda failure, the (inaudible) calculation of the
(inaudible) submitted by Bollinger was found to be in error and did not

A detailed review of the original strength and buckling calculations by
ELC revealed that the primary stress of the deck and the side cell would
exceed the critical buckling strength of the damaged panels.

Subsequently, the Coast Guard accepted the ICGS proposed solution, known
as modification one, comprising three straps welded onto each side. This
raised the (inaudible) enough to meet ABS high speed craft guide.

This modification reduced the stress to an adequate level and also
increased the allowable buckling load on the critical plates. After the
cutter (inaudible) buckling damage, I took over as the project engineer
from Deepwater to find the root cause of the problems with the cutters
when the (inaudible) problems continued.

I ordered six different contracts to nationally and internationally known contractants to resolve the problems. A variety of tests, analysis and reviews were performed, including independent third party (inaudible) analysis.

It is important to note that although this problem originates in (inaudible) bending and involves overall hull girder strength, the light structure required for high speed small patrol boats results in various types of buckling failures, not mainly cracking. These are much more complicated sets of responses than those commonly seen in larger ships.

I believe this shows that the Coast Guard has to have more direct responsibility for and control of future acquisitions and oversight for vessels designs, as this committee has advised and as the commandant is now implementing.

The Coast Guard has to rely more on the experience of existing proven vessels and the experienced designers of these specialized high speed craft. This had been the practice that produced the successful 87-foot coastal patrol boat and the original 110-foot Allen class patrol boat.

And this is the strategy that Coast Guard is now following for the
replacement patrol boat, FRCD.

This also suggests that independent survey and design funding should be available to Coast Guard engineers as it was in the past so that the Coast Guard can investigate potential problems like this in a proactive fashion.

Thank you for the opportunity to testify before you today. I'll be happy to answer any questions you may have.

CUMMINGS: Thank you very much.

Mr. Michel?

MICHEL: Good evening, Mr. Chairman and distinguished committee members.

It's a pleasure to appear before you today to testify on the compliance with the requirements of the Deepwater contract.

My name is Joe Michel. Currently, I'm assistant deputy with the Nationwide Automatic Identification System project, Coast Guard Office of Acquisition. Prior to that, I was an engineering technical lead with the Ports and Waterways Safety System, also with Coast Guard
acquisition.

And from December 2001 to March of 2004, I was the Coast Guard's lead C4I engineer on the 123-foot patrol boat integrated product team.

I'm pleased at the opportunity to appear before you and I'll be happy to answer any questions that you have.

CUMMINGS: Lieutenant Commander Jacoby?

JACOBY: Good evening, Mr. Chairman and distinguished members of the committee. It's a pleasure to appear before you tonight to discuss the compliance with requirements of the Deepwater contract.

I am Lieutenant Commander Chad Jacoby. I served as the program manager for the 123-foot patrol boat conversion project from July 2004 to October 2006. As the 123 program manager, I managed the delivery task orders under the Deepwater contract that pertained to the production, delivery and warranty support of the 123-foot cutters.

During my time as program manager, I supervised the delivery of Coast Guard Cutter Attu, Coast Guard Cutter Nunivak, Coast Guard Cutter Vashon, Coast Guard Cutter Monhegan, and Coast Guard Cutter Manitou.
I managed contracts with engineering firms to diagnose structural issues. I administered the one-year warranty period on all eight delivered 123s. And I managed the contract modifications to install structural upgrades on the cutters.

Thank you for the opportunity to testify before you tonight and I will be happy to answer any questions that you may have.

CUMMINGS: Thank you very much.

Ms. Martindale?

MARTINDALE: Mr. Chairman, I have a brief oral statement. I request that my written statement be entered into the record.

Good evening, Mr. Chairman and distinguished members of the committee. It is a pleasure to appear before you today to discuss compliance with requirements of the Deepwater contract.

I am Cathy Martindale. I am currently the chief of the contracting office for the Coast Guard's Engineering and Logistics Center, located in Baltimore, Maryland.
I have been a contracting officer for the U.S. Coast Guard for 15 years. I hold a bachelor of science degree in business administration from the University of Maryland. I also hold a certificate in procurement and contracts management from the University of Virginia and a Defense Acquisition University Level 3 certification.

I was a contracting officer with Coast Guard headquarters and assigned to the Deepwater program beginning January 2000 through March 2006.

While assigned to the Deepwater program, I served at various times as a contracting officer in both the surface and air domains at the systems integration program office located in Roslyn, Virginia.

I was one in a series of three contracting officers responsible for administering the 110-123 conversion of the Matagorda. As a contracting officer, I have responsibility for administering, interpreting and ensuring compliance with contract requirement.

I worked daily with my contracting officer technical representative, the program office and Integrated Coast Guard Systems. I attended design reviews, participated in integrated product team meetings and accepted contract deliverables.
Thank you for the opportunity to testify before you today. I'll be happy to answer any questions that you may have.

CUMMINGS: Thank you very much. I want to thank all of you for being here and we really appreciate it.

Mr. Michel, was anyone in the Coast Guard aware, during the 123 program, of the internal disputes at Lockheed or the actions of Michael De Kort to raise awareness of his concerns?

Would those kind of issues have been things that would have come to your attention?

MICHEL: Not as such, sir. I was not aware until some time later that Mr. De Kort had actually pursued alternative action up through his management chain.

CUMMINGS: Well, Mr. De Kort indicates that he contacted the Coast Guard to raise his concerns with them. Do you know whether any action was taken?

I take it that you found out later on that he had raised issues. Did you
ever find out whether action had been taken in regard to the issues that
he raised?

MICHEL: No, sir, I did not. He was extremely vocal during my tenure with
the IPT.

CUMMINGS: And when you say he was extremely vocal, how did it come to
your attention that he was extremely vocal?

MICHEL: He made his concerns known inside and outside of integrated
product team meetings.

CUMMINGS: And so then you did have knowledge of those concerns, did you
not, based on what you just said?

MICHEL: I did, sir, but I did not know that he had gone as far up his
management chain.

CUMMINGS: When he was complaining, were you aware of specific
complaints?

MICHEL: I was, sir.
CUMMINGS: And did you have an opinion back then, when you were listening to them or hearing them, as to whether or not they were -- you considered them to be valid complaints and things that you all should be concerned about?

MICHEL: Well, sir, he and I shared a lot of the same concerns.

CUMMINGS: Is that right?

MICHEL: Yes, sir.

CUMMINGS: Well, why don't you tell us about the concerns that you shared and why you had the concerns that you did?

MICHEL: Well, I think we've talked a lot about the TEMPEST concerns this evening.

CUMMINGS: Yes.

MICHEL: A few things that he might have perhaps...

CUMMINGS: Let me go back for one moment.
MICHEL: Yes, sir.

CUMMINGS: Because I want to make it very -- I want us to be clear. Mr. De Kort had his concerns, as I understand it, and you had concerns. Was this a thing that it just so happened that you sort of ended up with the same concerns or were you all talking and he says, "You know what? I really don't like this TEMPEST situation," and you sort of joined into that or were these things that you could sort of observe independently, is what I'm saying?

MICHEL: Yes, sir, independently. Any two C4ISR systems engineers looking at the same problem would have come to the same sort of conclusion.

CUMMINGS: No doubt about it.

MICHEL: Absolutely, sir, no doubt.

CUMMINGS: Now, tell me the complaints, the concerns that you had that were common to his complaints, his concerns?

MICHEL: Early on during the design reviews and during the review of various contract data, exhibits, it was apparent that there either wasn't a clear understanding of TEMPEST requirements, for example,
within the Lockheed design community or they were not addressing them.

So during design reviews, during review of contract documents and designs and submission of comments via the IPT process, these concerns were made known to Lockheed from the Coast Guard perspective.

And I was not alone. There were many folks in the C4I community that were matrixed into the IPT that made these concerns known.

So Lockheed went and did this study that was referred to earlier this evening. And they came to the same conclusion that, yes, in fact, TEMPEST was a requirement, processing classified information, we're going to have to adhere to TEMPEST if we want to get this cutter certified and operate on classified networks.

So a round turn was taken on the design. Lockheed did try, they did try. The equipment racks were reconfigured. Red and black equipment was separated, red and black cables were separated. I can't say that there was any material solution pursued, that is, the equipment that they had procured, the cables they had procured, that's what they were using.

CUMMINGS: So in other words, he was saying, if I understood his testimony correct, that he felt that there should have been some other
Did you have that same concern?

MICHEL: Yes, sir.

CUMMINGS: So what you're saying is that the same type of cabling, although there were the complaints, Lockheed Martin's reaction to that was to keep the same type of cabling, but to just kind of reconfigure it.

Is that a fair statement of what you just said?

MICHEL: Yes, sir. Yes.

CUMMINGS: Now, did you ever make any complaints?

MICHEL: I did, sir. During the design reviews and during the review of the designs themselves, I made numerous comments and raised my concerns.

Some of these problems, and I think we've talked about the structure of
the Deepwater contract at length this evening, I was trying to work within the structure of the contract.

CUMMINGS: Well, speaking of working within the structure of the contract, did you take your concerns to the higher-ups in the Coast Guard?

MICHEL: I elevated those concerns as high as I could within the program.

CUMMINGS: And how high is that?

MICHEL: To the deputy at the systems engineering and integration team.

CUMMINGS: Say that one more time.

MICHEL: The deputy, sir.

CUMMINGS: And who would that have been?

MICHEL: Mr. Giddons (ph) at the time.

CUMMINGS: And what reaction did you get when you brought those to his attention?
MICHEL: Well, he was extremely concerned, and he wanted the issues to be resolved.

CUMMINGS: And so do you know why they were not resolved?

MICHEL: Well, regrettably, I had mentioned that in March 2004, my time with the Deepwater program came to an end. So there were many issues that were unresolved that were contractually identified on the DD-250, which was also referred to earlier this evening, that were, quite frankly, still up in the air.

CUMMINGS: Why were you so concerned about the TEMPEST issue?

MICHEL: For some of the reasons that the first panel indicated, sir, compromise of classified information.

CUMMINGS: Now, so when did you leave?

MICHEL: About three weeks after Matagorda was delivered.

CUMMINGS: All right. I'll come back to you.

Ms. Martindale, you were the contracting officer for Deepwater.
MARTINDALE: Yes. I was the contracting officer with the...

CUMMINGS: Is your mike on?

MARTINDALE: Yes, sir, it is. I was the contracting officer administering the 110-123 delivery task order for the Matagorda.

CUMMINGS: And does the contracting officer have the authority to decline to accept the delivery of a ship or a boat?

MARTINDALE: Yes. Yes, sir.

CUMMINGS: And is that something that you have done in the past with regard to Deepwater? In other words, have you declined...

MARTINDALE: I have declined acceptance of data deliverables, but not a ship, sir.

CUMMINGS: I see. And explain that, explain what you just said. You decline a date, but not a ship.

MARTINDALE: No. I'm sorry, sir. A data deliverable. We had delivery
requirements for data.

CUMMINGS: Oh, data.

MARTINDALE: Design documents. And when they didn't comply with the contract requirements, we didn't accept delivery. We gave them our comments, asked that corrections be made and then we'd accept it once those corrections were made.

CUMMINGS: So basically, you would get documents from the integrated team, is that right?

MARTINDALE: That's correct, sir.

CUMMINGS: With regard to, let's say, for example, a ship.

MARTINDALE: Yes.

CUMMINGS: A vessel.

MARTINDALE: Technical specifications, yes.

CUMMINGS: And then you would not necessarily see the ship itself. You
would actually base your judgment on documents that you receive. Is that a fair representation?

MARTINDALE: No, sir. Prior to delivery of the ship, there's a series of data deliverables, technical specifications, design documents. If they did not comply with the requirements of the contract, then I would reject those deliverables.

CUMMINGS: And how do you confirm the quality of the items for which you accept delivery?

MARTINDALE: I rely on the technical expertise of my contracting officer technical representative.

CUMMINGS: And so if a technical representative comes to you and says something is, say, for example, certified, TEMPEST certified, then you basically accept that, is that correct?

MARTINDALE: That's correct, sir.

CUMMINGS: And so there is -- and the procedure, I take it, is that you -- if they are incorrect, you wouldn't necessarily know that. All you do, is you get a document saying that it's fine or not fine.
MARTINDALE: Yes, sir. I rely on their technical expertise.

CUMMINGS: Now, were you at all concerned about the condition in which 123s were delivered?

MARTINDALE: Yes.

CUMMINGS: At any time.

MARTINDALE: Yes, sir. There were areas where it did not comply with the contract. As a contracting officer, it would be my preference not to take delivery of something that's not in full compliance.

But we had discussions with regard to that, the COTR and myself, and the noncompliant issues were such that they could be resolved after delivery.

CUMMINGS: So in other words -- wait a minute. Let me make sure I get this right. You're saying that you would accept the delivery and it would be -- you would accept it, but there were assurances made to you that things would be corrected later.

MARTINDALE: That's correct.
CUMMINGS: Now, is that standard procedure?

MARTINDALE: It is not unusual, sir. It is a common practice in contracting where you sign a DD-250 accepting delivery of a product or service and you may withhold some aspect of payment or identify nonconformance areas with the expectation that, at some point in the future, they will bring the product into conformance.

CUMMINGS: Now, were all the major deficiencies noted in the DD-250 for the Matagorda and each subsequent ship?

MARTINDALE: I can't speak to the subsequent ships, sir, but for the Matagorda, to my knowledge, all the nonconformances were identified in the DD-250, sir.

CUMMINGS: Was there noncompliance of the topside equipment noted on the DD-250 with regard to the environmental standards?

MARTINDALE: No, sir.

CUMMINGS: It was not. And if it was not, why would that not have happened, because why? In other words, if there was a problem with the
topside equipment with regard to the environmental standards and it had not been met, why would that not be noted on the DD-250?

MARTINDALE: If it was an area of noncompliance, it should have been noted, sir.

CUMMINGS: And the I.G. said that it was an area of noncompliance. Are you aware of that?

MARTINDALE: No, sir.

CUMMINGS: Does it concern you that we may have accepted a ship that did not have that notice on the DD-250...?

MARTINDALE: Yes.

CUMMINGS: ... when, in fact, there was a problem?

MARTINDALE: Yes, that would be a concern, sir.

CUMMINGS: Are there occasions when you have -- this has happened in the past where maybe something came in, you accepted compliance, DD-250 prepared, and then you later found out that there was something that was
MARTINDALE: I haven't had any firsthand experience with it, sir.

CUMMINGS: OK. So with regard to -- I want to just make sure I'm clear on this. With regard to the 123, the program, call it the program, were there other things, were there things that concerned you overall? Was there anything unusual that concerned you?

MARTINDALE: It was a very large, complex program, sir. I was not only responsible for the 110-123 DTO administration, but I also had responsibility for administering the NSC, the SRP and the FRC. So I was spread very thin, sir.

CUMMINGS: You did all that by yourself?

MARTINDALE: Yes, sir. I was the sole contracting officer responsible for all those delivery task orders. So that was certainly a concern.

CUMMINGS: Now, with regard to change orders, how were they dealt with?

MARTINDALE: If the COTR identified an area of the contract requirements that they wanted to modify or add or subtract from, I would request a proposal from the contractor. And then we'd receive that proposal,
review it, negotiate and modify the contract.

CUMMINGS: Now, did that happen often with the 123 project?

MARTINDALE: No, sir.

CUMMINGS: You've been sitting around here for all this testimony earlier, have you not? Just about all of it.

MARTINDALE: Yes, sir.

CUMMINGS: And you heard that there were concerns with regard to wiring and whether one piece of wire cost a little bit more, cable cost a little bit more than the other.

Did those kind of things ever come to your attention in any way? In other words, did the integrated team ever come back and say, "Look, we've got a problem here, we need to change the wiring?"

MARTINDALE: On the 110-123 contract, that delivery task order?

CUMMINGS: Yes.
MARTINDALE: That was a firm fixed price performance-based contract. So as far as the contractor and the type of cable that they would install, for them to correct that issue would not have necessitated a modification to the contract.

They needed to do whatever was necessary to meet the standards that were incorporated into the contract.

CUMMINGS: Period.

MARTINDALE: Period.

CUMMINGS: Let me make sure I'm clear on this. Even if it cost more, you're saying if the specifications ask for a certain thing, if they wanted to change from the -- do something other than the specifications with regard to cabling...

MARTINDALE: The specifications of the 110-123 contract did not specify a type of cable. It specified a standard and then they had to decide what type of cable to use to comply with that standard.

If they chose the wrong cable and needed to use a different type of cable, a contract modification is not necessary to make that change. They just need to make whatever changes are necessary to comply with the
standard that was incorporated into the contract.

CUMMINGS: But if their complaint was that it's going to cost us more money.

MARTINDALE: That's the firm fixed price risk nature of performance of that type of contract.

CUMMINGS: So it would fall on the contractor.

MARTINDALE: Yes.

CUMMINGS: And so you might not ever even know about that, is that what you're saying?

MARTINDALE: That's correct, sir.

CUMMINGS: Let me just ask you this final question. The Defense Acquisitions University, are you familiar with them?

MARTINDALE: Yes, sir.

CUMMINGS: In its report on Deepwater, it indicates that the contractors
and the Coast Guard were both incentivized to underestimate the cost of the new systems and their technical support needs.

Do you think that was the case?

MARTINDALE: No more than any other contractor is incentivized to do that to capture a contract in their bidding process. They may have under-estimated things in an attempt to come in with the lowest possible bid to capture the contract. But that's not...

CUMMINGS: That's not unusual.

MARTINDALE: No. And we did do cost realism analysis when we evaluated the initial proposals to be awarded the Deepwater contract to try to ferret out those types of concerns.

CUMMINGS: And did the integrated team ever develop cost estimates that it knew were lowballed?

MARTINDALE: Not that I'm aware of.

CUMMINGS: So basically, what you're saying to me is that folks can come in with a low bid to get the contract, get the contract and then when they get it, come back for change orders and things of that nature, and
that's not unusual. Yes or no?

MARTINDALE: I don't know that I say unusual or not.

CUMMINGS: But you've seen it. You believe that you have seen that happen.

MARTINDALE: Yes, sir.

CUMMINGS: You can't say for sure, but based upon just your judgment, you believe that's happened.

MARTINDALE: Yes, sir.

CUMMINGS: OK. I'm not trying to put words in your mouth. I'm just asking a question.

Mr. LaTourette?

LATOURETTE: Thank you, Mr. Chairman.

Ms. Martindale, I want to pick up a little bit where the chairman left off.
I think I have in front of me the DD-250 for the delivery of the Matagorda. And just so I'm clear, under the exceptions section, there's no reference to the shielded, braided cable. The requirement left on the TEMPEST system is that the TEMPEST and classified testing will occur after the delivery of the ship.

MARTINDALE: That's correct.

LATOURETTE: OK. And have you looked at the inspector general's report, the DHS inspector general's report?

MARTINDALE: No, I have not, sir.

LATOURETTE: Let me just -- the reason for that not being listed on here, on page 5 of the inspector general's report, it indicates that according to the contract required the use of only shielded, not braided metallic shielded cable as recommended by the National Security Telecommunications.

And so because the contract didn't make the requirement of the braided, you wouldn't list that as an exception. What was yet to occur is the TEMPEST testing.
MARTINDALE: That's correct, sir.

LATOURETTE: And, Mr. Michel, I don't know if you're the right one to ask this series of questions to or not, but we've sort of been going around and around on this TEMPEST testing business.

MICHEL: Yes, sir.

LATOURETTE: Sort of a -- I'm not going to go there. And we had a witness on the first panel who said no way could this ever pass the TEMPEST testing.

We have, in the inspector general's report, not a clear indication that it passed the TEMPEST testing, but the sentence is, "The TEMPEST testing conducted on the Matagorda and Padre between February '04 and July '06 indicated that the cabling installed," so I guess this is the mylar aluminum cabling, "during the C4ISR upgrade was not a source of compromising emissions."

Are you familiar with that finding by the inspector general?

MICHEL: I am not, sir.
LATOUTRETTE: Do you have any opinion on that, in light of your observation that you shared the same concerns as one of our previous witnesses?

MICHEL: I had examined the visual inspection report that was provided to the program by TSCOM (ph) and I was made aware of the instrumented TEMPEST survey results that had been performed by SPAWAR. And in neither case, the initial survey, was the vessel recommended for certification. Basically, it failed both tests.

So what we did to simplify matters on the DD-250, the items were rolled up into this one line item, this TEMPEST and classified testing, because it was simply impossible to do classified testing until we could get the vessel to pass TEMPEST. You just can't do it.

LATOUTRETTE: Let me ask you this. This observation by the I.G. that whatever testing was conducted indicated that there was not -- the big issue in the second panel, if you were here, and the first panel, is that we had national security stuff floating all over the country and our enemies are listening in on these or could have the ability to listen in on these ships, compromising national security.
Do you think that the statement that the cabling installed, even though it's not the braided cable that everybody prefers, was not a source of compromising emissions is an accurate statement or not?

MICHEL: It's possible, sir. I didn't actually see the instrumented TEMPEST results for that particular compartment. It is possible.

LATOURRETTE: Who would have been in charge of that?

MICHEL: That would have been Mr. Ron Porter at TSCOM (ph). The report itself was classified.

LATOURRETTE: Right.

And back to you, Ms. Martindale, just for a minute. One of the exceptions listed in number 7 is low smoke cable that we've heard some things about, too.

We've also heard from Lockheed Martin that I think, at some point in time, I think after the delivery of the fourth ship, that a waiver was granted. Were you involved in that process?

MARTINDALE: No, sir.
LATOURETTE: Who would have been involved in that process?

Commander Jacoby, thank you. Can you sort of walk us through how that happened?

JACOBY: Yes, sir. In July of 2004, I reported on board. One of the issues that was pending, sir, was a request for waiver from the contractor to the Coast Guard for around 80 cables that did not meet the low smoke requirement.

I could see from the documentation that the IPT had worked this issue for close to a year. The number of low smoke cables in the waiver request originally was very high. Through the IPT process, those cables were -- the number of cables on the waiver was reduced to 80.

I consulted with the IPT, got their input. I also called the C4ISR lead, Mr. Michel's replacement, and got his input on recommendation on approval or disapproval of the waiver.

I signed the waiver. Actually, I signed a recommendation of the waiver, forwarded it to the contracting officer, and the contracting officer approved the waiver.
LATOURETTE: Now, again, there's a couple story lines that can come out of this investigation and this hearing and one relative to the low smoke cable is that because that requirement was waived, that Guardsmen are put at risk if there should be a fire aboard that vessel.

So I guess I appreciate your observations as to why you agreed to that waiver if that were an accurate assessment.

JACOBY: Yes, sir. To be accurate, the requirement was not waived. The request for deviation was approved for specific cables and those specific cables, as was addressed before, were either on the mast, which the rationale that was provided from the IPT and from the C4 community was that a cable on the mast that produces smoke does not put anyone at risk.

Also, some of the cables on the waiver request were -- some examples would be phone cords or keyboard cords, not cables that were installed by Lockheed Martin, but cables that came on COTS equipment and the determination from the IPT and from the C4 community was that you would not want to cut the phone cords off the COTS equipment and have Lockheed try to put low smoke cables in their place, sir.

Those were the rationales that I received before signing the waiver.
LATOURETTE: And were you involved at all in the TEMPEST cabling issue?

JACOBY: I was involved with -- not with the initial design, no, sir, but I did provide the cutters -- make the cutters available to the TEMPEST inspectors.

And then, also, as the PM, when discrepancies were identified, I pursued either physical correction of those discrepancies by enforcing the requirements of the contract or correcting the discrepancies to the satisfaction of Mr. Porter, the certifying authority at TSCOM (ph), sir.

LATOURETTE: And let's get to that, because, again, when I was talking to Mr. Michel and we've talked to other witnesses, the allegation is that even though the contract wasn't violated, according to the I.G.'s finding, that the contractor had a choice, there's a preferred cable. The preferred cable was not used and because the preferred cable was not used, we had a danger of national security being compromised. What's your take on that?

JACOBY: My take, sir, is I relied on the recommendations and counsel of the C4 experts and the Coast Guard, which, to my knowledge, are
certified to certify TEMPEST requirements.

Like I said, we made the ships available for the inspections. We received the discrepancies from the inspections. We satisfied those discrepancies to the satisfaction of the TEMPEST authority.

LATOURETTE: And this is kind of key to me, because I think everybody wants to be clear. When you say "satisfied to the satisfaction of the TEMPEST authority," is there, when this thing passes, I know when it doesn't pass, you get a report that says here are the problems.

When it passes, is there some kind of certificate that's issued or how do we know -- how do you know that it's passed? How do you know if it's passed?

JACOBY: Yes, sir. An interim authority to operate or an authority to operate is granted once the -- once Mr. Ron Porter is satisfied with the TEMPEST results.

And for some perspective, from the program management standpoint, the time period between the inspections and the final authority to operate or even the interim authority to operate was a span of months, which was weekly meetings of the program office, the contractor and Mr. Porter
working off those discrepancies.

So from a program management point of view, for one, it was very difficult to work through this process and gain that ATO. And how we knew that we had done that was satisfied the requirements of Mr. Porter, the Coast Guard's TEMPEST certifying authority, sir.

LATOURETTE: Is it fair, because I don't operate in your world, but is it fair that when the ATO, the authority to operate was issued on these ships, that the TEMPEST test had been completed and the system was installed in a manner that was acceptable to the service?

JACOBY: Yes, sir.

LATOURETTE: And would acceptable to the service include a system that was leaking national security information out of its cables?

JACOBY: I would have to assume that the TEMPEST certifying authority would not grant an ATO if that was the case, sir.

LATOURETTE: And is that the case on all -- did you get ATOs on all eight ships?
JACOBY: Yes, sir.

LATOURETTE: Thank you.

Nothing else, Mr. Chairman.

CUMMINGS: Mr. Oberstar?

OBERSTAR: Mr. Ghosh, you were internally and integrally involved with the design. So who was primarily responsible for the design for lengthening the hull 110 to 123 feet?

GHOSH: In my opinion, sir, it's Bollinger, ICGS.

OBERSTAR: It was?

GHOSH: In my opinion, ICGS is the...

OBERSTAR: ICGS.

GHOSH: As the prime contractor and their support contractor, Bollinger.

OBERSTAR: What was your role in all of this? You're a naval architect,
aren't you?

GHOSH: Yes, sir. But, again -- yes, sir, we got involved in the sense that when the design -- review of the design, but, again, Bollinger calculations showed that the required strength exceeds the calculations (inaudible) exceeds the (inaudible) by about 100 percent.

But, also, I was the first person to contact Carderock and B.T. (ph) and Bollinger to get these people on board.

OBERSTAR: Now, you had conversations with, as we understand it, with Scott Sampson, who is a Navy employee at the Carderock facility, which I always call the David Taylor model basin, in September 2002, and Mr. Sampson warned the Coast Guard at that time of a likely design flaw.

Did you get detailed information about that?

GHOSH: Yes, sir. Before even then actually the 179 problem, the cracks on the 179, I knew about that.

And they are correct that that 179 was (inaudible) only 5 percent, but under 123, there was 12 percent. But there is a distinction between the length. The 110-foot versus 175-feet, that length difference makes this problem different.
In our analysis, (inaudible) analysis in the future, what we found, and we knew that for a small boat, the failure which the P.C. had is a yielding failure, meaning a steel has a yield strength of 40,000 pounds per square inch and the failure on the 179 P.C. was cracking due to tensile strength exceeding that 40,000 pounds.

But in our case, the 110, because of the short length, the failure is completely different. It's a buckling failure, which could be much lower.

Like in our Matagorda case, it was only at 7,200 pounds per square inch. So the two failures are completely different, and all the knowledge and ABS rules and the DNV rules, everybody suggested that like, for example, the DNV rules only apply to more than 150 feet length.

The ABS rules, the 1997 rules, which Mr. Scott Sampson mentioned, they didn't apply. In that rule it said that this buckling and all this (inaudible) needs to be done if it is more than 200 feet.

Subsequently, of course, ABS changed that rule in 2003 to 79 feet.

OBERSTAR: ABS changed the rule?
GHOSH: ABS changed the rule, yes, sir.

OBERSTAR: Now, did the Navy offer to provide design and engineering support for Bollinger, for Northrop Grumman and for the Coast Guard?

GHOSH: Yes, sir.

OBERSTAR: We understand that offer was declined.

GHOSH: Because I couldn't get the funding. I didn't have any funding.

OBERSTAR: The funding was how much?

GHOSH: $42,000 (inaudible).

OBERSTAR: $42,000, did you say? Total cost, we understand, was somewhere between $50,000 and $60,000. This is a $90 million project?

GHOSH: Yes, sir.

OBERSTAR: They couldn't -- they, the Coast Guard, Commander Jacoby, couldn't find that money?
JACOBY: Respectfully, sir, this was two years before I joined the program. I can't really speak for whether they could find money or not, sir.

OBERSTAR: All right.

The Navy offered, and it was not going to do this free. They're going to do it on a cost-reimbursable basis, and the cost was in the range of $60,000 on a $90 million contract?

I don't understand this.

When did you, Mr. Ghosh, become aware of the deck cracking issue on the 123s?

GHOSH: After September 2004, Matagorda.

OBERSTAR: At least six of the eight, by a year later, six of the eight converted ships had developed severe cracking. Is that correct?

GHOSH: It's not cracking, sir. There is cracking -- there are cracking in the aluminum deck, but the main problem has been the buckling on the side shells (ph) and current problem is buckling on the bottom and
misalignment of shafts. We cannot keep the shafts aligned. And it's a much more complicated problem. Again...

OBERSTAR: You can have buckling without cracking.

GHOSH: Yes, sir.

OBERSTAR: I understand. I understand.

GHOSH: Because the stress level for the buckling is much, much lower.

OBERSTAR: Did you think it was useful to have the Navy advise the Coast Guard on this?

GHOSH: Well, the current problem, the way we have analyzed it, yes, of course, it would have been good, but that solution they would have presented at the time, like we have already done in our MOD-1 (ph), MOD-2 (ph) structures, we're having to (inaudible) as well as the buckling, in case the buckling (inaudible) its problems.

So it's a much more complicated problem than (inaudible).

OBERSTAR: You said something very interesting earlier in your statement.
You were comparing strength of steel -- I know a good deal about steel, my district was very much involved in and I've spent a great deal of time on the steel industry. You talked about 14,000 pounds strength per square inch.

GHOSH: Forty thousand, sir.

OBERSTAR: Pardon me?

GHOSH: Forty thousand.

OBERSTAR: Forty thousand.

GHOSH: Yes, sir.

OBERSTAR: I misunderstood.

GHOSH: High strength steel.

OBERSTAR: Very high strength, yes. That's very good. And was it 7,200 pounds per square inch?

GHOSH: Per inch, was the buckling failure, sir, yes.
OBERSTAR: So what was the specification for strengthening of the hull, if any, on the 123?

GHOSH: They are supposed to -- the contract -- supposed to look at this critical buckling strength, 7,200, but, again, the (inaudible) was so high, almost 200 percent (inaudible). So they didn't do any calculations (inaudible).

OBERSTAR: A previous witness in a previous panel said that this was not a problem at all, that the problem of hull buckling or cracking was due to an underlying stringer in the ship construction that was not attached and, therefore, did not provide strength and that the failure was due to something else, not to the design of the hull extension.

GHOSH: That is true. The Matagorda...

OBERSTAR: You mean true that there was a stringer...

GHOSH: Stringer not welded.

OBERSTAR: Did that have a relationship to the strength of the hull?
GHOSH: That stringer being not welded, the Matagorda failed at very low wave height, very low (inaudible). But eventually when we fixed the problem and increased the strength based on when we found the calculation mistake and we increased the strength, which Carderock would have suggested the same thing, still you had failure, and that failure is not due to just not having the welded stringer.

It is much more complicated. And (inaudible) we have spent $0.5 million almost in trying to solve this problem with experts from Europe, the original designer (inaudible) and several (inaudible) we have done.

The main theory, what we think is that because the engine room hatch basically doesn't have the deck, it has a soft patch, (inaudible) that moved toward the mid-ship of the hull. And that also one other problem with these particular boats are (inaudible) different from a normal boat, a steel-hull boat always has steel deck, also, but the 110 and 123 has aluminum deck.

Aluminum basically feels like rubber in this particular case. And that is like a canoeing, if you have open canoe. You can push it and it sort of buckles and that's what is happening.

We cannot prove it by (inaudible) analysis and we have gone through many experts. Nobody could pinpoint the exact failure (inaudible).
OBERSTAR: Why wouldn't that have shown up prior to actual construction work undertaken on the vessel? Why wouldn't there have been a design evaluation before you put the vessel to construction?

GHOSH: Well, the 110...

OBERSTAR: And, secondly, why in the strengthening, the lengthening and strengthening, why didn't someone notice the stringer wasn't attached?

GHOSH: The stringer was...

OBERSTAR: I don't understand that.

GHOSH: The stringer not attached was...

(CROSSTALK)

OBERSTAR: And was that endemic to the other vessels?

GHOSH: No, sir.

OBERSTAR: Just to this one.
GHOSH: Just that one. But, again, on the other hand...

OBERSTAR: But the others cracked -- the others buckled, call it that way.

GHOSH: Buckled. And the main problem right now is that we cannot keep our shafts aligned.

OBERSTAR: All right. So the testimony we got in the previous panel was -- not your words, but mine -- a cover-up for their failure.

When you received this information from the Navy and then you passed it on and recommended their guidance, and action was not taken because, in the Coast Guard's word, they didn't have the money to do this, did you have any further leverage in this arena? Were your hands tied at that point?

GHOSH: No, sir. We couldn't use our own money, plus we didn't have our money also, because (inaudible) projects, you have to have right (inaudible) of money to use it, you couldn't use mix and match.

OBERSTAR: All right, thank you, Mr. Chairman. I think that testimony is
very helpful and sheds important light.

I'm going to come back and review this matter of steel strength and take a closer look at it later, not in this hearing, but in another context.

I appreciate that. It's very, very useful testimony.

CUMMINGS: Mr. Gilchrest?

GILCHREST: Thank you, Mr. Chairman.

Maybe if you wrote a letter to the Coast Guard auxiliary, they would have contributed that $40,000 for that extra evaluation.

Mr. Ghosh, you have, in your testimony, on page 3, I just want to read a couple of sentences, second paragraph: "I asked both contracting officers' technical representative and the Bollinger members of the technical management information team to award contracts to the Navy's Combatant Craft Division because of its experience with similar problems that occurred after lengthening the 179-foot patrol craft and its earlier involvement with the 110-foot Island class patrol boat.

"I also suggested that Bollinger consult Vosper Thornycroft because it
was the original designer of the Island class patrol boat. I was unable to get support for this."

Who did you need to get support to have this done?

GHOSH: I would say the project office.

GILCHREST: Who was in the project office that didn't give you support for this?

GHOSH: Well, I was a member of the TMIT team and I could go there and I didn't go any further.

But, also, I would like to point out that even if we had gotten the support at the time (inaudible) suppose we had gone to Carderock at the time and they would have told us to (inaudible) and that's exactly what we have done today, but still the boat fails.

GILCHREST: So what I'm saying is you had some concern about design flaws, I guess, and you could not get support for a further evaluation for those proposed design flaws.

GHOSH: No, sir. I didn't know there is design flaw. I just wanted them to look at the design because they have the experience, more than I did.
GILCHREST: Now, why were you not able to get support for this further evaluation?

GHOSH: I cannot speak for it. I didn't control the money.

GILCHREST: Who specifically was the person that turned you down?

GHOSH: I cannot remember exactly, but everybody in Deepwater program knew about that, that we wanted to get the money to...

GILCHREST: I'd just to -- Mr. Chairman, I'd like to follow up and find out who that person was that you suggested that you get this other information, and I think I'd just like to follow through down the road so that we can find out who that person or persons were.

I'd like to go to page 5 of your testimony, and it's the second from the last paragraph, about the middle way down. And I just want a clarification from you, Mr. Ghosh, that it seems, from what you say here, you now understand what caused the damage on the hull buckling on these ships.

"After analyzing all additional information, the Coast Guard's
Engineering Logistics Center has developed a solution that might address all the possible mechanisms of damage. Add a stiff beam and a closed tube to the upper edge of the deck and I believe this will answer the major structural problems, but I cannot provide complete certainty that this will work or there won't be any other anticipated problems."

So what we're talking about here, what Mr. Oberstar is talking about, the hull breaches, the hull buckling and all of those issues, a stiff beam and a closed tube to the upper edge of the deck will solve some of those problems, possibly?

GHOSH: Possibly, sir, yes. The thing is that increasing the strength by just putting (inaudible) plates (inaudible) it didn't work. And what we have come to the theory about, (inaudible) was mentioning, if we have a closed cell, which is several hundred times stronger in torsion, and that will stabilize the deck.

GILCHREST: Now, we have eight ships sitting up at Curtis Bay, just outside of Baltimore City. If you think you might have a solution to this problem, should we scrap those boats or should we pick out one and see if it'll work?

GHOSH: Well, that's...
GILCHREST: That's not your decision to make?

(CROSSTALK)

GHOSH: ... because I do not have 100 percent guarantee. I mean, I cannot guarantee.

GILCHREST: I mean, considering all the money that's been put into this project, there's some pretty good workers up there at Curtis Bay. They might -- is it possible to hold the line, let's not scrap all these ships, let's see if we can salvage one, put it out on the high seas for a year. I'll sail down to McMurdo on it, if need be. Give me six months leave of absence, Mr. Chairman.

Are these ships so far gone that salvaging one and testing it out just isn't worth it?

GHOSH: No, sir, I agree. It can be -- I mean, you could do that, what you suggesting, sir.

GILCHREST: So this 110 -- these 110 boats, changed to 123, that's never been done before. This is the first time we took 110s to make them 123s?
GHOSH: Yes, sir.

GILCHREST: This is really a silly question, I guess. Considering all the potential problems that we're seeing here, both from Lockheed Martin and from Northrop Grumman, from the aviation, the logistics, the hulls and all that, would it not have been more prudent to do one, set it out there, because the first one entered service in '05, but there were already hull problems in '04 on that same boat, set it out there and see if you could get the kinks out?

GHOSH: Yes, sir. Yes.

GILCHREST: Did the Navy have similar problems when they went from 170 to 179?

GHOSH: Not similar problems, sir. I just said that the stress level on the deck, they are seeing the 40,000 pounds per square inch level and ours is between (inaudible) in that range.

GILCHREST: You talked about solving one of these -- this will be my last question, Mr. Chairman.
What you talked about as far as add a stiff beam and a closed tube to the upper edge of the deck would have solved some of those damage problems with the 123.

Is there a similar design in the 179?

GHOSH: No, sir. They have -- again, because the problem (inaudible) they have increased the strength of the (inaudible) my solution, also, increasing the strength, but in our 123 case, just increasing the strength does not help or will not help. It has to have a closed cell because of the open deck.

In the P.C.s, though, they have some hatch, but by increasing the strength, that solved their problems. It was cracking in their case. In our case, it's mostly buckling.

GILCHREST: How many 110s are left in the Coast Guard?

GHOSH: Forty-one, sir.

GILCHREST: Are any of those going to be 123s?

GHOSH: No.
GILCHREST: Thank you, Mr. Chairman.

CUMMINGS: Just before we go to Mr. Kagen, let me just ask you this, Mr. Michel.

Given that you agreed with Mr. De Kort's concerns, do you believe that Lockheed Martin did anything unethical?

MICHEL: I wouldn't say unethical, sir, no.

CUMMINGS: Did you file an ethics complaint?

MICHEL: I didn't, sir.

CUMMINGS: Mr. Kagen?

KAGEN: Thank you, Mr. Chairman.

I didn't know when I took this job we might be having sleepovers. I don't think I brought all my equipment.

CUMMINGS: At least you're a doctor. So if we get sick, you can take care
of us.

KAGEN: That's right. But I'm not allowed to write myself those prescriptions.

Is it Dr. Ghosh, Ph.D.?

GHOSH: No, sir. I have just a bachelor's degree in (inaudible) from Indian Institute of Technology (inaudible).

KAGEN: With 33 years of experience in architecture related to naval vessels.

GHOSH: Yes, sir.

KAGEN: And were you here during the earlier testimony...?

GHOSH: Yes, sir.

KAGEN: ... when I questioned Mr. Stanley?

GHOSH: Yes, sir.
KAGEN: And do you agree with his answers with regard to potential responsibility?

GHOSH: I would say, yes, sir.

KAGEN: Is there anybody else that you think you should add to the list of three?

GHOSH: No, sir.

KAGEN: And with regard to the name of the person, either your superior or someone in your organization that may not have been able to come up with the money necessary to do some more studies, is it possible that you could find that person's name if not tonight, then in the next several days, certainly during my first term here?

GHOSH: It's been five years, sir. I didn't keep that good notes.

KAGEN: OK.

GHOSH: But, again, it was in a meeting and all names have been given.

KAGEN: All right. Well, can you offer perhaps three things that you think were the primary things that went wrong with the 110? Give me a
list. I have a fact-based -- I have a scientific mind, but don't shake your hands, because when I teach medical students, when a professor does this, we put our notes down, don't write anything, because it's just a bunch of bull.

So just give me three things that you think were the key things that went wrong with this project.

Design. You mentioned the space in the hull, the hatch, so to speak.

Let me ask you, yes or no, can you come up with three things that you think were central to the failure of this project?

GHOSH: I guess I could.

KAGEN: Perhaps then you can write to me and give me my answers in writing at a later time.

Is it Mr. Michael (ph) or Mr. Michel?

MICHEL: It's Mr. Michel, sir.

KAGEN: Mr. Michel, you mentioned in your statement that you're assistant
deputy for systems implementation with the Coast Guard's nationwide automatic identification system project.

MICHEL: Yes, sir.

KAGEN: I'm sure they don't answer the phone that way, but can you give me just a little background about what that means, what you do?

MICHEL: These days I'm more of a program management type than an engineering technical lead, but the two are closely related in my present responsibilities.

KAGEN: So someone in that organization depends on your judgment.

MICHEL: Yes, sir.

KAGEN: On your good judgment and your judgment is based not just on your education, but your training and your experience.

MICHEL: Yes, sir.

KAGEN: Is that correct? So you were involved in this project and let me ask you this. Do you agree with everything offered in sworn testimony by
Mr. Atkinson?

MICHEL: I do not.

KAGEN: Is there anything that you disagree with him on?

MICHEL: I think that some of his statement were a bit of a stretch.

KAGEN: So the adjectives might be a problem, but what about the facts? Is it not a fact that some wiring and covering of wiring created the possibility, as you testified earlier this evening, for eavesdropping?

MICHEL: For compromising emanations, yes, sir.

KAGEN: And when you left the project, is it not also true that that same wiring was in place?

MICHEL: Yes, sir.

KAGEN: Do you think your judgment was sound in allowing it to continue to be present?

MICHEL: I made my concerns known during my tenure.
KAGEN: Well, you did talk about it, but what happened? What are the results? Don't read my lips. What do you think? Was it poor judgment to walk away from that project knowing that they were unshielded wiring?

MICHEL: Well, perhaps, sir, but it was a promotion.

KAGEN: OK.

Well, I'll tell you, I'm new around these parts and I think, Joe, you testified earlier that you thought there was really a contract problem. I don't think it's a contract problem. I think it's a people problem and it's really a problem of oversight.

And I can, as my time expires here, reassure you that the 110th Congress is intently interested in providing oversight. And in my evening that I'm spending here with you, there was one man who was honest thus far and that gentleman is sitting in the back row from Bollinger.

Marc 'fessed up. He accepted responsibility. And he's invited everybody else to accept responsibility.

If I may just ask Cathy Martindale a question.
Are you understaffed? Do you have a lot more responsibility to do personally than you think one person should be doing?

MARTINDALE: While assigned to the Deepwater project, yes, sir.

KAGEN: So how many other staff members do you feel would be adequate to get the job done right?

MARTINDALE: There should be an overarching surface contracting officer. There should be a contracting officer assigned to each asset. That would be the SRP, the 123, the NSC, the FRC, the OPC, that would be five contracting officers. And maybe they would need two to three specialists working for each of those contracting officers.

KAGEN: Is that not a staff of close to 18 in addition to you?

MARTINDALE: Yes, sir.

KAGEN: And who would be responsible for providing all that staff? Who's the decision-maker? Where does that buck stop?

MARTINDALE: I really don't know, sir.
KAGEN: See, one of the principles in my businesses that I've run is that if I give someone a job that they cannot do, shame on me.

Someone gave you a job that was humanly not possible, in my early estimation. Would you agree with that?

MARTINDALE: Yes, sir.

KAGEN: So it's a question, again, of failure of oversight. It's not a failure of contracts. I don't think this is necessarily a problem that's going to be solved by attorneys. It's going to be solved by this Congress in its oversight of activities, not just in the Coast Guard, but elsewhere.

Any other comments before I yield back my time from the panel?

MARTINDALE: I have a comment, sir.

KAGEN: Thank you.

MARTINDALE: I believe another issue of concern is the construct of the contractor. It's been a struggle in administering the contract when you
have a joint venture, ICGS, which is a shell of a company, and then you
have subcontractors, Lockheed Martin, Northrop Grumman Ship Systems, and
then another tier subcontractor, Bollinger.
Not necessarily those contract relationships reflect that of the Coast
Guard's with ICGS, making it an additional challenge, and, also, the
work was divided up. C4ISR was focused on doing their C4ISR work. HM&E,
they were focused on doing their HM&E. And not necessarily when the two
would come together did they work compatibly, and that was just a
fallout of the organizational construct with whom we had a contract
relationship.

KAGEN: You've just described a disorganized orchestra where everyone's
playing their own musical instrument, but there's no conductor. So we
have Madam Speaker Pelosi to guarantee there's going to be oversight in
this Congress.

I yield back my time.

CUMMINGS: Thank you very much.

I just wanted to say that Admiral Blore, who's right over there, Ms.
Martindale, is the guy who can get you some more help. OK?
Mr. Altmire (ph)?

ALTMIRE (?): Thank you, Mr. Chairman.

I wanted to clarify one thing. This is for Commander Jacoby. You talked earlier about Ron Porter and the visual TEMPEST exam of the Matagorda.

JACOBY: Yes, sir.

ALTMIRE (?): So my question is, was Ron Porter a fully certified TEMPEST authority at the time he conducted the visual TEMPEST exam of the Matagorda?

JACOBY: To my knowledge, he was, although I did not verify his certification, sir.

ALTMIRE (?): OK. Thank you.

Also, for you, Commander, according to records supplied by the Coast Guard, Matagorda received its interim authority to operate its C4ISR on October 14, 2004. It then had a visual TEMPEST inspection on December 19, 2004, which noted a few lingering discrepancies. It received its authority to operate on January 19, 2005.
Next, the 123 class received a class waiver for visual discrepancies on
July 12, 2005. Matagorda itself was reinspected for visual TEMPEST on

So the question is, why did Matagorda receive its ATO before the class
waiver for the 123s’ visual discrepancies was granted and before
Matagorda was given a visual TEMPEST inspection to assess the condition
of remaining discrepancies -- deficiencies? I'm sorry.

JACOBY: I tried to keep up with you on dates there, sir. I believe that
there's a mixing of two issues there. The class-wide waiver, which
applied to not the Matagorda, but the follow-on hulls, was granted, I
believe, on the date you mentioned.

If I can just run through the Matagorda...

ALTMIRE (?): Please.

JACOBY: I think that would clear things up.

The Matagorda received a visual TEMPEST inspection and an instrumented
TEMPEST inspection in the February of ’04 time frame and received
authority to operate, interim authority to operate in October of '04, and a final authority to operate in January of '05.

Those dates, in sequential order, I believe are the only ones applicable to Matagorda. The class-wide waiver, in my understanding, from what I've received from Mr. Porter, was after several cutters had been tested, his confidence level that the class met a configuration management standard that was consistent across the class, and he felt comfortable granting a class-wide authority to operate.

ALTMIRE (?): Thank you.

Then my final question, we pulled from the testimony and it has some acronyms in there which I'm going to try to pronounce correctly, but forgive me if I don't.

>From March 11 to April 5, 2005, Matagorda was among a group of ships reassessed by Navy's COMOPTEVFOR unit and the Navy wrote the following, which we were, I think, going to put up on the screen, but it's late now.

"TEMPEST discrepancies and COMSEC discrepancies were corrected in Coast Guard Cutter Matagorda. However, there were unsolved installation
discrepancies which precluded a SPAWAR SYSCOM recommendation for Coast
Guard 62 to release an IATO.

"Without an IATO, cutters were not authorized to transmit and receive
classified information, significantly limiting their participation in
U.S. Coast Guard tactical operations."

And then later they wrote, "In spite of this progress, physical
connectivity was still assessed as a high risk based upon the inability
to establish and maintain classified two-way data exchanges with other
Coast Guard and naval vessels."

JACOBY: Yes, sir. It's my understanding that at the date in which
COMOPTEVFOR, the Navy command, assessed the Matagorda, it did not have
an ATO, therefore, could not energize their secure communications.

So COMOPTEVFOR noted that they could not test certain gear during that
evaluation, and I believe the ATO for Matagorda came several weeks after
COMOPTEVFOR had done their evaluation, sir.

ALTMIRE (?): And, Commander, had the Matagorda been handling classified
information by this time?
JACOBY: No, sir.

ALTMIRE (?): They had not.

JACOBY: No, sir.

ALTMIRE (?): Why did the Coast Guard issue an ATO in January 2005 to the Matagorda when the Navy noted that unresolved installation discrepancies precluded SPAWAR from recommending the Coast Guard to release IATO when the system is still considered high risk at that time, March and April 2005?

JACOBY: Sir, I believe there's two separate processes. The Navy's operational evaluation of the cutter is not linked to Mr. Porter's working with SPAWAR and determining the suitability of the TEMPEST system, sir.

ALTMIRE (?): OK. Last question. Thank you, Commander.

Did the sequence of events pose a risk of compromising national security at any time?

JACOBY: It has always been my belief, based on input from the C4
community and the Coast Guard, that that is not the case.

ALTMIRE (?): Thank you, sir.

CUMMINGS: Tell me, again, when did the Matagorda get its ATO?

JACOBY: I show a final ATO granted on 19 January 2005, sir.

CUMMINGS: And was that before the Navy assessment?

JACOBY: I don't have the Navy report in front of me, sir.

CUMMINGS: March or April 2005. How does that affect your testimony?

JACOBY: I would have to check those dates, sir.

CUMMINGS: That's very, very important, because you just gave us some information that we want to make sure is accurate. And we can tell you that the information that we got, the Navy's examination was in March of 2005.

JACOBY: Yes, sir. I believe what I'm reading off is something we've provided for the record. I'd be happy to provide this and the actual
reports for the record, sir.

CUMMINGS: Very well.

Mr. Taylor?

TAYLOR: Thank you, Mr. Chairman.

Commander Jacoby, you were the project officer?

JACOBY: I was the program manager for the 123 program.

TAYLOR: On previous testimony, I heard the gentleman talking about electronics that were exposed to the weather, that weren't required to be waterproof, and I kept waiting for someone to say, "No, you're wrong. It was in the specs."

I still haven't heard anyone say that. How does something as basic as that happen? I mean, any boatsman who made third class is going to go, "The first time it rains, the first time we catch a wave, this stuff is ruined."

How does something like that happen?
JACOBY: I agree with your assessment, sir, that that doesn't seem like something that could happen in reality. Coming on the program halfway through, I still know that the contract states environmental requirements for operation of the equipment and that a certain radio was installed on the SRP that did not meet those environmental requirements, sir.

TAYLOR: Were you empowered to catch mistakes like that?

JACOBY: It actually happened two years before I reported, sir, but yes. If I, as program manager, saw items that did not meet the contract requirements, I was empowered to work through the contracting officer and make corrections.

TAYLOR: So your predecessor program officer, was he a lieutenant, also, at the time? I'm taking it you were a lieutenant a couple years back.

JACOBY: The prior program manager, there were several. Some were GS-14s. And I'm not sure all the ranks of the previous.

TAYLOR: I realize that the Coast Guard throws, as all the services do, a heck of a lot of responsibility on very young officers. But it strikes me as something a program that $90 million expenditure, eight ruined
cutters -- did you at any time sense that you just weren't high enough
of a pay rate to address these problems?

JACOBY: Sir, I think I mirror Ms. Martindale's feelings of the program
early on, the staffing levels were very bleak.

When I reported aboard, my billet was actually to be the deputy surface
program manager with an overarching view of all the cutters'
construction, and shortly after arriving, I saw the 123 program with a
need for some change and some guidance.

I took that over in addition to the deputy surface job. After some
months of work on the 123, it was clear that that was a full-time
job-plus.

So in that timeframe of 2004, people were wearing two and three hats and
moving the program forward. The commandant yesterday talked about
increasing manning levels and oversight.

And I can attest, I witnessed over my two and a half years on the
program the increase of staffing levels, and after a while, the people
who were wearing three hats got replacements and were working -- before
I left in October of 2006, we were properly manning each billet instead
of asking people to cover two and three billets, sir.

TAYLOR: Again, I would invite you to correct me, but that one jumps out at me as so glaring that I find it inconceivable.

Now, let's take it to something a little bit more complicated, the hogging (ph) and sagging (ph) calculations.

JACOBY: Yes, sir.

TAYLOR: Is that your normal expertise within the Coast Guard? If a crew boat company or a ferry boat operator were going to lengthen their vessel, is that the sort of calculation that you would run?

JACOBY: I'm not a naval architect or a marine safety inspector, sir, but I am a shipboard engineer for the Coast Guard, an engineer on two, sir, 78-foot ships, and even engineer supporting the patrol boats down in Key West prior to my Deepwater career.

I, from a common sense standpoint, I think share your concern that that doesn't pass the common sense test, but I'm not a naval architect to back that up with calculations, sir.

TAYLOR: Commander, let me ask you this. And I very much appreciate your
Frankness.

What's being done so it doesn't happen again? I've told you my concerns with the LCS. I've told you my concerns with the next generation of cutters.

Shame on me if a mistake is made once, but shame on all of us, enlisted, officer ranks, members of the Congress, members of the administration, if we let this happen again.

And I really, based on what I've heard tonight, don't have any confidence that we're doing this any better. And what is particularly troubling, I'll tell you, I sense this is the shipboard equivalent of sweeping it under the rug.

When you cut this ship up for scrap, that it's no longer there to be on "60 Minutes," or if it's sunk offshore for a fishing reef, it's no longer there to be on "60 Minutes," we've got a real problem here.

Jacoby: Yes, sir.

Taylor: And I would like to hear from you as an up and coming officer in the United States Coast Guard that you've got a high degree of
confidence that this is being addressed rather than just let's hope nobody asks that question again.

JACOBY: Yes, sir. I firmly believe that the factors that led to the structural issue, as well as the C4 issues we've talked about tonight, I could see the evolution of the things that will keep those from happening again in my two and a half years in the Coast Guard.

One of them was the manning level that we talked about, the wearing three hats. And I think there's been comparisons between Deepwater manning and Navy shipbuilding manning, and we were trying to build ships with very few people.

Another major contributor is the specificity of the requirement in the contract. In all these situations, we were dealing with contract language that was signed in 2002 and left the contractor and the government in many cases unclear on the exact requirements. It was a performance-based contract, but it still could have specificity that both the government and industry could use to manage costs, manage expectations, manage requirements.

Additionally, the oversight and the input from regulatory agencies, the commandant and the PEO have mandated the use of regulatory agencies in
further designs, and I've personally been involved in incorporating the things that brought us problems on this contract, like specific words in the contract or lack of words in the contract, into future contracts for the FRC and the OPC.

So I do have a sense that I've contributed by the painful lessons learned to better contracts and better oversight and better manning for the Deepwater program, sir.

TAYLOR: If a contract passed your desk tomorrow that called for a radio or radar, fill in the blank, (inaudible) that's going to be exposed to the weather and did not mandate that it be waterproof, and we all know the difference between weatherproof and waterproof, would you be empowered to say, "Uh-uh, we're going to fix this right now," rather than buy two or three or four of these at government expense and replace the ones that don't work?

JACOBY: Absolutely, sir, and I do have examples of issues that arose on the Deepwater program that the program office felt did not meet the contract requirements and were able to enforce those requirements and get design changes and even retrofits on the cutters.

So there are examples of successes in enforcing the contract
requirements and then there's examples of the program office

unsuccessfully enforcing, mostly because of the wording that was
incorporated into the contract in 2002, either vague or lacking the
specificity.

TAYLOR: Who, in your opinion, should have caught the hogging (ph) and
sagging (ph) problem before it happened?

JACOBY: The Coast Guard's contractors with ICGS. I feel the
responsibility lie with ICGS. In fact, I issued or worked with my
contracting officer to issue two late and defect letters to the
contractor, one days after the Matagorda buckling incident and the other
several months later when the deformations appeared on other cutters.

TAYLOR: Thank you very much, Commander.

JACOBY: Yes, sir.

TAYLOR: Thank you, Mr. Chairman.

OBERSTAR: I have a follow-up for Mr. Jacoby.

In January of '05, Matagorda got authority to operate, meaning that they
also had authority to transmit and receive classified data.

But at that time, according to all the testimony we've seen, they had not yet passed the instrument test -- or instrumented test, as it's called.

The only instrument test which allegedly was passed was in July '06, but for another ship in the same class as the Matagorda.

Was it legal for the Matagorda to operate under those circumstances? I believe so and I'll tell you, from my perspective, why I believe that, sir. The two instrumented TEMPEST inspections, one on Matagorda, one on Padre, were not related. The Padre inspection was not meant to validate Matagorda's TEMPEST system.

The original instrumented TEMPEST inspection on Matagorda, which you referred to as failed, was, in my view as a program manager, Ron Porter assessed the vulnerabilities or issues with that.

Over time, the physical discrepancies were corrected or Mr. Porter waived the discrepancies that were noted. And that original TEMPEST inspection was eventually the basis for Mr. Porter approving an
OBERSTAR: Well, how does that authority compare to the judgment of the Navy, which said, in a document we have, that the system is still high risk?

JACOBY: That is from a COMOPTEVFOR report, sir? I believe that the authority for TEMPEST certification lies with, for the Coast Guard, Mr. Ron Porter, for the Navy, SPAWAR, and not with COMOPTEVFOR, sir.

I can't speak to whether they would determine...

OBERSTAR: There's this gray area here which is now becoming somewhat clearer that there were deficiencies, and these deficiencies were granted waivers instead of being repaired, rather than being covered up.

JACOBY: I do not know the waiver process or the mentality that goes behind the waiver process at Mr. Ron Porter's shop.

OBERSTAR: Thank you. We need to proceed on to the next panel.

I particularly want to thank Mr. Ghosh, the naval architect, for his very candid and straightforward and helpful answers.
CUMMINGS: I want to thank you all very, very much for being with us. And your testimony has been extremely helpful.

We'll call the next panel now. Rear Admiral Gary T. Blore and Vice Admiral Paul E. Sullivan.

(WITNESSES SWORN)

CUMMINGS: Thank you. You may be seated.

Rear Admiral Blore?

And thank you all very much. I know it's been a very, very long day.

Hopefully, we will not take you into tomorrow.

BLORE: Thank you, sir, and the members who have stuck it out with us.

Good evening, Mr. Chairman and distinguished members of the committee.

It's a pleasure to be here today with my colleague, Admiral Sullivan. I respectfully request my previously submitted written testimony be entered into the record.

CUMMINGS: Without objection, so ordered.
BLORE: I'd like to thank the Congress, in particular, this committee, for your oversight of the Integrated Deepwater System. We have adopted many of your committee recommendations as we reform the Deepwater acquisition process.

I believe the Deepwater program is our best strategy for building a 21st century Coast Guard capable of executing our missions of maritime safety, environmental protection, homeland security and homeland defense.

As part of our effort to strengthen the Deepwater program and with the commandant's leadership, we have met extensively with Integrated Coast Guard Systems, or ICGS, Lockheed Martin and Northrop Grumman.

We have had frank discussions with industry about our intentions moving forward. We have strengthened the Coast Guard's acquisition process and revamped our procedures to ensure that the contract expectations of the Coast Guard and the American taxpayer are crystal clear.

This hearing is focused on mistakes the Coast Guard made in our first Deepwater shipbuilding project. Not a day goes by that I am not fully committed to avoiding a recurrence of this disappointment.
Our Coast Guard men and women deserve better, as does the public we serve.

You have my assurance that I will take every step necessary to redress insufficiencies in analysis and communications that led to the premature decommissioning of the 123-foot patrol boats.

However, we must not fall victim to living in the past, which neither recapitalizes the Coast Guard nor serves the public interest.

Instead, we must apply lessons learned to ensure a successful future for the Coast Guard, our acquisitions, homeland security and the American people.

The Coast Guard has options in choosing from whom to acquire our assets, consistent with the Federal Acquisition Regulations.

With the commandant's support, I intend to use robust business case analysis, competition and best value criteria in choosing which manufacturers will execute our projects.

In many cases, that may continue to be Lockheed Martin and/or Northrop
Grumman, and to that end, the commandant and the companies' CEOs recently signed an agreement asserting the Coast Guard would transition into becoming the systems integrator, lead management of all life-cycle logistics, expand the use of the American Bureau of Shipping, accelerate the resolution of remaining national security cutter issues, and, where practicable, work directly with the prime vendors.

These actions, combined with numerous other acquisitions and program management reforms, will make the Deepwater program of tomorrow fundamentally better than the Deepwater program of today.

This committee has been a catalyst for much of this change, but the fundamental underpinnings of this reform began the day Admiral Allen became commandant just under a year ago.

His first, very first new initiative as our commandant was to direct the consolidation of our acquisition organization. Shortly thereafter, he adopted the "Blueprint for Acquisition Reform," which called for a restructuring and prioritization of our agency's entire acquisition process.

We will stand up this new structure beginning July 13 and it will take shape fully over the next several months.
For the upcoming award term, which starts this June, the commandant has asked me to focus on more favorable government terms and conditions and on those priority delivery task orders occurring during the first 18 to 24 months.

This allows the recapitalization of the Coast Guard to continue unabated while acquisition reforms are implemented, at the same time, allowing a full spectrum of options for future government purchases.

Today marks the start of my second year in this assignment. Critical to our acquisition is the partnership we have built with our sister service. The Navy is our third-party independent assessor of choice. They speak Coast Guard, they understand us, and have superb engineering and technical expertise to share.

For example, a quarter of my resident project office staff at the Pascagoula shipyard is on loan from NAVSEA on a reimbursable agreement. Our daily contact is across dozens of NAVSEA's divisions involving millions of dollars transferred from everything such as Navy-type, Navy-owned equipment to technical review.

And now with the elevated role of our Coast Guard technical authority,
the relationship with NAVSEA is even more integrated.

In conclusion, a properly equipped Coast Guard is critical to our nation and reforming the Deepwater acquisition is critical to a 21st century Coast Guard.

I look forward to working with you to ensure we can accomplish acquisition reform without derailing recapitalization, but while focusing on the acquisition fundamentals of cost control, schedule integrity and the surpassing of performance expectations.

Thank you, Mr. Chairman. I would be pleased to answer your questions.

CUMMINGS: Thank you very much.

Vice Admiral Sullivan?

SULLIVAN: Good evening, Mr. Chairman, and thanks for having us here tonight. My name is Vice Admiral Paul Sullivan. I'm the commander of the Naval Sea Systems Command.

Before I had the job I have today, I was the deputy commander for ship design, integration and engineering. I've also been a program manger of
two submarine acquisition programs.

I'm here to discuss our partnership with the Coast Guard with regard to acquisition and, also, technical authority, and I'd be happy to answer any of your questions, sir.

CUMMINGS: Very well. Thank you very much to both of you.

Rear Admiral Blore, yesterday -- first of all, I want you to know that I think everybody on our panel on both sides of the aisle have tremendous confidence in Admiral Allen. He has clearly been a man of action and he has made it clear that he is going to make some significant changes.

I had an opportunity to review his statement yesterday, his press statement, and I was very impressed and was glad that he was moving in the direction he's moving in.

That being said, you've heard the testimony today. And I think we can actually start with Ms. Martindale, when she talks about the fact that she's -- and she seems to be a very diligent and hardworking employee, contracting officer, giving it the best she's got, not enough people.

I mean, I don't think that she was trying to make you all look bad.
She's just answering questions honestly.

We've heard testimony throughout about how it appears that there are problems with having the personnel to do the TEMPEST test and the resources to properly do them.

So while we listen and we hear, and I could go on and on, you've heard the testimony, but it's clearer to me and it's a worry that I've expressed to Mr. Oberstar on at least two occasions, if not more, that we've got to make sure that if the Coast Guard is taking on these responsibilities, that they have the personnel, the expertise and the resources to take them on.

I mean, that, to me, if we don't -- if that's not the case, then I think that we move from one bad situation to another bad situation.

And so I'm just wondering where does that stand.

I'll be very frank with you. At this moment, just based upon what I've read and what I've heard, I don't know that the Coast Guard is in a position to do certification with regard to TEMPEST. I'm not sure.

And so -- and there are a lot of other things I'm concerned about.
CUMMINGS: That's not beating up on the Coast Guard because we want to be the Coast Guard's number one advocates, but we also want to make sure that the Coast Guard has what it needs.

And so, taking into consideration what was said by the admiral yesterday, are we prepared to take on that responsibility?

BLORE: Yes, Mr. Chairman. I believe we are.

I share your respect for Ms. Martindale, and I would like to hire her back as a contracting officer for the Deepwater program, if she would like to return and join us.

Since I became the program executive officer a year ago, we've brought on about 45 new staff positions. That was the first increment that the commandant and I had worked out together as we started preparing to build out our system integrator capability.

I would not disagree with you for a moment that we're not prepared tomorrow to take over entirely the system integrator role. The commandant has a plan to transition. We are much more capable on the logistics and the materiel side of the Coast Guard. We still need to do a lot of build-out, especially on our C4ISR side, and I will be...
depending on my colleague heavily and other government sources to assist
the Coast Guard with that.

Right now, we have 22 contracting officer billets within the program. We
have expanded that since Ms. Martindale left.

Again, for full disclosure -- and I believe NAVSEA probably shares this
issue -- while I have 22 contracting officer positions, I don't always
have 22 contracting officers. Hiring in the Washington, D.C., general
area for what's called an 1102, general schedule person, is difficult,
especially at the junior classification rates, although we work on that
very hard, again with our colleagues.

And we will continue to use SPAWAR as a facility to run our TEMPEST
testing. I think some of the confusion earlier is we've always used them
for the instrumented testing. The actual certification is done by a
Coast Guard official, and that's why sometimes it may have been
confusing who was doing the certification. TEMPEST, for Coast Guard
assets, is certified by the Coast Guard based on SPAWAR testing.

CUMMINGS: Let me ask you this. In the admiral's statement yesterday, he
said something that, while it impressed me and it made me feel good, it
also left me kind of slightly with question marks.
He said the Coast Guard will expand the role of the American Bureau of Shipping or other third parties, as appropriate, for Deepwater vessels to increase assurances that Deepwater assets are properly designed and constructed in accordance with established standards.

What does that mean, if you can tell me?

In other words, one of the things that we have run into here with regard to TEMPEST is what is the standard. I mean, is the standard a moving target? Is the standard something that can be waived and whatever?

But putting TEMPEST aside, let's just deal with the American Bureau of Shipping. I mean, in talking to all of our experts, they tell me if we adhere to their standards, we'd be in pretty good shape, very good shape, and I'm wondering does this statement mean that that is the standard that we will be using, or what does this mean?

BLORE: Do you mind if I just ask Admiral Sullivan to comment on TEMPEST...

CUMMINGS: Sure. Please. Please.
(CROSSTALK)

BLORE: ... because we try to pattern off his program?

CUMMINGS: No, I'm happy to, happy to. Whoever is best to explain it.

SULLIVAN: Yes, sir, Mr. Chairman.

When you're building a ship or any complex system, there obviously has to be a standard that that ship or system is built to, and either the service can maintain a set of standards that you design and construct the ship in accordance with those standards and then you certify that ship, that it has been built to the design that meets the standards, the third-party aspect can either be handled by the service or by this third party, such as American Bureau of Shipping.

In the case of -- we have, in the Navy, been partnering with ABS. We have had a situation where we were unable to maintain our own standards due to lack of funding. We partnered with the ABS and developed a new set of standards that are not ABS standards. They're Navy-ABS partnership standards called the Naval Vessel Rules, and we've had a lot of discussion in Mr. Taylor's committee on what that meant to the LCS program.
But they are the rules to which you certify the ship. Either the service can perform that certification by an examination inspection, looking at paper, signatures -- objective quality evidence, we call it -- to ensure itself that the ship has been certified to those standards, or we can actually hire the third party, which, in this case, is the American Bureau of Shipping, to we call it class the ship by examining first the design and make sure the design meets the standards and then by inspecting the ship as it's being constructed and certifying that the ship was built in accordance with the design which met the class standard.

CUMMINGS: So who would do, say, the third-party certification of things like -- the systems like such as electronics? Who would do that?

SULLIVAN: Yes, sir. And ABS does not have experience to do that. So, for naval ships, as Admiral Blore said, the Space and Naval Warfare Systems Command, otherwise known as SPAWAR, they would do that certification for the Navy.

CUMMINGS: Good.

Admiral Blore, can you guarantee that none of the problems found on the
123s will be repeated on the NSCs?

BLORE: Mr. Chairman, I can guarantee you that when we discover them, we'll address them individually and correctly, and we'll communicate and we'll do the analysis necessary so that we knowingly walk into the future.

I'm not going to suggest for a moment that a platform as complex as the National Security Cutter isn't going to encounter issues. I have 20 or 22 right now that I look at in my level. But we address each one. We address the risk. We address the potential consequences. We work with our colleagues primarily at (inaudible) Ships down in Pascagoula and eliminate them as discrepancies.

CUMMINGS: Are you anticipating, I mean, other than beyond what you just said, are you anticipating those problems similar to the 123s in any way?

BLORE: Absolutely not. The National Security Cutter will be the finest Coast Guard cutter we have ever had. It will be more capable. We're working through all the issues, and we're doing it before we accept delivery of the cutter.
CUMMINGS: Thank you. That's helpful.

Is that a new way of doing business?

BLORE: I think Congressman Taylor would say it's the only way of doing business. It's the way we should have always been doing it, to work out these things before the government accepts final delivery.

I'm not suggesting that in almost probably every case when you do a DD250 and accept custody there's going to be some discrepancies, but there should be no major high-risk discrepancies that you're accepting when the government takes ownership.

CUMMINGS: Thank you.

As far as low-smoke cabling, is that used in the NSC?

BLORE: Yes, sir.

CUMMINGS: Is it meeting specifications?

BLORE: Yes, sir, but there is similar issues to what we discussed before in that one of the tenets of the Deepwater program -- and I think it's a
good tenet -- is to attempt to use commercial off-the-shelf equipment
when it's appropriate.

So we have a lot of the little like the mouse cable to the computer, a
water fountain that just does not come with low-smoke cabling. It is
possible for the government to request that all to be switched out, but
we don't think anybody is at any degree of risk because of a couple of
feet of cable.

When it's longer -- for example, the main mount, the 57-millimeter,
came with non-low-smoke cable -- we asked the manufacturer to switch
that out before we installed it because it was a pretty long run.

CUMMINGS: You've heard the testimony with regard to these waivers. Do
you think that the Coast Guard appropriately waived in the past, and is
there any change -- do you see any changes with regard to waivers in the
future?

One of the concerns, I mean, if we look at it, it seems to me that --
and I heard the testimony of some earlier witnesses about how there were
certain things that connected to telephones and things of that nature,
wiress -- but it seems to me we would try to be in front of all of that
so that, you know, it lessens the disputes. And I'm just wondering, are
And you know what happens. When we hear about waivers, we begin to think that, "Well, is somebody trying to get around the provisions of the contract?" And when you talk about low-smoke cabling, then it sends up, I mean, bright lights and alarms because we're concerned that your personnel might be harmed in case of an emergency.

So I'm just wondering are there any lessons learned with regard to these waivers?

BLORE: Yes, sir. I think there's a lot of lessons learned, but let me just speak to one of them because I think it's probably the singularly most significant event in the way we conduct the Deepwater program now.

When Deepwater was first organized, it was basically our organic organization. Everything was contained within it, we did our own logistics -- this is going back to 2002, 2003 -- and it became somewhat isolated. It originally started with only 75 government personnel.

We're much larger than that now. We have formally established the role of our technical authority, which is Admiral Dale Gabel, which is, in essence, a smaller version of NAVSEA that we have within the Coast
Guard, and we have another admiral, Dave Glenn, who functions in the same role for C4ISR.

I'm not an engineer. Even the engineers will offer different opinions occasionally, some of which you've heard today.

The beauty of the current system is I don't try to sort that out. I go to the chief engineer of the Coast Guard and say, "What would you like me to do?" Or I go to the chief C4ISR admiral in the Coast Guard and say, "What would you like me to do?" Because in the end it's their opinion that I'm going to value and follow.

So I think that's the most significant thing. If the chief engineer of the Coast Guard said that we should accept a waiver on something, I would certainly discuss it with him to make sure I understood what his rationale was, but that's why he was appointed in that position for the commandant and the same thing on the electrical side.

CUMMINGS: Now will you send the cutter one to the Navy? What do you call it -- COMOPTEVFOR? Is that how you pronounce it?

BLORE: Yes, sir. COMOPTEVFOR. It's Commander Operational Test Forces.

CUMMINGS: Will you do that? In other words, are you going to send them
to that center for the same analysis that was performed on the 123s?

BLORE: Yes, sir. In fact, we've established about a huge staff of eight Coast Guard men and women that are actually assigned to COMOPTEVFOR that work with the larger staff that's there so that we can help advise the testers and evaluators with COMOPTEVFOR of what the Coast Guard unique requirements are, and the Coastees are actually assigned there full time and sit next to our Navy and Marines colleagues.

CUMMINGS: Now, the Defense Acquisitions University recommends that the Coast Guard should convene a summit of the Coast Guard integrated team and the Navy to examine all opinions about fatigue life on the NSCs. Will you convene that summit?

BLORE: Yes, sir. I actually hired Defense Acquisition University to come in and do that analysis because we wanted to get the opinion of acquisition professionals on our acquisition policy. As you know, they gave us a good number of recommendations which we're incorporating.

We've already had that summit. We worked with the Carderock Division of NAVSEA, and we've actually worked out a technical solution now with Northrop Grumman. It's not on contract yet. It should be on contract by the end of this month.
It's typically referred to in the Coast Guard as the one-break solution, but it assures the fatigue life of the National Security Cutter of 30-plus years.

CUMMINGS: Now, what measures will now be taken to increase the role of the Navy in testing the C4ISR security and assessing the effectiveness of the ship designs and improving the management of the Deepwater contract?

BLORE: Well, specifically for C4ISR, Mr. Chairman, we are trying to build our own Coast Guard organic capability a little bit more. It's going to probably take us 18 months before we have our own evaluators within the Coast Guard.

In the meantime, we're completely dependent on NAVSEA for any of the instrumentation and testing. We certainly have some expertise in the Coast Guard, but it's certainly not our intention to go it alone for C4ISR. That will be an area in particular that will be heavily dependent on Admiral Sullivan and others.

CUMMINGS: The Defense Acquisitions University's report suggests that the acquisitions excellence in business competencies are not valued in the
Coast Guard as much as operational excellence. Can you comment on this finding, and what will you do to cultivate acquisitions and financial management expertise among your personnel?

And I want to go back to something that, I think, the commander said when he talked about -- and this has come up in other hearings -- that capacity to have contracting officers, folks who have expertise in putting together these contracts.

Because I think Admiral Allen has admitted, along with many others, that part of the problem with this contract is that a lot of the provisions are not necessarily in our best interests, and some place us in a position where they just call out for dispute because there are some ambiguities.

And perhaps we could have resolved a lot of this -- and I think Ms. Martindale may have mentioned it, too -- if we had had the experienced contract folks involved in the process of creating a contract that was more balanced and certainly in the best interests of the Coast Guard and the American people.

BLORE: I agree with what you just stated, Mr. Chairman. We have a type of contract that probably requires the most sophisticated expertise in
contracting officers as opposed to a contract that has a lot more specifications.

That is why we're changing the terms and conditions as we go into the next award term. And we really do believe that the contract is the key, which is why we want to work on the terms and conditions and at least enough specificity that while it's still a performance-based contract, there's enough specificity so there's no misalignment with what we expect from industry.

CUMMINGS: Mr. LaTourette?

LATOURETTE: Thank you very much, Mr. Chairman.

Admiral Blore, in your written testimony, you state, at no time did the 123-foot patrol boats engage in mission operations without first successfully completing standardized testing. Does that mean that at no time did these vessels operate without the authority-to-operate designation?

BLORE: Sir, to the best of my knowledge, they've never transmitted on a classified frequency or received on a classified frequency without the correct authority to operate.
These cutters have commanding officers. They know when they have an authority to operate. They will and have in the past gotten underway and not energized any of their secure gear because they didn't have the authority to operate.

I can also say as part of my sworn testimony that I have never been made aware of any compromise that has ever occurred off a 123-foot cutter. We are also, the Coast Guard, a member of the Intelligence Committee, and neither has my chief of intelligence of the Coast Guard ever notified me that there's been a detected compromise from a 123-foot cutter.

LATOUTRETTE: And to both admirals, the chairman talked about waivers, and we've spent a good portion of the hearing talking about TEMPEST and TEMPEST testing and waivers. Is it unusual for waivers to be granted in the TEMPEST testing program either in the Coast Guard or in the Navy?

SULLIVAN: It's not unheard of, but it's not common.

LATOUTRETTE: Admiral Blore?

BLORE: I really don't think I know the answer to your question. I'm sorry. It certainly appears to have happened in the 123. I'd be happy to
submit something for the record and go through the rest of our cutters and see whether they have any waivers.

LATOURETTE: If you could. And as a follow-up -- and if you can't answer this today, maybe you can get back to me, too -- but, Admiral Sullivan, if you know -- can these waivers ever be granted if there's a risk that national security will be endangered?

SULLIVAN: I think I would rather take that for the record so I could pass it to the proper people. I'm more the ship engineering guy than the C4ISR.

LATOURETTE: OK.

And, Admiral Blore, maybe if you could get back to us on that one as well.

Admiral Blore, yesterday, in the commandant's statement, he made, I thought, three insightful and succinct points that led us to that point. He stated that the Coast Guard relied too much on contractors to do the work of government as a result of tightening AC&I budgets, a dearth of contracting personnel in the federal government, and a loss of focus on
I think the principles that he laid out clearly address the third item. But relative to the contracting officers, I think it would be my observation that contracting officers, like Ms. Martindale, don't fall from the sky, and I heard you -- one of my questions was does the service have the ability to do that today, and I think you said no, and I think you said something about 18 months. Maybe I'm mixing your answers.

But can you just share with us how many of these experts the Coast Guard thinks it needs to hire to adequately do the job and how the service plans to identify and hire these folks?

BLORE: Yes, sir. I believe currently we have sufficient contracting officer positions, the 22 that I alluded to before. I think currently, right now, we have 17 filled, so I'd like to bring that up to complement.

There are a couple things that the Office of Personnel Management is allowing us to do now. We can do what's called direct hires. So, if I find somebody that's fully qualified, I can basically offer him a job on
the spot, if they're qualified to be a government contracting officer.

So that has helped.

We've also had a shift in processes where we're using our contracting officers in the field more than we did originally with the Deepwater program. For example, I have a contracting officer in Elizabeth City at the Aircraft Repair and Supply Center, and I'm doing a lot of the spare parts purchases for the CASA and also through Eurocopter for the H-65 helicopter through the facility at AR&SC.

We're starting to set up the same thing -- I have a contracting officer that's about to be warranted -- in Pascagoula so that much of the contracting work can be done on site, which I think is, frankly, the Navy model where contracting officers are typically on site where the construction is taking place.

LATOURETTE: And my last question, Mr. Chairman, the first panel -- and I know, Admiral Blore, you were in the room for the first panel -- and I think I've tried to boil down the essence of the allegation that was made. The allegation that was made by some folks in the first panel is that Lockheed Martin underbid the 110 conversion contract without the
expertise to properly complete it, then when discovering that they were
over their head, made business decisions based on cost and schedule on,
among other things, low-smoke cables and shielded cables for the TEMPEST
system that compromised national security and endangered Coast Guard
personnel.

Do you think that that's an accurate representation of what happened
with this conversion program?

BLORE: I don't believe I have the necessary information to make a
judgment, sir.

The one thing I would say -- and I think this would support what Ms.
Martindale said -- is a properly run acquisition would run enough
government cost estimates and other surveys, including using our
government audit agency, to ensure that a contractor is not bidding a
price that on its appearance could not possibly do the work that the
government's asking for.

That's the way the government protects against what somebody earlier
referred to as an aggressive bid. If it's that aggressive, then the good
government cost estimate should show that it's too aggressive and the
work shouldn't be awarded.
I don't know enough about the details to really answer the question you asked, sir.

LATOURETTE: OK. Just specifically on the waivers and the low-smoke cabling that Commander Jacoby talked about, are you in agreement or in a position to be in agreement with the decision he made relative to the placement of those cables on the ship?

BLORE: Based on everything I know, I think I would agree that the waivers were appropriate for the non-low-smoke cables that were used. One of the things that the inspector general pointed out, which is very true, is that often the waivers and deviations were being given after the fact. In other words, they were following installation. That's another bad acquisition practice. If you're going to do something like that, it ought to be done before anything is installed.

But I think the actual location -- and I think even the inspector general agreed with this -- that there was no risk to the Coast Guard crew for the non-low-smoke cables that were installed, but they did find fault with the process and why the deviations were given after the fact.

LATOURETTE: And the fact that four ships had been delivered out of spec
until that waiver was requested and granted. OK.

Thank you very much.

Thank you, Mr. Chairman.

CUMMINGS: Are we going to reverse that? We're going to do business differently now, right? I mean, I'm just following up on what he -- what Mr. LaTourette just asked you. We're not going to be having these waivers after the stuff is already done, are we?

BLORE: Not unless the waiver is in the interest of the government. I mean, there's always going to be considerations made that, you know, perhaps a piece of equipment is in the interest of the government to have installed, you know, before the fact. Otherwise, we won't accept it.

CUMMINGS: Just before we get to Mr. Oberstar, I think one of things that we are most concerned about, I mean, when you talk about this low-smoke cable and things that would go to the very survival -- I mean, I'm talking about life and death -- of the very people that you command, I think that we have to have a certain hope, a standard where if there is any -- if we're going to err with regard to waivers, that we err on the
side of life and safety, and I think that sometimes I'm just wondering.

I mean, I've read what has been written in the I.G. report or what has been presented to us, and I just wonder whether we have done that consistently with those waivers. I think when we're dealing with things like that, I mean, I think we're going to -- because you know what? If we are granting these waivers and then something happens and we in the Congress knew about it and did not try to address it, then I think we've become a part of the problem.

And so, Mr. Oberstar?

OBERSTAR: Well said, Mr. Chairman.

And, Mr. LaTourette, also appreciate your line of questioning and the issues you raised. I think they're extremely important.

Admiral Blore, at the outset of your testimony and Admiral Allen's remarks in the news conference yesterday, avoid recurrence, good to avoid recurrence, but let's avoid living in the past. Let's not review the past.

Philosopher George Santayana wrote, "Those who do not study the past are
condemned to relive it."

Thirty years ago, the Coast Guard in 1978 completed construction of two polar icebreakers -- it was my first or second term in Congress -- Polar Sea and Polar Wind. Polar Sea went on mission to break ice in the North Pole. In February of '81, it got stuck and stayed there for two months.

We're about learning lessons from the past and making sure they aren't repeated in the future. And I don't want to be lectured in this committee and all our members be lectured about learning from the past.

Were you aware that Admiral Kramek, after he retired, went to head the ABS, American Bureau of Shipping?

BLORE: Yes, sir.

OBERSTAR: And that during his tenure -- he's now retired from there -- he offered to Bollinger to do structural engineering analysis and to do it free? Are you aware of that? And was refused.

BLORE: I'm not aware of the details, sir. I've certainly heard that, but not from necessarily a credible source. But, certainly, I've heard the story that it was offered.
OBERSTAR: Well, you know, in one case, the Coast Guard said, "Gee, we don't want to take the Navy's offer of doing this design analysis because it's going to cost us $42,000."

In the other hand, the shipyard gets an offer of free review and analysis and they won't take it either. There's something wrong with this.

Admiral Allen announced yesterday the Coast Guard's going to take the lead role as systems integrator for Deepwater. I'm not convinced you're ready to do that. Tell me how you think you're going to be able to do that in light of the testimony we've heard today.

BLORE: Yes, Mr. Chairman.

And before I answer that, let me say it was never the intent on the part of the Coast Guard -- and, certainly, I speak for the commandant -- to sound like we were lecturing anyone on learning from the past. And it is a little bit perhaps of a semantical difference. We do believe in learning from the past. We do believe in applying those lessons to the future. I think we meant it more in the context of not to fight the last war.
We need to learn from the past and apply it to the future acquisition because, you know, we know -- and as you know -- that we have a responsibility to recapitalize the Coast Guard so we can keep doing our missions, and that's what we meant. I'm not suggesting for a moment we shouldn't learn lessons from what occurred.

OBERSTAR: I appreciate that, but we want to know that the Coast Guard is learning those lessons and that they are ready to in various ways shoulder the responsibility of handling multibillion-dollar contracts that are going to carry the Coast Guard's capital equipment program into the future with a high degree of certainty that it can succeed.

Now I've been through this years ago with the FAA. They were unable, as it turned out -- and it was again the Navy who came in and did an assessment, Admiral Sullivan, of FAA's procurement program in the STARS acquisition and the Advanced Automation Replacement System -- and said, "They just don't have the personnel. They don't have the systems. They don't have the structure. They don't have the understanding of how to handle these multibillion-dollar contracts."

And it would seem to me that the Coast Guard was in the same mess. You got in way over your head, and you allowed these contractors to certify
themselves.  

And we want to know when we go forward, we want to do this Coast Guard authorization bill, do it right, put the money out there that's needed, give you the resources you need to move ahead, we want to know you're going to be able to do the job right.

BLORE: Yes, sir. I appreciate that, and I appreciate your support for the resources.

I believe we can do it right. That's why we've increased our staffing, that's why we've changed our processes on how we address things, and that's why we have a much closer working relationship with the United States Navy, because we know what we can do and we know what we can't do, and that's where we'll depend on other government agencies, primarily the Navy.

OBERSTAR: To whom does the Navy turn when it needs advice on hull machinery and electronics, or are you really, as everyone says, the gold standard?

SULLIVAN: Sir, I don't know if we're the gold standard, but we have worked very hard to keep the expertise for hull mechanical, electrical and electronics in house because we believe that only the service can be
in charge of knowing what it wants and specifying what it needs and in
directing the contractors to deliver the performance that we need.
That's a very precious core capability, we feel it's inherently
governmental, and it takes years to grow.

OBERSTAR: In the upcoming authorization bill, it seems to me that this
would be an appropriate time to craft, as we have done for the Corps of
Engineers -- and a bill is coming up on the House floor tomorrow -- a
process of independent review.

Admiral Blore, what do you think -- what would be the Coast Guard's
reaction to, in general, an independent review authority for major
contracts?

BLORE: Well, I think generally our reaction would be if it's the desire
of the Congress, then we would execute it.

I don't know that we need congressional authority to do that. I think
much of the independent review, such as hiring Defense Acquisition
University and using third parties, we have ample authority to do
ourselves.

OBERSTAR: There's no question you have ample authority to do it
(inaudible) you haven't used today authority, and maybe what you need is
direction from the Congress.

BLORE: Mr. Chairman, respectfully, I think that I would agree with your
statement for 2002 through about 2004-1/2 (ph) or 2005. I think that the
commandant has changed the way we do our processes.

Having said that, our number one priority, as far as any legislative
language, is just that the Coast Guard be allowed the opportunity to
continue our recapitalization program. Anything else that the Congress
desires us to do -- and, obviously, if it's passed in the legislation we
would do it -- but we would hope that we'd be allowed to continue to
recapitalize the Coast Guard so we can execute our missions. And
anything else, if the Congress would like to suggest it, we'd be happy
to execute it.

OBERSTAR: We don't want to slow down at process at all. We don't want to
stop it in its tracks. But the same with the Corps of Engineers who act
only on direction of the Congress, and yet we've felt for some time that
there was a need for independent review.

The Corps of Engineers came to an agreement with us on that, and we have
language tomorrow that'll be on the House floor that will provide for
We'll explore this further as we move into the authorization process and draw on the great resources we have in the members on this committee on both sides of the aisle.

Thank you, Mr. Chairman.

And thank you very much, Admiral. We're about to set a record for endurance in this committee, and in another 15 minutes, we'll have done that, and I thank you for your endurance.

CUMMINGS: Mr. Gilchrest?

GILCHREST: Thank you, Mr. Chairman.

Admiral, how did these cutters get to Curtis Bay? These eight cutters, how did they get up there?

BLORE: We, I believe, towed the cutters. They may have gotten underway, because they are capable of it, to meet whatever cutter was towing them. It was our choice to tow them because we had put operational restrictions on them to keep the crew safe and not at risk, and we felt it had progressed to the point that we didn't want the cutters
functioning independently.

GILCHREST: So I understand they're going to be scrapped?

BLORE: Yes sir.

GILCHREST: Where are they going to be scrapped?

BLORE: I don't think that's been determined yet, sir.

GILCHREST: So they're in such a condition that none of them could be salvaged or fixed?

BLORE: Again, I'm speaking on what I've been told because I'm not an engineer. Admiral Gabel, our chief engineer, did do a fairly exhaustive studying on the cutters. There were about six recommendations presented to the commandant.

I think right now there are three competing theories on what the root cause is. One's a naval architectural effect called channeling; the other is that the stern section, because of the way the lines are, was overly buoyant; and the third is that the metal itself was so fatigued, it didn't have enough structural strength from the original 110s.
It's Admiral Gabel's opinion that he has a very low confidence that...

GILCHREST: So, at any rate, it's just likely that the best thing to do, rather than go through any more expenses, is just scrap all eight?

BLORE: Yes, sir, because it's going to involve millions of dollars a single cutter, probably 18 to 24 months to develop, whether your solution actually works, and I think the commandant would like to focus elsewhere.

GILCHREST: OK. Just a couple of other questions.

And this would be to, I guess, Admiral Sullivan -- or Vice Admiral Sullivan.

Do you feel that the Coast Guard adequately addressed the concerns that apparently the Navy shared with its engineers about the hull integrity of these 123s?

SULLIVAN: Sir, I can tell you that what the Navy engineers said to the Coast Guard, that we were worried about the plate thickness and the section modules of the hull, and we offered to help, but beyond that,
I'd be remiss to try to explain what...

(CROSSTALK)

GILCHREST: Was this consultation in the early stages of the consideration of the design of these vessels?

SULLIVAN: I think the consideration started with some very casual conversations in 2002, and nothing came of those, and then there were more serious conversations in 2005 when we actually produced a cost estimate for what we would do, and then that was about it.

GILCHREST: So, Admiral Blore, do you think that the problems that we have seen here today about adequate communication, consultation, recommendation between you and the Navy regarding this kind of issue has been adequately resolved?

BLORE: Yes, sir, especially as far as relationships between us and the Navy, and, in this particular case, using CCD or the Carderock Division for expert counsel.

GILCHREST: This ranges from whole design to logistics, the C4ISR, the whole ball of wax. This has been -- you feel that there are certain --
the integration here is pretty well complete on these issues...

(CROSSTALK)

BLORE: Yes, sir. Yes, sir. And I would say really at all levels --between the CNO and the commandant, between me and my colleague, and certainly PEO ships, and the same thing on the logistics on the naval engineering side and the C4ISR side.

GILCHREST: Let me ask, the capabilities that the Navy has for in-house engineering, is that also in part of your conversation, that those capabilities, that in-house engineering capability, is any of that or can any of that be available to the Coast Guard?

SULLIVAN: Yes, sir. We stand ready to help. We are heavily loaded today. We have our own issues with cost reduction and staffing reduction at headquarters, but, compared to the capability that the Coast Guard lacks, we are robust and, subject to workload, we would definitely be ready to work.

GILCHREST: Is that something you would solicit, Admiral Blore, from the Navy?

BLORE: Yes, sir. You're expressing it, respectfully, as if there's some
hesitation on our part. There's no hesitation for us to work with the
United States Navy.

GILCHREST: Have the Coast Guard and the Navy discussed the possibility
of enhancing the commonality of the Navy and Coast Guard vessel designs
and component systems?

BLORE: Yes, sir. I could just give you two quick examples.

Certainly for much of the Navy-type, Navy-owned equipment on the
National Security Cutter, we're using the recommendations of the Navy.
Our preference is to stay standard with them, if we can, because they
bring...

GILCHREST: You say, "Our preference is to stay standard." Can it just be
-- wouldn't it be better if it was standard and can it be made standard?

BLORE: Yes, sir, but, for example, they would put many more weapon
systems on a patrol boat than we would. So there are some cases where we
won't be standard because we just won't have as powerful a weapon's
suite as they would.

In the case of the offshore patrol cutter, which is still a couple of
years away, we're currently working with NAVSEA to actually do a study
together on how the LCS, an original design offshore patrol cutter, or
even our National Security Cutter might be used to kind of form the
basis of a design.

We're very interested in seeing how the Littoral Combat Ship develops
and whether it would be possible to have potentially, for example, a
Coast Guard version of that. So we are very interested in being aligned
and have commonality when we can.

SULLIVAN: Let me give a couple more examples, sir. The gun on the
National Security Cutter is the same as the gun on the LCS, and that gun
is also going to be used on the DDG-1000, and we're sharing all our
information across the services (inaudible) make sure we're as common as
we possibly can be in the installation of that gun.

Additionally, I mentioned Naval Vessel Rules before, where we're
developing them in conjunction with ABS. The Coast Guard signed on, I
guess, about two years ago, and there's a Coast Guard annex to the Naval
Vessel Rules. So we are sharing all the lessons learned and all of the
rule development.

My chief engineer, Kevin McCoy, and Admiral Gabel, his counterpart in
the Coast Guard, have cosigned an agreement that they will work
together, and Admiral Gabel is now attending all the meetings of the
Naval Vessel Rules Committee. So there's an awful lot going on there
now.

GILCHREST: Thank you very much, gentlemen.

Thank you, Mr. Chairman.

CUMMINGS: Thank you very much.

Mr. Kagen?

KAGEN: Thank you, Mr. Chairman.

And I'll make no reference to icebreakers, because, by the time we get
out of here, all the polar ice caps are going to be melted. Got to have
a sense of humor.

Admiral Blore, I just want to get your opinion on record here about Mr.
Ronald Porter. Is Ron Porter a CTTA?

BLORE: Again, as was mentioned before, I have not -- I don't think I've
actually met him or asked to see his credentials. I would go to the
assistant commandant for command, control and information to get certification on TEMPEST, and I believe they used Mr. Porter.

KAGEN: OK. Then I'll ask you a hypothetical question. Assuming that he is not a CTTA, then would it be true that those ships that have been firing up their communications equipment have been doing so in violation of our rules and laws?

BLORE: I would assume you need to have the proper certification and authority to grant the authority to operate. Yes, sir.

KAGEN: OK.

Thank you, gentlemen, for your service to the country.

And I yield back my time.

CUMMINGS: Thank you very much.

I want to thank you all for your testimony.

I want to thank the members of Congress for sticking around this long. I know you have 50 million things to do.
And this does conclude our hearing.

But please understand that Mr. Oberstar and many of us have expressed our concerns with regard to where the Coast Guard is going, and we want to make it very, very clear -- and I said it from the very beginning when I was appointed the subcommittee chairman -- that I am going to be a number one fan of the Coast Guard, but in being a number one fan, that also means that we want the Coast Guard to be the very, very, very best that it can be so that it can do all the things that it's mandated to do and do it effectively and efficiently.

And so this has in no way been an effort to try to make anybody look bad. We just need to look to see what has happened in the past, as Mr. Oberstar said, so that we can chart a most effective and efficient course for the future.

And I think this hearing has gone a long way towards doing that. We certainly will look very carefully at what has transpired here and act accordingly there. I'm sure that there will be some follow-up questions.

And we thank you all very much.
And this hearing is adjourned.