



Polar Security Cutter: Block Buy Feasibility

July 25, 2019

Fiscal Year 2019 Report to Congress



**Homeland
Security**

United States Coast Guard

Foreword

July 25, 2016

I am pleased to present the following report, “Polar Security Cutter: Block Buy Feasibility,” which has been prepared by the U.S. Coast Guard.

Senate Report 115-283 accompanying the Fiscal Year 2019 Department of Homeland Security Appropriations Act (P.L. 116-6) requires the Coast Guard to provide a report on the feasibility of block buy contracting for the acquisition of heavy polar icebreakers.

Pursuant to congressional requirements, this report is being provided to the following Members of Congress:

The Honorable Lucille Roybal-Allard
Chairwoman, House Appropriations Subcommittee on Homeland Security

The Honorable Chuck Fleischmann
Ranking Member, House Appropriations Subcommittee on Homeland Security

The Honorable Shelley Moore Capito
Chairman, Senate Appropriations Subcommittee on Homeland Security

The Honorable Jon Tester
Ranking Member, Senate Appropriations Subcommittee on Homeland Security.

I am happy to answer any further questions you may have, or your staff may contact my Senate Liaison Office at (202) 224-2913 or House Liaison Office at (202) 225-4775.

Sincerely,



Karl L. Schultz
Admiral, U. S. Coast Guard
Commandant





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I. Legislative Language

This document responds to the language set forth in Senate Report 115-283 accompanying the Fiscal Year 2019 Department of Homeland Security Appropriations Act (P.L. 116-6).

Senate Report 115-283 states:

Heavy polar icebreakers are essential to securing the national security and economic interests of the United States in the Arctic and Antarctic. To ensure the United States is able to achieve this objective in the most expeditious and efficient manner possible, the Coast Guard should explore block buy pricing for the heavy polar icebreakers. Not later than 180 days after the date of the enactment of this act, the Coast Guard shall submit a report to the Committee on the feasibility of block buy contracting for the acquisition of heavy polar icebreakers.

II. Report

Background

The U.S. Coast Guard continuously evaluates the feasibility and savings of block buy purchases for the Polar Security Cutter (previously referred to as the Heavy Polar Icebreaker) program. Based on industry feedback, the Coast Guard believes that savings could be achieved through block buy purchasing for multiple hulls. Section 1137 of title 14 U.S. Code provides permanent authority for the Coast Guard to use block buy contracting with economic order quantity purchases of Components in major acquisition programs.

Block Buy Contracting

Block buy contracting is similar to multiyear procurement in that both allow for the purchase of multiple years' worth of equipment at once. Block buy contracting can be used to buy material in bulk in order to realize cost savings. The material can range from components of a ship to block buy purchasing of multiple ships at once. Cost savings result from the Federal Government purchasing multiple sets of items at once rather than one at a time as is typical.

The Coast Guard has queried industry for feedback on the feasibility of block buy purchases. During the Polar Security Cutter Industry Studies contract, the participating companies were asked for approximate savings resulting from block buy contracts. Limited feedback indicated that the Federal Government could save between three to five percent, but these savings would be realized only if multiple sets of items (ranging from long lead time material or whole ships) were purchased at once.

Industry feedback also was solicited as part of the release of the Detail Design and Construction Request for Proposals. Prime offerors were asked to provide information related to the benefits of congressional authorization of block buy and/or economic order quantity, but no responses were received.

The Coast Guard will continue to evaluate opportunities for savings during execution of the Polar Security Cutter contract. As the detail design progresses and specific equipment is selected, the Coast Guard will work with the shipyard to identify potential cost savings that may result from block buy contracting. Additionally, the Coast Guard has identified potential opportunities for block buy-like cost savings by taking advantage of economic order quantity purchases for material with significant lead times. Identifying these opportunities could accelerate this vital acquisition and facilitate construction of additional Polar Security Cutters in the most effective and efficient manner possible.