

Homeland Security Cancels Contracts for Two Offshore Patrol Cutters



OPC hulls one and two under construction at Eastern Shipbuilding Group, 2021 (ESG)

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The Department of Homeland Security has canceled orders for the third and fourth Offshore Patrol Cutters at Eastern Shipbuilding Group, citing delays and cost growth. The Coast Guard had already put the third and fourth hulls [on hold](#), even though early stages of work had [started](#) on both of them.

The agency did not immediately say whether the contracts would be rebid. The OPC program plan calls for a total of at least 15 hulls valued at about \$500 million each (as of 2024, inclusive of cost growth).

In a [statement](#), DHS said that the third and fourth cutters were "not an effective use of taxpayer money." The program has been delayed for years, in part because of the effects of a Category 5 hurricane on Eastern's yard in Panama City, Florida in 2018. The contract has already been altered once: in 2019, the Coast Guard reduced Eastern's series to four hulls and rebid the remaining orders, [awarding](#) the next block of sister ships in the series to competitor Austal USA (starting with hull five).

Fierce hiring competition among Gulf Coast shipbuilders has contributed to delays and cost increases, according to government procurement officials. "It is one workforce across many states [along the Gulf Coast]," Coast Guard head of acquisitions Rear Adm. Chad Jacoby [told](#) Defense News last year. "As each shipyard says they're going to hire people, they're definitely competing against each other."

DHS currently projects that the first ESG-built OPC will deliver at the end of 2026, three years later than planned. The Congressional Research Service [estimates](#) that initial operating capability will be delayed until June 2029, more than six years later than the originally-planned date of December 2022. In the interim, the Coast Guard's aging Medium Endurance Cutters (WMECs) will continue to carry the bulk of the anti-smuggling mission in the Caribbean and Eastern Pacific.

"We share a common goal with the U.S. Coast Guard—to deliver the Offshore Patrol Cutters as quickly and efficiently as possible," ESG CEO Joey D'Isernia told The Maritime Executive last month. "System light-offs on Hull 1 are currently underway, and despite the unprecedented challenges we've faced, we remain confident that our incredible workforce represents the most capable and reliable team to complete these vital national security assets."

DHS reports that earlier this year, Eastern gave notice that it would book an "unabsorbable loss" if it were to fulfill its full four-ship OPC contract as written. With the cost burden of that pre-COVID contract lifted, ESG now has an opportunity to refocus on a \$715 million, three-hull ferry project for Washington State Ferries. ESG is a successful ferry builder with a proven track record, and it can bring experience from Staten Island Ferry's Ollis-class vessels to bear on the new hybrid-electric ferries for WSF. According to the State of Washington, ESG's bid for the new ferry program came in six percent under the state's own price estimate.

Going forward, the Coast Guard has enormous new [financial resources](#) to put towards shipbuilding thanks to the One Big Beautiful Bill Act, including \$4.3 billion for the Offshore Patrol Cutter program.