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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

355-SHIP NAVY: DELIVERING THE RIGHT CAPABILITIES

APRIL 12, 2018

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Chairman Wittman, Ranking Member Courtney and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to address the Department of Navy's plan to achieve a 355-ship Navy through the construction of new vessels and extending the service life of existing ships.

As detailed in the 2018 National Security Strategy and the 2018 National Defense Strategy, in order to retain and expand our competitive advantage, it is imperative that we continuously adapt to the emerging security environment – and do so with a sense of urgency. This requires the right balance of readiness, capability, and capacity, as well as budget stability and predictability. The Bipartisan Budget Act of 2018 is an important step towards achieving the stability in funding that is critical to our efforts to affordably procure ships, reduce risk across programs, and maintain a viable industrial base, and we thank you for your support. Together, we can ensure our military's capability, capacity, and readiness can continue to deliver superior naval power around the world, both today and tomorrow.

As part of the Joint Force, the maritime dimension of the National Defense Strategy is to increase American naval power by building the Navy the Nation Needs (NNN). The *Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2019* is the roadmap to attain a 355-ship fleet, prioritizing three elements that the Navy is pursuing to grow the force: (1) Steady, sustainable growth and an establishment of minimum baseline acquisition profiles that grow the force at a stable, affordable rate. This includes the sustainment of the industrial base at a level that supports affordable acquisition, predictable and efficient maintenance and modernization, and an appropriately sized workforce for more aggressive growth if additional resources become available. (2) Aggressive growth that more rapidly attains the same warfighting requirements as increased resources and industrial capacity permit. (3) Service Life Extensions (SLEs) that will maintain and modernize select ships past their expected service life to provide near-term combat ready ships.

SLEs provide near-term, cost-effective, opportunities to sustain inventory and achieve NNN requirements more rapidly. SLEs are relatively short-term extensions, and must be carefully balanced with the steady long-term growth profiles to ensure overall higher numbers when the SLEs expire. Candidate ships are evaluated for retention based on their material condition, ability to be upgraded with current systems, anticipated additional life, and cost versus replacement or other Navy priorities. Reactivation of retired battle force ships to sustain the force has also been taken into consideration. However, due to their poor

condition and higher level of obsolescence, they typically provide a minimal to negative return on investment.

A stable industrial base is a fundamental requirement to achieving and sustaining the Navy's baseline acquisition profiles. Our shipbuilding industrial base and supporting vendor base constitute a unique national security imperative that must be properly managed and protected. By balancing long-term acquisition profiles with targeted SLEs and aggressive growth options, the Navy will be able to stabilize the industrial base and set the foundation for growing the force towards its warfighting requirement.

The FY 2019 President's Budget charts a course to begin building the larger, more capable battle force our Nation needs. The FY 2019 budget request builds towards this larger and more lethal force and reflects the continued commitment to produce a 355-ship Navy with the correct mix of ships that values speed, lethality, stealth, information, and design margin for modernization as key attributes for future platforms. Such a force will provide warfighting commanders with the capabilities necessary to fight in increasingly contested and dynamic environments.

When compared to the FY 2018 President's Budget, the FY 2019 request adds 11 more battle force ships over the Future Year Defense Program (FYDP) for a total of 54 ships, with three additional ships in FY 2019. The FY 2019 request also includes funding for SLEs on 21 vessels in the Ready Reserve Force (RRF) and the Military Sealift Command surge fleet and the procurement of two used commercial auxiliary vessels in FY 2021 and FY 2022, as authorized in the FY 2018 National Defense Authorization Act (NDAA).

With sustained funding and the execution of qualifying SLEs, the FY 2019 request is aligned with the NNN shipbuilding plan and puts the Navy on a path to 326 ships by FY 2023 and 355 ships by the early 2050s. The plan promotes a stable and efficient industrial base that encourages industry investment in capital improvements, capital expansion, and a properly sized, world-class workforce. It is a realistic plan that reflects the imperative to remain balanced across investments in readiness and advanced capabilities in an era of unpredictable and restrictive funding levels. By setting conditions for an enduring industrial base as a top priority, and working together with Congress, the Navy is postured to aggressively respond to more investment in any year, which if received in all years, combined with SLEs and strong industry response, could attain the warfighting NNN target of 355 ships as early as the 2030s – balanced, credible and sustainable.

New Construction

The FY 2019 budget request includes procurement of ten ships in FY 2019: two SSN 774 VIRGINIA Class attack submarines; three DDG 51 ARLEIGH BURKE Class destroyers; one Littoral Combat Ship (LCS); one Expeditionary Sea Base (ESB); two JOHN LEWIS (T-AO 205) Class fleet replenishment oilers (T-AO); and one Towing, Salvage and Rescue ship (T-ATS).

The *Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2019* prioritizes the framework for building towards the NNN objective of 355 ships at a steady, sustainable, and affordable rate. The types of ships and capabilities procured over this 30-year timespan will evolve with technology and threat advances. Protecting the baseline acquisition profiles provides long-term foundational stability for thoughtful, agile modernization, and a clearer forecast of when to evolve to the next ship design. Aspects of the Navy's plan with the highest confidence in design and cost over the 30-year timeframe include ballistic missile submarines, amphibious ships, combat logistics ships, and aircraft carriers. Surface combatant and attack submarine capabilities are the most dynamic and will likely evolve substantially to align with growing operational demands, emergence of new technologies, introduction of unmanned and autonomous systems, and more capable sensors and payloads. Accordingly, the Navy will continue to analyze and update the Surface Capability Evolution Plan, the Tactical Submarine Evolution Plan, and all supporting plans (aviation, ordnance, etc.) for alignment of capabilities and appropriate NNN adjustments. This analysis is an enduring, responsive process that increasingly values agile and adaptable lethality against dynamic adversaries. Continual analysis coupled with a stable build profile will provide the foundation from which to ensure all future platforms keep pace with the ever-changing threat.

Table 1 depicts the Long-Range Naval Battle Force Construction Plan assuming steady, sustainable procurement. This plan addresses the Navy's most critical shipbuilding needs: building CVNs four years apart (four-year center instead of five) after CVN 82; constructing 12 COLUMBIA Class ballistic missile submarines (SSBNs) in support of the Nuclear Posture Review and U.S. Strategic Command deterrence requirements; and establishing a stable profile of two per year build rate for SSNs, 2.5 per year Large Surface Combatants, and two per year Small Surface Combatants starting in FY 2022. This plan also includes increasing the pace for amphibious ship production to support a 12-ship LHD/LHA force and modernized lethality.

Table 1. Long-Range Naval Battle Force Construction Plan

	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	
Carrier					1					1				1				1				1				1				1	
Large Surface Combatant	3	2	3	3	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3	2	3
Small Surface Combatant	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Attack Subs	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Large Payload Subs																		1			1			1				1		1	
Ballistic Missile Subs			1			1		1	1	1	1	1	1	1	1	1	1														
Amphibious Warfare Ships		1		1	1	2	1	1	2	1	1	1	2	1	1	1				1		1	1	1		1	2	1	1	2	
Combat Logistics Force	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1									1		2	2	2	2	
Support Vessels	2	3	1	2	2	1	2	2	1	1	1	2	2	2	2	2	1														
Total New Construction Plan	10	10	10	11	13	11	11	11	12	11	11	11	13	12	12	10	9	8	7	7	8	8	8	8	8	8	8	12	9	10	12

Analyses are being conducted to determine the feasibility of accelerating this plan. Accelerating CVN procurement, including two-ship procurements and reducing carrier centers to 3.5 years, and procuring three VIRGINIA Class submarines per year are two options the Navy is currently analyzing.

Ships

The COLUMBIA Class SSBN program, to replace the current OHIO Class SSBNs, is the Navy’s top shipbuilding priority. The program is executing detail design efforts in preparation for ordering long-lead time material starting in FY 2019 and is on track for start of lead ship construction in FY 2021. Cost, schedule, and technical performance are being tightly managed to ensure this critical strategic capability is delivered on time and within budget. Topline relief will be required for the Navy to fund serial production of the COLUMBIA Class SSBN.

The Navy is aggressively pursuing cost reduction opportunities to deliver fully capable FORD Class CVNs at the lowest possible cost. The PCU JOHN F KENNEDY (CVN 79) program has captured lessons learned from the construction of USS GERALD R FORD (CVN 78), refined the ship construction process, capitalized on technological improvements, and enhanced shipbuilder facilities to drive towards the targeted 18 percent reduction in labor hours from GERALD R FORD at the 2015 contract award, which has grown to 21 percent based on GERALD R FORD actuals. The Navy is also executing advance procurement and negotiating long-lead time material for PCU ENTERPRISE (CVN 80), with the first year of full funding for the unnamed CVN 81 in FY 2023.

The VIRGINIA Class SSN program will be building on past success by awarding a Block V Multiyear Procurement contract for 10 ships in FY 2019, which will include the VIRGINIA Payload Module and Acoustic Superiority enhancements.

The Navy is preparing to award a Multiyear Procurement contract in FY 2018 for 10 additional Flight III ARLEIGH BURKE Class destroyers, with flexibility to accommodate additional ships on the same contract. Flight III provides a significant capability upgrade to integrated air and missile defense by incorporation of the Air and Missile Defense Radar.

The 2016 Force Structure Assessment revalidated the warfighting requirement for a total of 52 small surface combatants, including the LCS and the future, more capable FFG(X). The Navy will continue to refine the FFG(X) Conceptual Design with industry through FY 2019 to support a full and open competition in FY 2020. The inventory objective for LCS is 32 ships and the budget request includes one ship in FY 2019 to ensure that the requirement is met while helping to sustain the viability of the industrial base until the FFG(X) award in FY 2020. The FFG(X) will be competitively procured.

The FY 2019 budget request includes the planned procurement of the lead LX(R) in FY 2020 with serial production starting with the second ship in FY 2022. The Navy is currently executing detail design and procuring long-lead time material for LHA 8.

The request supports continued serial production of the fleet replenishment oiler replacement with the T-AO 205 class, additional ESBs, continued serial production of the T-ATS(X) ships, and the planned procurement of the T-AGOS ships beginning in FY 2022.

Industrial Base

The DoD accounts for approximately 70 percent of the total domestic shipbuilding market. With such a large market share of the shipbuilding industry, the timing of DoD ship procurements is critical to the health and sustainment of the U.S. shipbuilding industry and has economic impact industry wide. It is important, therefore, for DoD to provide stability and predictability to the industrial base in order to keep it healthy today and robust enough to meet the Nation's future needs.

Over the last 60 years, Navy procurement profiles have shown sharp peaks in shipbuilding followed by significant breaks or valleys in production that have severely degraded the ability to plan for the long-term and respond to changing requirements in the near-term. This created a boom and bust within the industry, degrading the industrial base and resulting in longer construction times and increased costs. The steady, sustainable baseline shipbuilding profiles in the *Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2019* will establish industrial efficiency and agility and protect workforce skills in

order for the U.S. shipbuilding industrial base to remain cost effective long-term and meet the demands of the 355-ship Navy the Nation Needs.

Due to the significant impact and dependence the Navy has on the shipbuilding industrial base, there are multiple efforts currently underway within the Navy to identify and mitigate risks. These risks are monitored and addressed within the Navy in cooperation with their prime contractors.

The nuclear shipbuilding industrial base represents a significant challenge to support the production of the COLUMBIA Class, two (or three) per year VIRGINIA Class, and FORD Class (potentially as frequently as 3.5-year centers). The industrial base can overcome this challenge only with improvements at the prime shipbuilders and suppliers in the areas of workload stability, facilities, and recruitment and retention of skilled resources. To accomplish this, the Navy and its prime nuclear shipbuilders have established the Integrated Enterprise Plan and have jointly established action plans with each of the critical suppliers in need of improvement. In many cases, those plans require that the shipyards and suppliers invest in new facilities and increase their workforce.

In addition the Navy must fund workload in advance of normal timing to ensure the suppliers can execute a smooth ramp-up in workload rather than attempt a steep increase. This will allow the Navy to leverage funding across all three programs, where appropriate, and combine material procurement orders in a manner that strengthens the supplier industrial base while also achieving cost efficiencies.

Service Life Extensions

To achieve the NNN it is imperative that we achieve the expected service lives of our ships and, where appropriate, extend the service lives through modernization of existing ships. SLEs must evaluate the potential additional service life that can be gained through modernization based on capability improvement costs versus unit replacement criteria as well as immediate impact on warfighting capability and return on investment. The principle driver when making the determination to perform a SLE is cost versus overall gain in service life and the ships ability to be modernized.

Keeping existing platforms in the fleet longer enables the Navy to grow much faster than relying solely on new construction. One of the key components of getting to the size of the fleet the Nation needs is extending the service lives of the surface combatants, cruisers,

and the amphibious ships we have today. Currently, these ships have a planned service life of 30 to 40 years. However, the Navy is evaluating the feasibility of increasing their service lives by five to ten years. In addition, we are taking lessons learned from previous SLEs and incorporating them into future extensions and new construction designs to allow for continued, more efficient SLEs to occur in the future. The near-term SLEs include six CGs and one SSN.

In addition, the Navy and industry are collaborating on innovative approaches to conduct the modernization of CGs and Dock Landing Ships. The FY 2019 request allows for the execution over the FYDP for modernization of seven CGs to ensure long-term capability and capacity for purpose-built Air Defense Commander platforms. The remaining four CGs, which have Ballistic Missile Defense capability, will receive modernization to their hull, mechanical and electrical systems to support their operation through their service life.

The Navy has carefully monitored fuel consumption and material conditions of the LOS ANGELES Class SSNs to take advantage of any possible life extensions. In 2017, the Navy's analysis determined that five LOS ANGELES Class submarines could be refueled to extend their service life by as much as 10 years per submarine, helping to mitigate the shortfall in the attack submarine force structure. The FY 2019 request includes funding to refuel one LOS ANGELES Class SSN to extend its service life for an additional ten years.

Ready Reserve Forces (RRF)

The Navy has coordinated planning options with the Office of the Secretary of Defense, U.S. Transportation Command, and the Department of Transportation's Maritime Administration to develop a three-phased approach to recapitalize the strategic sealift fleet. To recapitalize the aging sealift fleet and provide sealift that the Nation needs, the DoD's strategy includes the near-term efforts for SLEs; mid-term efforts to continue to acquire used vessels; and the long-term goal of new construction common hull vessels to be assigned to the Maritime Prepositioning Force.

Across the FY 2017 to FY 2019 budget cycles, the Navy programmed SLEs for 31 ships. These SLEs will add roughly 10 additional years to select vessels (typically increasing the service life from 50 to 60 years). The current programmed funding for SLEs maintains required capacity through FY 2026. The Navy will continue to identify other vessels suitable for extensions in subsequent budget cycles, subject to the requirements of the sealift that the

Nation needs. Extending the service life of vessels is a temporary mitigation, which must be managed wisely as the fleet's average age will continue to increase, which exacerbates the challenge of maintaining older vessels with obsolete equipment and scarce spare parts.

The most cost-effective approach to replacing the aging fleet and bridging the gap for strategic sealift capability until a new construction program comes on line is acquiring used vessels. Authority granted in the FY 2018 NDAA permits the purchase of two used vessels. The Navy will continue to partner with Congress as well as interagency, joint, and industry partners to ensure the success of this important force projection capability.

Conclusion

By balancing new construction opportunities with calculated SLEs, the Department of the Navy is on the path to a 355-ship fleet. While the Navy continues to utilize multiyear procurements and block buy strategies to stabilize the industrial base and attain ships more affordably, achieving a 355-ship fleet will be a challenge. It's not just the number of ships that is important; it's the capability and the ability of our ships to be on station when and where needed. Procurement priorities must be balanced with what is needed to maintain our readiness including maintenance and planned modernizations to ensure our ships meet their expected service lives coupled with SLEs where appropriate. Through the select SLEs, we will be able to retain highly-capable ships past their originally designed service life until the Navy can replace them with new construction ships.

With the support of Congress, the Navy can achieve its requirements and deliver the presence and capabilities that our warfighters need. Our Sailors and Marines greatly appreciate your support and commitment.