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Good Morning Mr. Chairman and distinguished Members of the Subcommittee.

Thank you for the opportunity to explain the progress we are achieving on the U.S. Coast Guard's Integrated Deepwater System program. Speaking for the men and women of Lockheed Martin, we are very proud to be associated with this critical program. The Coast Guard is a key national asset for assuring the security and safety of our country's maritime transportation system. Each of us, in accomplishing our daily tasks on the program, has a deep sense of the importance of achieving the very best for the Coast Guard and our nation.

Overview

The Integrated Deepwater System program is delivering both new and upgraded fixed wing and rotary wing aircraft; new communications systems that are making a significant contribution to improved mission performance; and, the logistics systems necessary to support fielded assets. We understand the Integrated Deepwater System will continue to evolve. To meet this ongoing challenge, Lockheed Martin is applying a disciplined system engineering approach to the program. This will continue to be vital for achieving more robust capabilities given fiscal realities – a one-asset-at-a-time recapitalization approach would be unaffordable. Lockheed Martin is committed to providing our best talent and capabilities for supporting the Coast Guard.

Lockheed Martin is primarily responsible for four Deepwater domains: System Engineering & Integration, C4ISR (the command and control network), Logistics and Aviation (refurbishment of existing assets and production of new assets). Lockheed Martin's goal is the full application of system engineering methodologies to establish the best mix of assets and introduction of new capabilities as well as implementation of the associated logistics systems. Most important is maintaining emphasis on the implementation of the Deepwater system-wide command and control network. C4ISR (Command & Control, Computers, Communications, Intelligence, Surveillance and Reconnaissance) is the network "glue" that permits various assets including ships, aircraft and shore stations to work together to more effectively and efficiently achieve a common purpose. Thus, the C4ISR domain is of particular importance as most modern civil, commercial and military systems are dependent on the value delivered by the integrating power of the network.

Key Achievements

We are making good progress and are delivering significant new and upgraded capabilities. At the same time, we recognize the system level effects of networking are essential to achieving the level of mission performance needed by the Coast Guard. Lockheed Martin is accomplishing high rates of software re-use as well as system commonality and integration by the rigorous application of proven system engineering processes and capabilities. In addition, we are managing implementation of support systems for all Deepwater program domains. The Lockheed Martin team is working closely with our Integrated Coast Guard Systems, LLC (ICGS) joint venture partner, Northrop Grumman, to ensure that electronic equipment developed and produced under the cognizance of the C4ISR domain is appropriately configured for installation on the ships.

Every one of the Coast Guard's 12 high-endurance and 27 medium-endurance cutters have received not one but two command and control system upgrades – giving the fleet markedly improved capability to seize drugs, interdict migrants and save lives. As for shore sites, there are a total of 12 on contract: two Communication Area Master Stations, eight Districts, one Sector and Headquarters. Use and reuse of Commercial-Off-The-Shelf, Government-Off-The Shelf and fielded maritime systems are being maximized for commonality and interoperability. The application of off-the-shelf software permits Deepwater to take advantage of the rapid changes in the commercial market place and the investments which commercial firms make in their best of class technologies. This will facilitate Coast Guard interoperability with civil and international systems, a key consideration given their mission mix.

The National Security Cutter is using 75 percent of the U.S. Navy's Open Architecture Command & Decision System. The Command & Control System for Maritime Patrol Aircraft employs more than 50 percent of the functionality of the Navy's P-3 Anti-Surface Warfare Improvement Program. The Operations Center consoles on the National Security Cutter utilize more than 70 percent of the design of the Navy's UYQ-70 display systems. Use and reuse of available software and systems is the key to commonality. In addition, this approach takes greatest advantage of the work undertaken with the Navy to establish the best Human System Interface including workspace ergonomics, viewing characteristics, input devices and overall system architecture.

The first medium-range surveillance maritime patrol aircraft, the newly designated HC-144, has been transferred to the Coast Guard. It arrived at Elizabeth City, N.C., on December 20, 2006 and is now undergoing missionization work that will be completed in April. The second aircraft was accepted by the government on January 25, 2007 and the third aircraft is in flight testing. The second aircraft will now be delivered to Elizabeth City for missionization and two crews are already in training. At the same time, we are working to complete re-engining and upgrading of HH-65 helicopters with 65 of 95 helicopters delivered to date. This project was part of the original Deepwater program plan. However, at the direction of the Coast Guard, it was rapidly accelerated due to safety of flight issues. Lockheed Martin and American Eurocopter working with the Coast Guard Aircraft Repair and Supply Center are now producing upgraded helicopters ("Charlies") that can fly faster, twice as far and with twice the payload.

Six long-range surveillance C-130J aircraft are undergoing missionization and will be delivered within 15 months after receipt of the contract with fully interoperable command, control and communications systems. The first aircraft was inducted for missionization at Greenville, S.C., on December 19, 2006. In addition, the service contract for the Helicopter Interdiction Tactical Squadron (HITRON) based in Jacksonville, Fla., has been renewed for a fifth year. These eight MH-68A helicopters are equipped with Airborne Use of Force and have had a significant impact on illicit drug interdictions. The squadron celebrated its 100th interdiction last May.

Industry's performance has been closely supervised by the Coast Guard with additional oversight from the Department of Homeland Security, the Congress and the Government Accountability Office. Each of the multiple reviews has provided constructive recommendations as requirements and funding levels continue to evolve. The results so far indicate that Deepwater has made a dramatic difference in the effectiveness of the Coast Guard with regard to the numbers of drug seizures, migrant interdictions and lives saved. Coast Guard statistics show double-and triple-digit percent improvements as Deepwater assets and upgrades enter the fleet.

Strategic Context of ICGS

The Deepwater program is modernizing the Coast Guard by providing new assets and expanding capabilities in aviation, ships, shore stations, logistics, and command, control and communications systems. The ICGS joint venture between Lockheed Martin and Northrop Grumman was designed as a low overhead contracting vehicle. Its purpose is to provide for rapid parsing of work between the two partners while at the same time achieving close collaboration and cooperation. It is important to note what it is not. The ICGS joint venture is not a systems integrator, nor is it a replacement for Coast Guard decision-making. All designs and improvements are based on trade studies, analyses, and technical considerations. But make no question about it – the Coast Guard is the decision maker and contracting authority and all major acquisition decisions are reviewed and approved by Coast Guard senior leadership. ICGS utilizes the depth of capabilities and experience of its partners to provide solutions in accordance with Coast Guard requirements. The joint venture partners are utilizing more than 600 suppliers in 42 states plus the District of Columbia. In addition, ICGS maintains an active database of more than 3,000 potential suppliers.

The Deepwater program began in 1997 as competing teams were established to develop proposed solutions for bidding the program. In fact, proposals were submitted to the government less than two weeks after 9/11. Since then, the ICGS team was awarded the Deepwater program and successfully accomplished a number of changes. Most significant were those resulting from the dramatically increased Coast Guard operating tempo in the post-9/11 environment. This means that legacy equipment began to wear out far more rapidly than had been projected. A good example is the HH-65 helicopters mentioned above. While the ICGS team's approach always included re-engining of this equipment, the original plan was to be accomplished over a longer time period. Nevertheless the team was able to process the urgent requirement for re-engining and more than two-thirds of the fleet have already been upgraded and returned to service. It is this inherent flexibility of the ICGS joint venture stemming from the deep capabilities of its partners that will facilitate our working with the new acquisition organization planned by the Coast Guard.

The Way Ahead

Our overarching goal is to provide more capability to the fleet, sooner. We are dedicated to analyzing and recommending approaches for maximizing the value delivered to the Coast Guard, in accordance with the customer's view of value, not that of industry. This requires the best talent from each corporation. ICGS works closely with Coast Guard personnel to assure constant communications and improved working relationships. The strategic policy changes that have occurred since 9/11 must be factored into problem solving. The Coast Guard and the Department of Homeland Security have needs that can be satisfied by the Deepwater program and its approach to value delivery. The way forward will be difficult, but given the capabilities of the participants and the strategic imperative to better outfit our Coast Guard so the safety and security of our nation is improved, the Deepwater program is eminently achievable.

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