STRENGTHENING THE FLEET: CHALLENGES AND SOLUTIONS IN NAVAL SURFACE SHIP CONSTRUCTION

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY, THE BORDER, AND FOREIGN AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

MAY 11, 2303

Serial No. 118–30

Printed for the use of the Committee on Oversight and Accountability

Available on: *govinfo.gov*
oversight.house.gov or
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U.S. GOVERNMENT PUBLISHING OFFICE

52–164 PDF WASHINGTON : 2023

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Written opening statements and statements for the witnesses are available on the U.S. House of Representatives Document Repository at: docs.house.gov.

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STRENGTHENING THE FLEET: CHALLENGES AND SOLUTIONS IN NAVAL SURFACE SHIP CONSTRUCTION

Thursday, May 11, 2023

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON NATIONAL SECURITY, THE BORDER, AND FOREIGN AFFAIRS

Washington, DC.

The Subcommittee met, pursuant to notice, at 10:03 a.m., in room 2154, Rayburn House Office Building, Hon. Glenn Grothman [Chairman of the Subcommittee] presiding.

Present: Representatives Grothman, Gosar, Foxx, Higgins, Sessions, Biggs, Perry, Garcia, Lynch, Goldman, and Frost.

Also present: Representative Dunn.

Mr. GROTHMAN. The Subcommittee on National Security, the Border, and Foreign Affairs will come to order. Welcome, everyone.

Without objection, Representative Neal Dunn of Florida is waived on to the Subcommittee for the purpose of questioning witnesses at today's hearing.

Without objection, the Chair may declare a recess at any time.

I am going to recognize myself for the purpose of making an opening statement.

Good morning, and welcome to the Subcommittee on National Security, the Border, and Foreign Affairs' hearing on "Strengthening the Fleet: Challenges and Solutions to the Naval Surface Ship Construction." Today we are examining the U.S. Navy's shipbuilding programs, America's shipyards, naval competition with China and Russia, and the future architecture of the fleet. I represent the 6th District of Wisconsin, and Wisconsinites have a long, proud history of providing high-quality vessels to the U.S. Navy and the world, as do other districts represented on this Subcommittee. By the way, I will add something here I do not know if the staff knows. We used to make submarines in Manitowoc, Wisconsin during World War II.

I want to thank both of our witnesses here today to testify on behalf of the Navy. As of April 2023, the Navy included 296 battle force ships. Since 2003, the number of ships in the fleet has varied been between 270 and 300. The Fiscal Year 2018 National Defense Authorization Act established requirements for a 355-ship Navy. In 2020, the then-Acting Secretary of the Navy testified to the House Armed Services Committee that achieving the 355-ship Navy would cost an additional $120 to $130 billion over the next 10 years, yet

naval leadership has signaled that 355 ships are not enough. In February 2022, the chief of naval operations, Admiral Michael Gilday, stated that he believed the Navy needed a fleet of over 500 ships to meet the commitments outlined in President Biden's National Defense Strategy.

So, let us understand this. The 2018 NDAA required a 355-ship Navy. We still do not even have 300 ships. It is going to cost at least another $120 to $130 billion to get to 355, but the Biden Administration wants over 500 ships. It does not look like the Biden Administration is balancing costs, efficiency, or even practical goals when creating the National Defense Strategy, and the Administration is creating these unrealistic goals at a time when military recruitment and retention is at one of its lowest points.

Additionally, CNO Gilday stated in August 2022 that "The biggest barrier to adding more ships to the Navy is the industrial base capacity." There have been numerous reports on issues related to ship design flaws, fraudulent contracting practices, and delays due to supply chain issues made worse by the pandemic. Poor design, unrealistic timeliness, and labor recruitment issues, these are the barriers to a more modern and efficient Navy that we hope to explore today. Cost overruns and delays have plagued several programs of high importance. For example, the Zumwalt-class destroyers have cost the U.S. taxpayer around $22.4 billion in research and development alone.

The Navy has also struggled to produce a coherent 30-year shipbuilding strategy. This strategy is necessary to enable Congress to effectively fund future programs and create stability within the defense industrial base. While the Navy continues to encounter delays, between 2015 and 2020, China surpassed the U.S. Navy in size and is expected to grow to 400 operational ships by 2025. The United States Navy is and must continue to remain the greatest the world has ever seen. Its firepower and professionalism are unmatched. By focusing on modernization and future technologies, the U.S. can remain unmatched. I hope to hear from our witnesses today about ways that Congress can cut the bureaucratic red tape and unleash American manufacturing and ingenuity to meet the threats of the future. Thank you, again, for each of our witnesses for participating, and I look forward to your testimony.

I would now like to recognize Ranking Member Garcia for the purpose of making his opening statement.

Mr. GARCIA. Thank you very much, Mr. Chairman, and I want to thank our witnesses and thank you so much for your service to our country.

We all know that maritime security is critical for us as a Nation. The security of our supply chains and our allies' across the Pacific is incredibly important, and certainly the Biden-Harris Administration is focused on those goals. I want to also commend the Biden Administration for reaching the historic August agreement with Australia and the U.K. that will provide Australia with submarine technology, which will bolster security in the Indo-Pacific region.

In my district back in Long Beach, California, it is actually a historic Navy town. It was home to the Navy's first two aircraft carriers, the USS Lexington and Saratoga, and most of the Long Beach economy just a generation ago was really driven and was

really developed through the Navy infrastructure and through all the amazing jobs that were across the region. Shipbuilding, of course, was once a huge industry here in the United States, but we also know it has long been in decline. Forty thousand shipbuilding jobs were lost just under President Reagan, and the Long Beach shipyards actually closed in the 1990's, which caused a major economic blow to our local economy but also to the economy of places across the West and the country.

Now, I fully understand the importance of shipbuilding to communities all around the country. Long Beach has had to work hard to rebuild and reimagine itself after, of course, losing the Navy as its main source of economic driver in jobs, but that has transitioned to a port economy. The Port of Long Beach now handles trade valid over $200 billion annually and supports over two million jobs across United States in our supply chain. Now, this would not be possible without the freedom of navigation, guaranteed, of course, by the United States Navy.

Now, you can, of course, slice and dice numbers all you want compared to China or any other country, but I think the evidence is clear—we do have a strong Navy in the United States, and whether you look at the size of vessels, the number, experience, quality of our service members, the number and quality of our aircraft carriers and advanced submarines, and even the number of missiles, the Navy is the most powerful in the world. No one in the world can do what you gentlemen do and what our Navy does.

Now, we are facing new challenges in the 21st century, and the fast-moving technological environment creates real uncertainty for us. It is critical that we work across the aisle, and I look forward to doing so in this Subcommittee with the Administration and all of you to ensure we have the absolute best in innovation, manpower, and industrial base to keep us at pace.

Now, the Biden-Harris Administration is working to craft a plan to meet the evolving military force needs and to adapt to emerging threats. Congress should be a constructive partner in planning and to give domestic producers more certainty in our shipbuilding plans, but it is also critical to note that we cannot just, of course, throw money at the problem. There are a lot of ways of solving this challenge, and we cannot reflexively count the number of vessels in our fleet or the number of dollars we devote to defense as measures alone. We should make sure that our investments deliver the security and the capabilities that we need. We need to also make choices about our priorities. We must support policies that rebuild our industrial base and our work force.

The real source of our power, of course, is also our economic strength, our industrial base, our moral leadership, and our allies and partners. We have learned hard lessons in the last few years, particularly in the War on Ukraine and the COVID air supply chain disruptions, that have emphasized so much in lessons learned for us here in our country. We can and should secure those supply chains while creating and protecting good union jobs.

Investments like the CHIPS and Science Act, the Bipartisan Infrastructure Law, the Inflation Reduction Act all have contributed directly to security and, of course, in investing in American jobs. We have rebuilt our industrial base, we have promoted a secure,

clean energy future for our supply chain, and ensured economic prosperity for so many more Americans. And as the saying goes, which we all know and I think is appropriate for this hearing, "A rising tide raises all boats."

Now, I am glad we are having this hearing today, and I also want to briefly discuss another issue that is really important for us, for the American shipbuilding industry, and our security, and that is our merchant marine fleet. In a crisis, American civilian vessels will be critical to supplying our allies and partners and our military. I understand that the Marine Corps is deepening its partnership with the merchant marine, which is really encouraging for us. Now, Congress can and should do more to support merchant marine shipbuilding, along with our ports and our supply chains, and, Mr. Chairman, I hope to work with you on this critical issue.

Finally, I want to stress an important point. No conflict is ever inevitable, and I want to warn this Committee again against reckless or overheated rhetoric. Our goal, standing shoulder to shoulder with our allies, is to have the best possible Navy and cooperation in the world. With that, again, thank you both for being here and for your service, and, Mr. Chairman, I yield back.

Mr. GROTHMAN. I am pleased to introduce our witnesses today. Our first witness is Rear Admiral Thomas Anderson. He is the Program Executive Officer for Ships for the United States Navy, a position he has held since 2020. As PEO for ships, Anderson has been responsible for the acquisition of surface combatants for the Navy. Prior to his current assignment, Anderson was the Program Director for the Littoral Combat Ship Program and was the commander of the Naval Surface Warfare Center. Our second witness is Rear Admiral Casey Moton. He is the Program Executive Officer for Unmanned and Small Combatants for the United States Navy, a position he has held since 2019. As PEO for unmanned and small combatants, Moton is responsible for the acquisition of unmanned maritime systems and small surface combatants. I look forward to hearing from both of you today on this these very important issues facing U.S. naval shipbuilding.

Pursuant to Committee Rule 9(g), the witnesses will please stand and raise their right hands.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

[A chorus of ayes.]

Mr. GROTHMAN. Let the record show the witnesses all answered in the affirmative. Thank you. We appreciate all of you being here today and look forward to your testimony.

Let me remind the witnesses that we have read your written statements, and they will appear in full in the hearing record. Please do what you can to limit your oral statements to as close to five minutes as possible. As a reminder, please press the button on the microphone in front of you so it is on, and the Members can hear you. When you begin to speak, the light in front of you will turn green. After four minutes, the light will become yellow, and when the red light comes on, your five minutes are up, though I am not a stickler on that.

I recognize the Admiral Anderson to please begin his opening statements.

STATEMENT OF REAR ADMIRAL THOMAS J. ANDERSON
PROGRAM EXECUTIVE OFFICER (PEO) FOR SHIPS
UNITED STATES NAVY

Admiral ANDERSON. Chairman Grothman, Ranking Member Garcia, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to address the state of Naval surface ship construction. Make no mistake: the U.S. Navy fields the most capable warships on the planet. Platforms like the Virginia-class submarine; forward-class aircraft carrier; Arleigh Burke-class destroyer; and amphibious assault ship, America class, are unmatched in their contribution to the high-end fight.

The U.S. shipyards which produce and maintain these exceptional ships can be broken down into two categories: repair shipyards and new construction shipyards. Currently, there are seven, what we call, Tier 1 new construction shipyards in the United States. These large, heavily facilitized shipyards build the vast majority of the U.S. Navy's capital ships. Five of these shipyards—Bath Iron Works in Maine, Marinette Marine in Wisconsin, Austal USA in Alabama, Huntington Ingalls in Mississippi, and NASSCO in California—build conventionally powered ships. The ships built in these shipyards are the one that fall underneath Admiral Moton and my portfolios.

There are two other Tier 1 shipyards—Electric Boat in Connecticut and Newport News in Virginia—and they build nuclear-powered aircraft carriers and submarines. The highest priority and greatest challenge resides in our nuclear shipyards and their associated supply chains as they look to ramp up submarine production to two Virginia-class submarines and one Columbia-class submarine annually.

On the topic of China, I understand the Navy has offered to provide a future classified briefing on China's shipbuilding capacity, but for our discussion today, it is important to understand the major difference between Chinese and U.S. shipbuilding industrial bases, the difference being the China benefits from a massive commercial shipbuilding workload. It leverages the associated workforce, infrastructure, and supply chain in the construction of its naval vessels.

A first Marine International 2022 benchmarking study reports that China accounts for 47 percent of the world's commercial vessel shipbuilding volume. Behind them are our partners in South Korea and Japan at 25 and 16 percent, respectively. And the U.S. is much further down the list. Less than one percent resides in the U.S. commercial shipbuilding industry. This means that unlike countries which heavily leverage commercial investments, the U.S. Government largely goes it alone, bearing all the costs of the ships and the associated infrastructure.

For perspective, today in our seven Tier 1 shipyards, there is no commercial shipbuilding work. Clearly China's commercial shipbuilding industry provides them a massive advantage when it comes to shipbuilding capacity. Despite this gap in commercial shipbuilding scale, there are over 42,000 trades' people, 66,000 em-

ployees in the Navy Tier 1 shipyards, and over 5,000 primary suppliers spending themselves in the worthy cause of building world-class ships for the U.S. Navy every day. Within the next few months, we will deliver, amongst other things, the Navy's first Flight-III destroyer. DDG–125, the 75th ship of the Arleigh Burke-class, with its upgraded combat system, will provide the ability for one ship to perform both anti-air warfare and ballistic missile defense missions with improved performance via the world's newest and most capable surface radar.

To keep deliveries of capital ships like these on time going forward, we, along with our shipyards, are focused on attracting and retaining the necessary work force and improving resiliency in our supply chain. The President's Fiscal Year 2024 budget has provisions that aid in addressing those concerns as well as procuring the ships necessary to maintain our surface ship industrial base in a way that achieves our operational needs.

I will end my comments with some perspective on the scale and complexity of what we do. One of the ships that we are currently building in Pascagoula, Mississippi is the future America-class amphibious assault ship, USS Bougainville LHA–8. For perspective, the ship is 104 feet longer than this U.S. Capitol Building is wide. Now, imagine taking that structure, that size, and making it float, then making it capable of propelling and steering itself at speeds of 25 miles per hour, then adding all the services required to make it a home to 2,800 people who live on it at sea—birthing spaces, water, sewage, heat, air conditioning, dining facilities, computer and servers, food storage, and refrigeration, laundry, the list goes on—encompassing over 150 miles of pipe and over 1,000 miles of cable. Then add to it a full hospital for humanitarian efforts or wartime support to injured Marines. Add to it a fire department and installed firefighting and damage-controlled systems, then add to it radars, communication gear, and self-defense systems. Then add to it an airport the size of almost two football fields capable of supporting 20 Joint Strike fighters and interoperability with other nations. And build it in a way that allows it to operate at sea in all conditions for deployments lasting at least six months and reliably over a 40-year service life.

The ships we design, build, and deliver are some of the most complex system of system machines in existence. We in the acquisition community do not shy away from the challenges of delivering such capability. We actually embrace them, because we know the importance of these ships to our Navy and ultimately to our Nation's defense.

Thank you for your time today, and I look forward to your questions.

Mr. GROTHMAN. Thank you. Admiral Moton?

STATEMENT OF REAR ADMIRAL MOTON
PROGRAM EXECUTIVE OFFICER (PEO) FOR
UNMANNED AND SMALL COMBATANTS
UNITED STATES NAVY

Admiral MOTON. Chairman Grothman, Ranking Member Garcia, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the state of

Naval surface ship construction, alongside my partner in this effort, Rear Admiral Anderson. I am honored to lead the sailors and Department of the Navy civilians of the Program Executive Office Unmanned and Small Combatants in our mission of acquiring and sustaining the ships required by our Navy and Marine Corps.

Our small combatant ship construction programs, including the Constellation-class frigate now under construction, provide important capability for the Nation. My team is also developing and building the Navy's nascent fleet of unmanned surface and undersea systems, including their autonomy and enabling technologies. These unmanned vessels, teamed with manned ships, will form the hybrid fleet that the chief of naval operations, Admiral Gilday, has set as the Navy's objective. In addition to our ship construction work, my command is also responsible for acquisition of systems for mine warfare, expeditionary missions, and special warfare.

Our shipbuilding efforts are smaller in magnitude than those conducted by Admiral Anderson's program offices, but are nevertheless important to both the Navy and industry. Our two organizations work in close coordination with each other and with the Navy's other shipbuilding programs to jointly manage the Naval Shipbuilding Industrial Base. We also work closely with industry on matters fostering the efficient execution of shipbuilding, such as work force development, strengthening of the supply chain, and infrastructure.

Certainly, the same factors regarding the overall state of our ship construction capacity that Admiral Anderson discussed also apply to our small combatant efforts. In addition to our Navy efforts, I also appreciate the support of Congress in these matters and particularly thank Congress for the funds appropriated in Fiscal Year 2023 to help foster the Frigate Industrial Base and work force development.

Equally foundational to efficient shipbuilding is stable acquisition of modern and mature designs. The Navy has worked hard in applying lessons learned to the Constellation-Class Program. To reduce technical risk and to develop this new class faster, the Navy worked closely with industry to set the conditions for a successful program of record by developing realistic requirements, utilizing non-developmental systems, and leveraging existing frigate designs, enhanced with U.S. Navy combat and communication systems. Construction is underway in Marinette, Wisconsin on the future USS Constellation, the first-in-class ship.

With the emergence of unmanned surface and undersea systems, the Navy is positioned to catalyze a broader segment of the Nation's industrial base, including many companies that are not currently associated with defense. Alongside our shipyards producing smaller ships and craft, these other companies include both small businesses and larger firms that specialize in developing technologies, such as reliable autonomous systems, artificial intelligence, energy storage, and cyber defense.

We have engaged early with industry and, for example, recently completed a comprehensive Department of the Navy Unmanned Systems Industry Day, which was attended by 430 companies, with almost 50 percent of those being small businesses. These companies, plus academia and other institutions, in partnership with the

Navy, will enable our goal of the hybrid fleet with potentially 150 unmanned vessels by 2045.

The Navy is taking a deliberate approach to mature the required technologies, utilizing land-based testing and at-sea prototyping, while also operationalizing unmanned capabilities in the fleet. This data and knowledge is informing our Large Unmanned Surface Vessel Program, which the Navy intends to procure in Fiscal Year 2025, but it will also enable future fielding of other unmanned vessels. We are using a solve-once-and-scale approach, and while the size of unmanned systems are smaller, there will also be similar challenges and opportunities as in the broader industrial base while we achieve this scale. We will continue working closely with industry and with Navy partners to prepare for this significant acquisition effort to achieve our hybrid fleet.

I thank the Subcommittee for your time and support and interest in Navy ship construction, and I look forward to your questions.

Mr. GROTHMAN. Thank you. I will recognize myself for the purpose of asking a couple of questions. We are going to start with Admiral Anderson.

In February, the Navy awarded a $2 billion contract to Lockheed Martin to develop a hypersonic missile system for the Zumwalt-class destroyers. The Zumwalt-class destroyers have seen plenty of overruns and only three have been built out of an original plan to build 32. Now that these three ships are stuck in testing and not deployed, how will this new contract with Lockheed Martin help develop the Zumwalt destroyers, and what do you believe went wrong in the acquisition and construction of the ship?

Admiral ANDERSON. Yes, sir. Thanks for the question. I will talk a little bit about lessons learned from the construction of the ship first, and then I will talk about where we are headed with regards to our capability going forward, if that is OK.

So, I would say that one of the lessons learned that we have had from the Zumwalt Program is how much technology to attempt to insert into a ship at one given time. The Zumwalt-class was going to be revolutionary in the technologies that we implemented in that ship. Twelve new technologies all coming together in one ship is a significant amount of risk, and much of that risk was realized through the program. Costs for those ships went up, and, ultimately, the Navy made the determination that we were not going to buy the 32 that were originally envisioned. We were going to knock that down to three and go back to building DDG–51s.

So, we are now talking about what our next large surface combatant will be after the DDG–51 Program. Currently, it is titled DDG(X). We have been very mindful to take the lessons learned from the DDG–1000 Program. We are not looking to have 12 new technologies in our new large surface combatant. We are really largely looking to change from a revolutionary approach to an evolutionary approach. The two major changes that we currently envision in that ship are a change in hull form and a change to integrated propulsion systems. Integration propulsion systems exist in the Navy in other places, but they are not in our large surface combatant DDG–51. We also working very closely with our shipyards to make sure they are involved early on, so we are getting their

perspective on the cost, we are getting their perspective on producibility so we can build that DDG(X) efficiently.

To your second question on CPS, so we currently have two ships that are out in operation. DDG–1000 has already employed. She has already gone forward. DDG–1001 is wrapping up her new construction process. She is already a ship available to the fleet. We have one ship left to complete their combat systems on, and the Navy made the determination that we were going to install conventional prompt strike in that ship. Conventional prompt strike is a game-changing technology with regards to hypersonic capability. It is a real game changer with regards to our position with regards to China and their capability. CPS will be fielded in DDG–1000 starting in 2025, so we are moving very quickly to get this capability installed.

The other thing that I would share with you is that we do have two program offices working this. We are working to mature CPS, the missile itself through SSP, strategic programs, and then my office is responsible for actually getting it installed in the ship.

Mr. GROTHMAN. Just a quick follow-up.

Admiral ANDERSON. Yes.

Mr. GROTHMAN. You know, the original plan was 32. If you were testifying eight years ago today, how many ships we would have done by now, would you have guessed at that time?

Admiral ANDERSON. Well, I think we made the determination, you know, around that time that we were going to decrease the numbers. That determination for three ships was made many years ago, sir.

Mr. GROTHMAN. OK. OK.

Admiral ANDERSON. Yes.

Mr. GROTHMAN. OK. Now I guess for either one of you, it has been reported China has surpassed U.S. when it comes to shipbuilding and today has 340 modern capable ships, whereas the U.S. stands at 296. When it comes to numbers, should we be more concerned with quality or quantity?

Admiral ANDERSON. I think the answer on concern is quantity and quality. We should be concerned with both. I think if we take advantage of the ONI brief, they will give you more detail on the capability they have in their ships today. What I would share with you is that——

Mr. GROTHMAN. Does China sell a lot of ships to other countries?

Admiral ANDERSON. Yes, sir, they do. They sell ships and submarines in addition to commercial ships, as do South Korea and other countries.

Mr. GROTHMAN. Do we ever compete with them for business?

Admiral ANDERSON. Currently, I think we are limited in our foreign military sales of ships to Saudi, which Admiral Moton administers that program, and then AUKUS, as we heard earlier, submarine construction is where we are having discussions today. But we do not have a large volume of ships that we are outsourcing in new construction to foreign countries.

Mr. GROTHMAN. Is that a mistake?

Admiral ANDERSON. I go back to this early discussion about capacity and China.

Mr. GROTHMAN. OK.

Admiral ANDERSON. It would be wonderful to be in a position where we had the industrial base that was competitive with other countries——

Mr. GROTHMAN. We are not competitive. OK. Ranking Member Garcia?

Mr. GARCIA. Thank you very much, and I am going to just go off of what the Chairman was just discussing. I think the shipbuilding disparity is real. I mean, certainly our Navy is the strongest in the world and we are proud of that, but the disparity is decades and decades in the making. I think it is important to note that one of the real issues is that China produces about a thousand commercial cargo vessels per year, and that is on the commercial side. And so, the commercial capacity that China then exports to countries across the world, and we see these ships, by the way. You go to any port along the Pacific, whether it is my port in Long Beach and Los Angeles, or it is the Ports of Seattle, or anywhere else, even down through Mexico, or ports that go on to other parts of the world across Asia, most of the ships in the world are actually built by China.

And so, I think it is important to note that what the shipbuilding does, is it provides China with a capacity to then actually streamline their shipbuilding on the military side. And because United States over many decades has decreased their kind of focus on shipbuilding as an economy, that has allowed China, you know, over the last 40, 50 years to be the world's producer, essentially, of cargo ships on the commercial side. And I will note, you know, having had the Port of Long Beach as a mayor and the city, that, in my opinion, Chinese commercial ships are of less quality and less focused on climate and some of the other goals as ships that might be produced, for example, in Korea and other places across the world, or the work that we are doing in the U.S.

I just want to want to note real quick for both the admirals, what is the current maximum capacity for military shipbuilding in the U.S.?

Admiral ANDERSON. Sir, we are engineers on this side of the table, so we are currently calculating how to best——

Mr. GARCIA. I mean, around 10? Does that sound about right?

Admiral ANDERSON. Yes. If you look at the surface shipbuilding budget, routinely, we are somewhere in the vicinity of seven to nine ships requested per year.

Mr. GARCIA. Yes, that sounds about right.

Admiral ANDERSON. It is a good indication.

Mr. GARCIA. And——

Admiral MOTON. Sir, it also has to be kind of a yard-by-yard answer. Our nuclear shipyard capability, large amphibious ships, right? So, it is a rough range, but certainly, you know, you kind of have to look class by class as well.

Mr. GARCIA. I think that sounds right, and what do you think are the most important steps that Congress could take to actually build shipping capacity?

Admiral ANDERSON. So, you know, as I mentioned, our Fiscal Year 2024 budget has the quantity of ships we believe we need operationally and to maintain the industrial base. There is also funding in there that helps us to expand the work force. One of the

real challenges we have in this country is availability of blue-collar labor, and we saw that as a challenge as we were in COVID and came out of COVID, and we continue to struggle to identify talent to come in, people who are interested in the blue-collar trades.

So, support of our budget requests that provide funding to develop the work force, that comes in two ways. The submarine industrial base, which I mentioned earlier, has targeted funds to help advance the work force. Additionally, last year in the NDAA, Section 122 provided a requirement for the Navy when awarding shipbuilding contracts in the future to fund a percentage of the overall cost of the ship to go toward work force development items. Those are helpful.

Admiral MOTON. Sir, if I might add?

Mr. GARCIA. Yes, briefly. Yes, sir.

Admiral MOTON. First of all, your points about, you know, China's capacity are certainly correct, as Admiral Anderson discussed. You know, the U.S. Navy's approach is to focus on, you know, not just capacity but also the capability and the readiness, and so that is the way we are approaching it. From what can we do to help, you know, certainly anything that we can do to strengthen our industrial base to meet our current demand and to surge if we need that to happen. The Navy tries to do a stable planning, efficient planning, efficient acquisition. That is why we ask for things like multi-year procurements in certain programs, Congress' support of those, for example. And just reiterate Admiral Anderson, you know, to invigorate shipbuilding as a profession in the United States——

Mr. GARCIA. Absolutely.

Admiral MOTON [continuing]. With young people.

Mr. GARCIA. Just to wrap up. My time is almost up here. I agree completely with both of you, and I just want to remind the Committee that there is synergy between the commercial side of shipbuilding and what we are able to do on the military side. And because United States for the last generation has essentially withdrawn from shipbuilding as a major source of manufacturing jobs, that does impact, while, of course, China has ramped up those efforts. So, I want to thank you both for your answers.

Mr. GROTHMAN. Congressman Dunn. I am sorry. Congressman Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman. Admiral Anderson, Admiral Moton, thank you for being here today. Admiral Moton, sir, we have a high level of confidence in your leadership and as you guide the MUSV Program, a critical shipbuilding program for our Nation. I just want to personally reassure you that my office stands aligned with your vision for completion, and we stand with the primary contractor and the subcontractor shipbuilders, and we avail ourselves to you and your office and your staff, sir. We look forward to moving the project forward. And we have had meaningful engagement with your staff and your office regarding that program, so thank you for your accessibility and your interaction with my office regarding the MUSV Program. We shall find a path forward there.

Admiral Anderson, I have a lot to unpack here and a few minutes to do it in. Thank you, sir, for your service to your country, and although I have many questions to get to, you said something

that was just striking earlier. You said it would be wonderful if we had the industrial base in America. You were being asked about our competitive shipbuilding capabilities as compared to China. What exactly did you mean by that, sir? We have been building vessels in America for a very long time and quite successfully. The quality of our shipbuilding, I believe, in America is second to none. It is a communist-run over there. It is slave labor and no environmental regulations, no safety standards. What exactly do you mean you wish we had the industrial base in America that they do in China?

Admiral ANDERSON. Yes. Yes, sir. Just to be clear, the point I made was that the commercial work that China has provides opportunity to them with regards to their military production. It is not to in any way impugn U.S. work force, the quality. I actually think in my opening remarks I was pretty clear on that we deliver the finest warships on the planet.

Mr. HIGGINS. Is it the——

Admiral ANDERSON. The advantage——

Mr. HIGGINS [continuing]. The cornerstone of our Nation's military, the moral integrity upon which we stand, is it an opportunity for a Chinese family to provide slave labor in the shipbuilding industry in China?

Admiral ANDERSON. No, sir. Maybe to explain the point a little bit better, I will talk to South Korea. So, I recently visited South Korea. South Korea has a simple——

Mr. HIGGINS. South Korea. The only reason South Korea is free is because of America.

Admiral ANDERSON. Yes, sir.

Mr. HIGGINS. So, I do not want to get into the weeds on that. That was just a striking statement. Let me say for the record, I believe that our shipbuilding industry in America is the strongest in the world, and our industrial skill and the quality of the products we produce in America are second to none. And I think that shipbuilders and welders and fitters and fabricators and machinists across the country would agree with that.

Chairman, I would like unanimous consent to enter into the record a letter addressed to Secretary Mayorkas of Homeland Security and Secretary Del Toro of the United States Navy, dated September 30, 2022, from my office and signed by myself and Congressman Neal Dunn, and the corresponding responsive letters from the Navy, October 28, and from Department of Homeland Security on November 14. I would like to enter them into the record, sir.

Mr. GROTHMAN. So, ordered.

Mr. HIGGINS. Admiral Anderson—wow, five minutes rolls by very quickly here—I am going to ask you one question. Does the Navy have the authority to reallocate awarded contracts from one shipyard to another to preserve industrial capabilities?

Admiral ANDERSON. The Navy has authority to act on individual contracts and to make determinations on the use of dual source for shipbuilding platforms.

Mr. HIGGINS. So, if the Chairman will indulge to complete this question——

Mr. GROTHMAN. Go ahead.

Mr. HIGGINS. Thank you. It has come to my office's attention that a law cited by you and your office, sir, regarding moving ships from a smaller shipyard to a larger shipyard was 10 U.S. Code 2304(c), "Charlie," (3), which states, "as necessary to award the contract to a particular source or sources in order to maintain a facility, produce, or manufacture, or other suppliers." So, that law makes sense, but how would this law give your office the authority to move shipbuilding from a contract at a smaller shipyard building steel vessels and sole source award those ships to a shipbuilder, a large shipbuilder, that had never built a steel vessel? How is that maintaining an asset?

Admiral ANDERSON. So, not to delve too far into the details, the justification for that is signed by the Assistant Secretary of the Navy for Research Development and Acquisition. In other words, that authority does not reside with me. That is the Navy's authority——

Mr. HIGGINS. That is the authority you cited, though. That is the law that you cited, correct?

Admiral ANDERSON. That is the law that, in the memo signed by RDA, was utilized.

Mr. HIGGINS. Do you agree with that citation of law?

Admiral ANDERSON. I do.

Mr. HIGGINS. OK. My time has expired. I will have questions to submit in writing to both admirals. Deepest respect for you both as we forge a path forward for our shipbuilding in America. Thank you, Mr. Chairman for your——

Mr. GROTHMAN. Thank you. Congressman Lynch?

Mr. LYNCH. Thank you, Mr. Chairman. Admiral Anderson, Admiral Moton, thank you very much for your willingness to come before the Committee and help us with our work. Just a little bit of background here, I am a former shipfitter. I worked at the General Dynamics Shipyard in Quincy, Massachusetts before coming to Congress. I share Mr. Higgins' frustration sometimes with the bidding process, and I just want to emphasize that I am worried about the work force situation here, and the number of shipyards and the number of dry docks that we have across the country. And I worry about our national security if we ever had to rely on an enhanced shipbuilding program or a ship-enhanced repair program with the number of dry docks we have.

And I just want to say on the record that it is important that you spread the work out. Mr. Higgins was talking about, you know, moving work from a small shipyard to a bigger shipyard that has a lot of work but does not necessarily have the same expertise. You are going to put those smaller shipbuilding facilities and ship repair facilities out of business. I was very involved with Boston Ship Repair. It is right outside my office, and, you know, we can fit most ships in there except for the largest carriers, and we have put 17 bids in, in the past couple of years, and we got one successful bid.

And so, you know, look, I have traveled around a bit as an iron worker as well. You know, I worked in Norco, Louisiana. I know what they are doing down in Avondale. I know that we have got some other bigger shipyards and repair facilities. But it is important if you are going to put a bid out there, you want to have a lot of competition to try to get that number down, and if you whit-

tle it down to just a few shipyards, you are going to pay more. You are going to put our work force at risk, and you are going to close down a lot of these smaller shipyards, so I would just ask you to be mindful of that.

On a personal note, I got a buddy of mine, Thomas G. Kelly. He is a congressional Medal of Honor recipient, and we were lucky enough in the 2023 budget to put in some money to have a DDG–140 named after him. It is in construction. It is just beginning right now, so it is going to be a few years. But I just want to put on the record I am going to write to Secretary Del Toro that I would like to have that christened in our home port of South Boston and not anywhere else. Tom, you know, he is a dearly loved member of our community, and I think it would do him proud to have that ship dedicated in our home port, and I think it would be a fitting crowning achievement of his career and a wonderful recognition of his service.

You know, I am concerned about how we post up against China, and I guess the question is, and I have seen their shipbuilding program, and I am not talking about quality, but I am talking about the number of vessels. I think they have got programmed to—I think they are doing 340 right now. They can put 340 ships, or platforms anyway, and we are at about 290 or something like that. So, it seems to me if we stay on the current path, we are going to fall further behind. And what is it that you would recommend for us to do, the changes that we need to make to catch up given our limitations on supply chain and the current pace at which we are turning out ships? Admiral Anderson?

Admiral ANDERSON. Sir, I think there are two pieces to it. The first piece is the discussion about our capability versus their capability, the quality of their capability, their ability actually to project power with that capability. One of the things that we have is absolutely a strategic strength for us are the sailors that operate our ships, their proficiency at operating ships around the world, the technology that we have within our ships.

One of our major areas of advantage is our submarines. I go back to that initial discussion that says our submarine force absolutely needs to ramp up. We are currently delivering somewhere less than 1-and-a-half Virginia-class submarines per year. We need to ramp up the work force to do that two Virginia-class and one Columbia-class. Estimates of that program office is that that will take somewhere between 80,000 and 100,000 trades people to be hired over the 10 years.

Mr. LYNCH. Wow.

Admiral ANDERSON. It is significant.

Mr. LYNCH. Yes.

Admiral ANDERSON. So, when you look at the Navy budget where we are focused, we are focused in making that happen. I go back to this supplier industrial base, funds that were using to get people interested in blue-collar labor, get them married up with companies that support that supply chain. So, while I am not being overly vocal in the portfolio that we work in with regards to additional need, submarine industrial base is really where we need efforts.

Mr. LYNCH. Mr. Chairman, if I could just——

Mr. GROTHMAN. Sure. We will give you another question.

Mr. LYNCH [continuing]. Ten more seconds. I just want you to think about, look, I am a union iron worker, and I am also a member of shipfitters union. We have the apprentice program, and it is a four-year program. We train these kids coming in, these young men and women. There is a pathway there to get that work force trained up and put them to work, but you got to work with us. The Navy has to work with us. Thank you for your courtesy, Mr. Chairman. I appreciate that, and I yield back.

Mr. GROTHMAN. Thank you. Congressman Gosar.

Mr. GOSAR. Thank you, Mr. Chairman, and I thank the spirit in which the last two Members of this body have asked questions. So, my opening statement, the Department of Defense and the Navy are in a bad way. The Department of Defense is the only agency since 2013 that has never passed a financial audit. Last year, DOD failed its 5th consecutive audit. A staggering 61 percent of DOD funds were unaccounted for. The Government Accountability Office. Gentleman, are you familiar with that office? Both of you?

Admiral ANDERSON. Yes, sir.

Admiral MOTON. Yes, sir.

Mr. GOSAR. OK. The Government Accountability Office estimates that the DOD has no idea where millions of dollars' worth of valuable equipment is. The last time DOD even bothered to compile the amount of the DOD equipment in the hands of Federal contractors was 2014. In the last few years, China has surpassed the United States of America for the first time in numbers of warships. By 2025, as has been reiterated here, China's fleet is expected to grow to 400 ships, 60 more than the U.S. Navy's current fleet.

Instead of a focus on a more lethal, efficient, and deadly fighting force, the Navy instead seeks to appease the woke. Just a year ago, 240 servicemen were discharged from the Navy for refusing the experimental vaccine. That is a national disgrace. They ought to be brought back in and given back pay. Talking about the U.S., Reagan, the former President, has got to be rolling in his grave. Now, Admirals, how have the endless wars in the Middle East, and now Ukraine, affected the Navy's military readiness?

Admiral MOTON. Sir, if I could start, you know, your initial comments just to assure you the Department is certainly committed to completing successfully the audit. And certainly, at Admiral Anderson's eye level and shipbuilding, we understand the importance of transparency at the level that we manage, making sure that our contractors are following contract requirements in terms of compliance, business systems.

Mr. GOSAR. Well, I get that, but, I mean, to the two gentlemen that preceded me with questions, you have to know where money is in order to get money out.

Admiral MOTON. Yes, sir, and we are——

Mr. GOSAR. And it is a disgrace that there is no audit. I cannot tell you how that is disgraceful.

Admiral MOTON. Yes, sir, and at our level, we are completely committed to that. I know the Navy is as well. In terms of the readiness, again, I would just offer, you know, again, Admiral Anderson's and my role is to build the shipbuilding program that the Navy determines, you know. So, in terms of shipbuilding, you know, we have probably kept a fairly steady rate, I would say, of

shipbuilding, even during the conflicts. You know, we certainly had our missions we had to prepare. Shipbuilding is a long game, as we like to say.

Mr. GOSAR. Yes.

Admiral MOTON. It takes multiple years. So, we certainly have a lot of challenges, you know, with our industrial base and our future capacity. But kind of your question about tying that back to the wars, you know, I think we are focused on our capability for the future, and we are committed to providing that capability.

Mr. GOSAR. So, let us get back to the Government Accountability Office. As you know, it is an independent agency that provides policy recommendations to executive agencies through extensive research and coordination with government officials. Do either one of you know how many priority recommendations from the GAO has the Navy, that are still remaining unaddressed?

Admiral MOTON. Sir, I do not think either of us know that. We certainly can speak to our specific——

Mr. GOSAR. Well, the answer is——

Admiral MOTON [continuing]. But——

Mr. GOSAR. The answer is 17. There are entire agencies that do not have higher numbers than that. For contrast, Air Force and Army only have three unaddressed priority recommendations. Could you please explain why the Navy is falling so far behind its peers? I mean, the questions here are geared toward the readiness of this fighting force, and something is wrong here.

Admiral MOTON. Sir, I think with our level in shipbuilding, we probably cannot give you the whole picture of the Navy, but we can certainly provide a response on the priority actions you mentioned and where we are with closing those.

Mr. GOSAR. I would definitely demand that we get that because we cannot do our job without you doing your job first. You know, here is another thing. Out of the 17 recommendations, you are not aware of how many you are actually addressing, are you?

Admiral MOTON. Sir, Admiral Anderson and I are not because, again, we are focused on the recommendations relevant to our shipbuilding efforts, but certainly at the Navy level, I am confident we are aware, and we can get you that information.

Mr. GOSAR. Well, do you see our frustration?

Admiral MOTON. Yes, sir.

Mr. GOSAR. OK. Well, you know, we would like to get that back in writing, and I share the frustration with my colleagues. We got to do better. I yield back.

Admiral MOTON. Yes, sir.

Mr. GROTHMAN. Thank you. Congressman Frost?

Mr. FROST. Thank you, Mr. Chairman. Chief of Naval Operations, Admiral Gilday, recently testified to Congress that the biggest barrier to adding more Navy ships is industrial base capacity at American shipyards. There is more work to be done on ship maintenance and production that can be done within the facilities currently available. Our Navy has been engaging in this strategic outsourcing by partnering with smaller and larger shipyards to assemble ships, but it is not necessarily clear that having defense contractors take on so much of this work is sustainable in the long

term, but what is clear is that something needs to be done to meet our national security needs.

Admiral Anderson, how do the cost and production cycle times of shipbuilding that is associated with strategic outsourcing compared to those associated with public shipyards?

Admiral ANDERSON. When you talk about strategic outsourcing comparing to public shipyards, you are predominantly talking about submarine work, and unfortunately, I do not have the details related to submarines. We certainly can take that for the record and get back to you.

Mr. FROST. OK. Thank you. And what can the Navy do to ensure that shipyards work together to establish an adequate flow of materials and maximize production?

Admiral ANDERSON. There is quite a bit of that that takes place naturally. The Navy is aware of it. There is a shipbuilding ecosystem. There are professional organizations where the shipyards get together and talk about their relative needs and partnering. The Shipbuilders Council of America is an example where that forum exists. There is naturally competition between the shipyards, so it is not completely as transparent as one might like, but there absolutely are examples where shipyards are partnering together, not only on core shipbuilding work but work with their supply chains. There are also companies that have multiple shipyards, so I will point to GD, NASSCO, and BIW, who certainly leverage each other's supply chains in the construction of ships, and the same thing with Huntington Ingalls. And, Casey, I do not know if you have——

Admiral MOTON. I would just add quickly that, of course, at the Navy level, we watch the entire shipbuilding industrial base and certainly look for the factors that you are talking about, Congressman. The shipbuilders also cooperate. There are organizations where shipbuilders get together and the suppliers get together, and there is some collaboration there. We have activities where we do research and development on shipbuilding and improving the industrial base. So, it is a balance. The shipyards obviously want to be competitive with one another, and we want competition, but at the same time, we want a strong industrial base that is going to support both our production work and our repair and modernization work, like you mentioned, at the public shipyards.

Mr. FROST. Thank you. Our four public shipyards, the budget documents show that their workload exceeds the capacity by about 117 to 153 percent. These shipyards are losing a ton of Marine welders who get trained up and quickly move on to better-paying jobs. The average shipyard worker only takes home roughly $41,000 a year, but President Biden's budget calls for salary raise of 5.2 percent for the public shipyard workers. For both of you all, shipyards increasingly need to attract a sizable and skilled work force. How can Congress help the Navy attract more skilled workers to public shipyards and retain them throughout their careers?

Admiral ANDERSON. I will share the perspective of private shipyards again. The public shipyards fall underneath different admirals than are represented here, but I think the argument is the same. One is building those pipelines to develop people, blue-collar labor that is interested in the kind of work we do in naval ship-

yards. One of the things we have seen very successful is building ecosystems around the shipyards. So, you know, Congress working with state and local governments to aid in the development of ecosystems around shipyards really provides opportunity. If there is no housing in the area of a shipyard, you are going to have a hard time having blue-collar labor come in and be interested in a job there. Things like healthcare, things like daycare, things like housing are really important to have in the vicinities of the yards to attract the talent that we need to build the ships we need in the future.

Admiral MOTON. And at all levels, I would just add, you know, whether it is in your districts, or at the state level, or, in some cases, at the Federal level, such as the industrial base funds that have been appropriated, you know, growing the work force, you know, making sure that young people understand it is an honorable and important profession to build ships or to repair ships for the U.S. Navy is, you know, something that I think, not just the Congress but really at all levels of our country, is something that we could stress and will pay dividends as we expand our capacity.

Mr. FROST. Thank you. Thank you. You know, it is interesting we have to play catchup, though. We have the largest military budget in the world, and shipyard workers are still making less than a livable wage, but we can responsibly and do it in a sustainable way to ensure that our military has the resources they need. Thank you for your service and testimony. I yield back.

Mr. HIGGINS. [Presiding.] The gentleman yields. The Chair recognizes my colleague from Texas, Representative Sessions.

Mr. SESSIONS. Mr. Chairman, thank you very much. Gentleman, thank you to being here today, and thank you for your service to our country.

I would like to focus, if I can, a conversation that I would like for you to have with us about the classes of ships that are being built and the long term, I do not know whether the word is return on investment, or that help the fleet out, but seemingly there are problems with these ships. Maybe it is LCS. Maybe it is some other types. Tell me about that. Are there requirements that standards are stuck to them, and all of a sudden, some ships are OK and others aren't? Are we requiring more than is available by industry, and we are seeking, and we are pushing that too far? Talk to me about the classes of ships and the reliability of those standards and the product delivered. Either one of you gentlemen.

Admiral ANDERSON. Yes, sir, I will start, and Admiral Moton can join me in process. So, there are multiple classes of ships, and those ships are built to a set of higher-level requirements. What are the operational requirements, what are the mission requirements for the ship? In my opening statement, I talked about the Destroyer Program, the Arleigh Burke-class Destroyer Program, a model for us in ship construction. That shipbuilding program has requirements for the ship to be a multi-mission surface combatant, air warfare, surface warfare, and anti-submarine warfare. In addition, it has gotten a ballistic missile defense mission over time.

The thing that makes the Arleigh Burke-class special is that that ship class now, you know, 30-plus years in the making, we are building our 75th ship. I mentioned earlier, 75th ship. We have

been able to evolve that ship over time to meet evolving requirements. We have flexibility in that hull. It is the longest-standing program that we have in the Navy.

Different programs are built to different standards. We made a decision. We talked earlier about another large surface combatant DDG–1000 Program. We put a lot of technology in it in the beginning, and in the end it became very expensive, and we terminated it. We decreased the number of ships we are going to build from 32 to three, and we have examples like that across the spectrum. Casey, do you want to talk to the programs in your——

Admiral MOTON. Thank you, Tom.

Admiral ANDERSON. Yes.

Admiral MOTON. Yes, sir. I would just say, you know, for each class, in terms of us as shipbuilders, the designs are tailored depending on the mission of the class, right? It is a carefully thought-out process, and not all ships are the same. Even though Admiral Anderson and I are not the nuclear ship builders, you know, from the nuclear all the way down, we kind of tailor it to the mission and the need for the class. What does not change is that for each contract, the Navy and the shipbuilder are responsible for delivering us a ship that meet those requirements and meet those standards, and, you know, we work to ensure that we only accept ships when they meet those standards, and that we hold shipbuilders accountable to their contracts in delivering.

Mr. SESSIONS. Yes, sir. Yes, sir, but the testimony is you went from what was projected, 32 ships to three. Someone needed a new pencil, right?

Admiral MOTON. Yes, sir. Maybe I will answer that question a little bit differently, maybe with LCS, if that is all right.

Mr. SESSIONS. I will let you give your own answer, Admiral. Thank you.

Admiral MOTON. Yes, sir. You know, you certainly did mention LCS, and, you know, absolutely, you know, that class has had some reliability challenges in several areas. You know, we have focused very hard on correcting those, making those ships reliable, providing the support that they need to do to the shipbuilders. As an acquisition shipbuilder, the quality issues are unacceptable, right? We have worked to fix them and have made significant progress on LCS, but they are unacceptable in terms of the quality issues.

Mr. SESSIONS. So, would you say, sir, that they were oriented at, not the design, but the manufacturing?

Admiral MOTON. Sir, there are many aspects of the LCS that caused the reliability, some manufacturing, some equipment, some design. Quite frankly, it was significant in several areas. What I will assure you, is that on the frigate design, which is kind of the successor to LCS in our frigates, those lessons learned have been applied. We made sure to start with mature systems, non-developmental systems. We are ensuring that the frigate is built to sort of core Navy quality standards and survivability and reliability. We leveraged existing designs to ensure that we did not have the developmental issues there. We made sure that we had a mature production before the ship started construction.

I know many of those are kind of shipbuilding details, but those are the important lessons learned from LCS, an example that we

are applying now, and I know that Admiral Anderson is doing that as well on the next destroyer.

Mr. SESSIONS. Mr. Chairman, I would like the record to reflect that as I started, I end. I want to thank these gentlemen for their service to the United States of America, a grateful Nation, and I yield back my time, Chairman.

Mr. HIGGINS. The gentleman yields. His time has expired. The Chair recognizes my friend and colleague from North Carolina, Representative Foxx.

Ms. FOXX. Thank you, Mr. Chairman, and I want to thank our witnesses for their service to our country also. Rear Admiral, I am going to follow up with some more detail from what my colleague from Texas was asking you in a general way. Admiral Anderson, the Navy has discovered that the Freedom-class littoral combat ship suffers from design flaw, which has led to repeated failures in the combining gear, which is part of the ship's propulsion system. Can you provide an estimate on how much it will cost to repair the combining gear issue and when design flaws are discovered on ships, that the Navy has accepted who is on the hook for cost to fix the issue, the contractors or the taxpayers? And I want to say I have several questions, so I would appreciate short answers.

Admiral ANDERSON. Ma'am, I am going to actually ask Admiral Moton to answer that.

Ms. FOXX. OK.

Admiral ANDERSON. It falls under his command.

Ms. FOXX. All right. That is fine.

Admiral MOTON. I have the LCS Program.

Ms. FOXX. OK.

Admiral MOTON. Yes, ma'am. So, you are correct. The Freedom-class, in particular, has had this design issue with the combining gear that you mentioned. You know, I want to start by immediately, you know, telling you that a solution has been determined for that combining gear, and we are part way through the class of ships in installing that fix and restoring the ship to its full capability. That combining gear fix or combining gear issue, again, was unacceptable. It was a design issue in the gear that should never have been there. You know, we have held industry accountable.

Ms. FOXX. And who is paying for it, the industry is?

Admiral MOTON. Ma'am, in our shipbuilding contracts, in general, we share cost with industry, and that is not specific to LCS. That is how we do it. It is fixed price incentive contracting, and that is how it is working on LCS is that we are sharing the cost. However, you know, typically once a ship delivers, we do not have the ability to do that. In this case, for LCS, we declared what is called a latent defect, and I apologize for the term, but it is a contractual mechanism where we hold the building yard accountable for the mistake that they made. We still share the cost, but it is certainly not the U.S. Navy or the taxpayer paying 100 percent. And so that is the way that——

Ms. FOXX. What percent are we paying?

Admiral MOTON. On the——

Ms. FOXX. Let us be specific.

Admiral MOTON. On the LCS contract, ma'am, it is a 50/50 cost share, so——

Ms. FOXX. OK. All right. It has also been reported that the LCS requires preventive maintenance by contractors about once a month for a 1-2 week period. I mean, this means half of the time, the ship is not available for use. It is absurd to think that a ship that cost north of a half million dollars could be in preventive maintenance cycle for up to six months a year. I know you have said that you found a solution and you are working on it, but will the repairs that have been needed and maintenance now go away?

Admiral MOTON. Ma'am, any ship, of course, requires preventive maintenance. That is the way that we keep the availability, the time that the ships are available, up. The LCS Program utilized a construct that is different than much of the rest of our surface force originally, which was to keep a small crew and to have industry repair those. Certainly, we have had some challenges there. We have made changes. The Navy sailors are now doing more and more of that maintenance in order to keep those ships more operable.

We are also trying to reduce—you mentioned preventive maintenance—but corrective maintenance, right? We are implementing reliability fixes to the class to reduce the number of equipment failures they have and to provide the fleet that the ships need. And certainly, there is more work to go, but there are four LCSs currently deployed today in the U.S. 7th Fleet and several more elsewhere in the world, so we are making progress. But as the shipbuilder, I am the first to say there is more to do.

Ms. FOXX. Oh. OK. One more question. Based on the Navy's experience with the LCS, would it be beneficial to the service to procure multiple ship variants produced by different contractors in the future, or would it be a hindrance? It seems to me having all our eggs in one basket has not been very productive.

Admiral MOTON. So, it is obviously different for each class. LCS was sort of a unique construct where we ended up with our two different variants that basically meet the same requirement. We have other cases, you know, in some cases where our production rate supports it, DDG–51 under Admiral Anderson's portfolio, where we have two shipyards building DDG–51. So, where it is possible, it is helpful to have multiple ships. It kind of depends on every ship class and what our build rate is.

Ms. FOXX. Thank you very much. Again, thank you for your service, and, Mr. Chairman, I yield back.

Mr. HIGGINS. The gentlelady yields. The Chair recognizes my colleague, Representative Dunn, for five minutes.

Mr. DUNN. Thank you very much, Mr. Chairman. I also want to thank you for the opportunity to waive on to this hearing today. This Subcommittee is conducting extremely important work, and I appreciate the opportunity to be part of the conversation. What I want to know is are the Chinese weakening our Navy and Coast Guard from within. In 2016, a family owned shipyard in my district was awarded a U.S. Coast Guard Phase 1 contract for the first four of 25 offshore patrol cutters. These cutters are being completed on time and on budget, despite Hurricane Michael's Category 5 devastation in our region. The Coast Guard has repeatedly stated that the quality of these ships was as good or better than any they had.

Despite this success, the Coast Guard awarded the OPC Stage 2 contract to another company, Austal USA, which is the largest shipbuilding contract ever awarded by the Coast Guard at $3.3 billion. This is the same Austal that was awarded the contract to build the littoral combat ships for the Navy. As widely reported, these ships are plagued by cracked hulls, broken equipment, and technologies that do not work. They are severely delayed, and they suffer massive cost overruns.

Despite these complete failures, DOD announced a grant of $50 million, using taxpayer money, to Austal so they would be eligible to bid on the Coast Guard contract. You would think that the U.S. Navy would be hesitant to award another contract to a company that delivered faulty products, but Austal was also awarded a contract to design and build the Navy's expeditionary fast transport ships, also a failure. Most recently, Austal was awarded the contract to build the command-and-control modules for the nuclear-powered submarines that are central to our nuclear defense front for Triad. All this, and now Austal CEO and other C-Suite executives have been indicted for fraud by the Department of Justice. In what universe does this happen?

Austal USA is part of Austal International, an Australian company with close China links. In fact, Austal co-owned a shipyard in China until December 2021, the entire time it was building ships for the United States Navy. It should alarm everyone that a company like Austal, that has won multiple defense and Homeland Security contracts, has such close ties to the CCP. This is a deeply troubling national security threat.

Admiral Anderson, the Chief of Naval Operations, on multiple occasions, has stated that China is the strategic threat to this country and the time to act is now. Do you agree with that statement?

Admiral ANDERSON. Yes.

Mr. DUNN. Thank you. I do, too. Given your position, what prime contractors for the Navy have had direct partnerships with the CCP over the last five years? Admiral Anderson.

Admiral ANDERSON. Yes, I am thinking. I am making sure I understand your question. Which prime shipbuilding contractors that do work for the United States have direct contact?

Mr. DUNN. With the Navy, are also working with the CCP. Let me help you—let me help your——

Admiral ANDERSON. I would say none.

Mr. DUNN. I will reclaim my time. Mr. Chairman, I want to submit to the record an article from Baird Maritime, titled, "Zhang Long Shipbuilding Wins China Coast Guard Vessel Tender."

Mr. HIGGINS. Without objection.

Mr. DUNN. Thank you, Mr. Chair.

Mr. HIGGINS. Admiral Anderson, should prime contractors for the Navy or their subsidiaries have direct relationships with a country that your CNO believes poses the greatest threat to our Nation's sovereignty and security?

Admiral ANDERSON. No.

Mr. DUNN. I agree. Thank you. Admiral Anderson, did the Navy provide a $50 million defense production grant, a grant funded by taxpayer dollars, to a company that had an active partnership with the CCP?

Admiral ANDERSON. I cannot answer the question on active partnership. I am not aware of any active partnership with the CCP——

Mr. DUNN. Let me jog——

Admiral ANDERSON [continuing]. But to be——

Mr. DUNN. Admiral, let me jog your memory.

Admiral ANDERSON. OK.

Mr. DUNN. Mr. Chairman, I would like to submit for the record a DOD press release announcing a $50 million Defense Production Act Title III grant with Austal USA. That is a nice gift.

[No response.]

Mr. DUNN. Mr. Chair?

Mr. GROTHMAN. [Presiding.] So, ordered.

Mr. DUNN. Thank you.

Mr. DUNN. Admiral Anderson, do you believe it is responsible and sensible to award contracts to a company whose entire leadership structure was actively being investigated by the Department of Justice and the SEC for defrauding our government, and by the way, have since been indicted? Is that reasonable.

Admiral ANDERSON. No.

Mr. DUNN. I agree. It is not. Mr. Chairman, I would like to enter into the record a DOJ press release, titled, "Three Men Indicted for Multi-Million Dollar Accounting Fraud Scheme at a U.S. Navy Shipbuilder," and I think we can all guess who that shipbuilder is. Admiral, thank you very much your service. I appreciate it.

Mr. GROTHMAN. So, ordered.

Mr. DUNN. Mr. Chairman, I yield back.

Mr. GROTHMAN. Thank you. Is that it? OK. In closing, I would like to thank our witnesses once again for their important and insightful testimony.

First of all, I would like to yield to Congressman Garcia for your closing comments.

Mr. GARCIA. Sure. Thank you very much, Mr. Chairman. I just want to just correct one thing that was mentioned earlier and then just give a couple of general closing thoughts. I just want to just, I think, remind the Subcommittee, and I think it is important for the public to remember, when we are talking about the capacity and the ability of the American shipbuilding to Chinese shipbuilding, no one certainly is going to argue that we do not have the best work force and that we do not have the best military anywhere in the world. But the capacity and our ability to build ships is dramatically different, and I just want to remind us that, in China, they build on the commercial side approximately 1,000 ships a year. The United States builds approximately 10 ships a year. We build one percent of China's shipbuilding capacity. Globally, 47 percent of all ships produced are made in China. Globally, 0.2 percent of the ships produced are made of the United States. And so, yes, our ships are better, our workers are better, but as far as who is building more ships and the capacity there is no question that over many decades, that has shifted, unfortunately, to China.

I just want to also just close by thanking all of you for your service. I am particularly just grateful, Admiral, sir, that you had gone to Korea to look at the shipyard. They are really doing some innovative work there, and I know that you are trying to implement

some of what we have learned from some of our allies across the globe. And also at a later time, I just want to also get into some conversation about 3D printing, which I know the printing of metals for submarines and what we are doing here in the United States is incredible. And I want to commend all the innovation that is happening in the Navy around 3D printing and what that is going to do to our shipbuilding capacity in the future, as well as with within our work force. So, thank you for doing that. Thank you for your interest in high-performing organizations, and I look forward to the Navy continuing that work. Thank you, Mr. Chairman.

Mr. GROTHMAN. Thank you. I appreciate all your time today. It is always frustrating when you are kind of limited to five minutes, but that is why we do things in Congress.

I want to remind everybody they have five legislative days within which to submit materials and to submit additional written questions for the witnesses, which will be forwarded to the witnesses for their response. And particular areas that I wish we would have got into a little bit more is, maybe some of the labor laws or labor requirements and see the degree to which that maybe slows things down or affects something, as well I hope to give you some questions regarding the degree to which you feel that we are dependent on parts from other countries, and the degree to which that is a potential problem in the future.

Mr. GROTHMAN. But in any event, if there is no further business, without objection, the Subcommittee stands adjourned.

[Whereupon, at 11:21 a.m., the Subcommittee was adjourned.]