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BY THE HOUSE ARMED SERVICES  
COMMITTEE SUBCOMMITTEE ON  
SEAPOWER AND PROJECTION FORCES

STATEMENT

OF

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BEFORE THE

SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES

OF THE

HOUSE ARMED SERVICES COMMITTEE

ON

DEPARTMENT OF THE NAVY CRUISER AND DESTROYER MODERNIZATION  
PROGRAMS

JULY 10, 2014

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Mr. Chairman, Representative McIntyre, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today to address the Department of the Navy Cruiser and Destroyer Modernization Programs. These ships are the workhorses of the United States Navy and more importantly, epitomize the missions of the U.S. Navy by projecting power, controlling the seas, deterring would-be adversaries and maintaining maritime security. The TICONDEROGA-class cruisers and ARLEIGH BURKE-class destroyers, of which the first in class are already twenty-eight and twenty-three years old (respectively), are the same ships that will form the majority of our surface combatant fleet twenty years from now. In the context of current and projected fiscal constraints and the need to balance capability, capacity, and readiness across the Joint Force, we do not expect to be able to produce new ships in greater numbers. Therefore, to keep the fleet in fighting shape, ready to deploy and sail into harm's way to face robust and intense anti-access area denial environments today and in the future, the Navy must continue to modernize these large surface combatants.

The President's Budget request for FY 2015 proposes a Phased Modernization Plan for cruisers (CG) and Dock Landing Ships (LSD) that will provide the means to retain the cruiser's Air Defense Commander capabilities until the 2040's and the Dock Landing Ships' Marine expeditionary lift capabilities through the 2030's. This plan paces the threat by installing the latest technological advances in combat systems and engineering in CGs 63-73 and LSDs 41, 42, and 46.

Modernization is the key to readiness and relevant combat capability in the current and future fleet. It is how the Navy is able to maintain these assets for their full service life. The Navy has designed and is executing successful Cruiser and Destroyer modernization programs, but current fiscal constraints, shipyard capacity, and operational schedules have impacted these programs, driving the Navy to re-tool its modernization plan as laid out in the President's Budget

request for FY 2015. A significant portion of the re-tooled plan is the phased modernization of 11 TICONDEROGA-class cruisers. These cruisers are the Navy's most capable ships for the planning and execution of air defense of a carrier strike group and for integrating into the Joint Integrated Air and Missile Defense (IAMD) architecture. The Cruiser Modernization Plan enables the Navy to keep the cruisers in service until the 2040's and increase their lethality while mitigating budgetary pressures.

### **Surface Ship Modernization**

#### **Cruiser Modernization:**

As a successful and ongoing program, the Navy has already modernized seven cruisers (CGs 52-58), completely replacing their combat systems. These modernizations included the Advanced Capability Build (ACB) 08 Aegis Combat System which installed Aegis Baseline 8.0, 5 inch gun replacements, a major upgrade to the Under Sea Warfare suite known as SQQ-89 A(V)15, as well as substantial Hull, Mechanical and Electrical (HM&E) upgrades. The Navy is in the process of completing modernization on four more cruisers (CGs 59-62) with the improved ACB 12 (Aegis Baseline 9.0) Combat System. These investments have equipped 11 TICONDEROGA-class cruisers, CGs 52 through 62, to remain the world's premier Air Defense Commander ships, fully capable of coordinating the Carrier Strike Group IAMD construct, integrating into a broad Joint IAMD architecture, or operating independently in support of Combatant Commander mission assignments.

The FY 2015 President's Budget request takes into account the budget reduction levels instituted by the Bipartisan Budget Act (BBA) of 2013. The Navy has developed an affordable framework under the BBA funding levels to retain the newest, and as yet unmodernized, eleven cruisers (CG 63-73) in the active fleet, through induction into a phased modernization period starting in FY 2015. The phased modernization involves modernizing the ships over an extended

period of time, serving to most effectively integrate the shipyards' workload, and allow the Navy to save money by rotating the ships out of the deployment pool during the phased modernization period. To further mitigate budgetary pressures, most of the ship's crew will be assigned to other critical fleet manning needs and the ship will not get underway. To be clear, the Navy does not intend to decommission or retire these ships. This plan is to retain these ships even longer than originally anticipated. Moreover, while relying on the FY 2015 budget request for some funding, through the Future Years Defense Plan (FYDP) the majority of funds for phased modernization will be provided by prior year appropriations in the Ship Modernization, Operation, and Sustainment Fund (SMOSF). We request that Congress support this phased modernization plan.

The Navy intends to begin the phased modernization of these ships with material assessments, detailed availability planning, and material procurements. Subsequently, the Navy will perform hull, mechanical and electrical systems (HM&E) upgrades, critical structural repairs, and extensive corrective and conditioned based maintenance. The final step of this phased modernization period will include a new combat system installation, integration, and testing. These alterations will ensure these ships will have the latest combat systems available when returning to operational service, mitigating the risk and cost of technical obsolescence. Completion of modernization will occur concurrently with re-manning the ship. This plan completes modernization of each cruiser on a schedule that sustains 11 deployable Air Defense Commander CG's (one per Carrier Strike Group) until 2035. Under the original modernization plan, the last TICONDEROGA-class cruiser was scheduled for retirement in 2029. As a result of the modernization investment described, the Navy will extend the service life of these ships, during which time they will remain relevant and reliable until they retire 44-51 years after commissioning. Extending the time these ships are available also reduces the pressure on the

shipbuilding procurement account during the period of OHIO-class submarine replacement procurement.

The Phased Modernization plan for CGs precludes the Navy from having to increase overall end strength by about 3,400 people, which would otherwise be required to fill critical shortfalls in our training pipelines and fleet manning of the CGs. Phased Modernization will provide industrial base stability and lower overall costs for this program to the Navy. These maintenance and modernization availabilities will add work when there is a projected shortage of work in the various homeports. An additional advantage of the phased modernization approach is that it provides an option to restore the ships to service in the event of a shift in the strategic environment in much less time than would be required to construct new ships.

Further, phased modernization greatly benefits the industrial base by providing a steady, predictable work flow, increasing production efficiency and lowering cost to the Navy. Without the pressure of meeting fleet deployment schedules, work can be planned in the most economical and efficient manner, reducing the need for costly overtime rates and hiring subcontractors to supplement the shipyard workforce. As these ships approach the time when they will reenter the operational battle force, the execution of the combat systems modifications can be planned in a manner that will support both the ship repair and new construction industrial bases by looking at workloads across industrial facilities.

Section 1026 of the National Defense Authorization Act for Fiscal Year 2015 as passed by the House (H.R. 4435) would not permit this plan to be accomplished, as it prevents the obligation or expenditure of any appropriated funds towards ship retirement, inactivation, or placement in storage (cruisers or dock landing ships). Implementation of this language will require a budget of \$6.8B across the FYDP and result in a total cost of \$13.5B across the cruiser extended life cycle. In comparison, the Navy's proposed phased modernization plan for CG's in

the FY 2015 President's Budget request will require \$3.3B across the FYDP, and a total cost of \$8.8B across the cruiser extended life cycle. This plan provides a cost savings/avoidance of \$3.5B across the FYDP and \$4.7B across the life cycle. With the current language, the Navy will be required to cover this investment by reducing procurement activity or significantly impacting fleet readiness.

**Destroyer Modernization:**

The FY 2015 President's Budget request also includes funding for the modernization of three ARLEIGH BURKE-class guided missile destroyers. As with the cruisers, this investment is critical in delivering combat effectiveness, pacing the threat, and achieving the full expected service lives of the destroyer fleet. The Navy is proposing a shift to a two-pronged destroyer modernization approach; which maintains the relevance of all the Navy's ARLEIGH BURKE-class destroyers. It increases the rate of modernization to better align with original rate of delivery, while continuing to modernize the Flight I and II destroyers (hulls 51-78) and commencing the modernization of the Flight IIA destroyers (hulls 79 and beyond) in FY 2017. This approach maximizes return on investment by modernizing the ships at their midlife; it increases operational availability by combining two modernization periods into one, and increases high-demand Ballistic Missile Defense (BMD) capacity by installing the latest BMD capability on all destroyers. It will further increase combat system capability by installing upgraded anti-submarine warfare systems on all destroyers. Further, the Navy will continue to include HM&E upgrades on all ships of the class; this will reduce total ownership costs and expand mission capabilities.

One of the most important results of our destroyer modernization program is its ability to quickly increase our combat capacity and capability. The Navy's goal is to make every ARLEIGH BURKE-class destroyer BMD capable, maintain a stable and relevant Aegis combat

system with a limited number of variants in equipment and software, and provide each ship the latest, most technologically advanced anti-submarine warfare systems. This modernization plan retains the entire DDG 51 class until end of their service lives.

The combined cruiser and destroyer modernization plans demonstrate the Navy's commitment to both classes of ships. The Navy's modernization plans recognize the need for combat capacity and capability for the future and balance that against the fiscal realities of today.

### **Cruisers/Destroyers and Capacity**

Both cruisers and destroyers fulfill broad mission requirements, both independently and in conjunction with a Carrier Strike Group. They perform a role throughout the continuum of operations, from engagement and cooperation with our allies, to crisis response, to fighting in major operations and campaigns. The primary focus of our Navy is forward presence—always being there and ready to go. The Navy achieves presence through forward deploying ships in allied countries such as Japan and Spain as well as rotationally deploying ships around the world from our bases in the United States.

The number of ships required to be on station around the world at any given time is a result of the Global Force Management Allocation Plan (GFMAP) process. This process provides a framework for the services, and the Navy in particular, to use DOD's Operational Plans plus any additional requests for forces from the Combatant Commanders to decide how many strike groups, ships, or submarines are needed in any given theater at one time. The GFMAP demand for any given theater is balanced against the need for forces in other theaters as well as the total number of forces available to deploy.

The current Combatant Commander demand for naval surface combatants is greater than the Navy's supply. This is especially true for high-demand capabilities like BMD, resulting in extended deployments for BMD capable ships with little time for maintenance or training. In

order to maximize the number of ships available for the BMD mission in particular, the Navy is forward deploying four BMD capable DDGs to Rota, Spain. The USS DONALD COOK (DDG 75) arrived in Rota in February 2014. One additional ship will arrive later this fiscal year, and the remaining two will arrive in FY 2015. The Navy is also increasing the supply of BMD-capable ships through the two-pronged DDG modernization program described above.

## **Summary**

The current fiscal environment, as well as future pressures on the ship construction budgets, has forced the Navy to make difficult tradeoffs between current and future readiness. The CG Phased Modernization plan will allow the Navy to affordably modernize these vital assets extending their lifetime until the 2040's. The cruiser and destroyer modernization programs enable the Navy to enhance capability and capacity into the future. These programs are laying the foundation for future large surface combatant acquisition programs. We ask that the Cruiser Modernization approach set forth in the President's FY 2015 budget be approved.