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THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

STATEMENT
OF

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FOR INTEGRATION OF CAPABILITIES AND RESOURCES

AND

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(SHIP PROGRAMS)

BEFORE THE

SUBCOMMITTEE ON DEFENSE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

ON

SHIPBUILDING

April 1, 2009

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Mr. Chairman, Representative Young, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to address Navy shipbuilding. The Department is committed to the effort to build an affordable fleet tailored to support the National Defense Strategy, the Maritime Strategy, and the 2006 Quadrennial Defense Review. The budget required in FY 2010 for new construction ships will be provided upon the submittal of the FY 2010 President's Budget.

Since the 1800s, the United States Navy has been permanently deployed far from American shores, and our nation's first responder to crisis and upheaval throughout the world. The Navy's continuous presence assures our friends and allies that the United States remains ready to help deter aggression, maintain access to the seas, and assist in the event of humanitarian crisis or natural disaster. Forward presence uniquely provides our country's leadership the ability to act with understanding, speed, and flexibility to contain issues or conflicts before they escalate. The Navy's forward presence has been called upon for more than 75-percent of our nation's combat operations and shows of force, and 90-percent of long duration humanitarian assistance or disaster response missions since 1970. The cost of perpetual presence requires us to continually maintain, upgrade and recapitalize our ships and submarines.

Inherent to the Navy's ability to perform these critical National Security missions are our ships and our ship force structure. Ships define the Navy and underpin virtually all of our naval warfighting capabilities. Today, we have a balanced fleet capable of meeting Combatant Commander demands, from presence to counter-piracy to ballistic missile defense. However, our fleet is stressed due to inadequate force structure and our high operational tempo. As we look ahead, we see emerging warfighting requirements in littoral warfare missions and ballistic missile defense that are not fully addressed within our existing force structure. These factors drive our future force structure requirements for 313 ships, LCS, and DDG 51 restart.

The continual challenge the Navy faces is the availability of resources to fully populate the necessary force structure. As a result, the Navy will assume risk in some capability areas in order to achieve a balance across all of its mission sets. While there will be some areas that have risks, the aggregate force will retain its basic warfighting capability to ensure the Nation does not lose its ability to deter, dissuade and win in armed conflict, while at the same time provide security and stability through Theater Security Cooperation. The Navy is responding to emergent Combatant Commanders' requirements by placing more emphasis on capacity for ballistic missile defense, irregular warfare, and open ocean anti-submarine warfare (ASW). The Navy is readdressing the demands for high speed amphibious and intra-theater lift, and a variety of missions in the littoral with the Joint High Speed Vessels and Littoral Combat Ship.

In the past decade, the average age of the Navy's ships has risen from about 15 to over 20 years old as platforms built in the 1980s approach the end of their service lives. Replacement ships have been delayed, are more expensive, and are fewer in number than planned, shrinking the Fleet from 344 total active ships in 1998 to 283 today. The shipbuilding industrial base has followed suit, downsizing aggressively in response to the Navy's reductions in ship procurement, leaving just two major shipbuilding companies operating across six locations. These individual shipyards are substantially smaller than they were just a decade ago. We are at a minimum sustaining rate for affordable shipbuilding; further reductions in ship procurements will exacerbate existing shortages, and we risk losing the core talent and industrial tools necessary to

build future naval platforms. Mindful of this, Navy force structure planners are increasingly constrained by, and consequently focused on, the ability of the private shipbuilding industry to respond to our production requirements.

The Navy has examined the rising cost of ship acquisition. Per-ship costs are rising due to such factors as reduced competition, build rate volatility, overtime, low rate production, instability in ship class size, and challenges with introducing new technologies into new platforms. All of these factors lead to inefficient ship production. The Department is working aggressively to control costs. We are ensuring that new ship designs are mature enough to commence production; immature designs drive added cost and schedule risk into production. We are working to fully leverage competition at every level of our shipbuilding programs, at the first and second tier vendors if not with prime contractors; lack of competition adds unnecessary costs throughout the shipbuilding supply chain. In addition, within our shipbuilding contracts, we are continuing to implement proven cost-reduction tools and methods like multi-year procurements, cost reduction incentives, affordability programs, re-use of existing designs and equipment, and incentives for selected industrial capital improvement projects (CAPEX). Open Architecture, both for hardware and software, promises to be a powerful cost avoidance tool as well as a process for improving warfighting capability.

In 2008, the Navy instituted a more stringent acquisition governance process which improves reporting, reviewing, and oversight processes that provide specific criteria for areas such as requirements, funding, and technical performance. This process ensures that stakeholders from the resources, requirements, acquisition, and operational communities are apprised of, address, and revisit at defined intervals, issues associated with technical maturity, affordability and program health. In addition to the review process, every major defense acquisition program must conduct an annual Configuration Steering Board, which provides a means to identify further opportunities to reduce costs. In response to issues regarding shortcomings in cost estimating, the Navy has also re-invigorated the existing independent Navy Center for Cost Analysis (NCCA) and established a new, highly-focused Cost Estimating Tiger Team as a result of insights accumulated through our initial experience with the Acquisition Governance Process. The team is investigating the factors that contribute to improved cost estimates and developing plans of action which will then be implemented by the NCCA and the individual Systems Commands cost estimating organizations.

Working with the Office of the Secretary of Defense (Acquisition, Technology, and Logistics), the Department of the Navy (DoN) is taking specific measures to grow its Acquisition Workforce, which will ensure our ability to properly staff and manage programs. These measures include assigning a Principal Civilian Deputy (Senior Executive) to the Assistant Secretary of the Navy (Research, Development and Acquisition) with responsibilities for all DoN Acquisition Workforce; rebalancing the workforce by reversing the over-reliance on contractor-support executing core Navy acquisition functions (e.g., Systems Engineering, Cost Estimating, and Earned Value); more deliberate management of the Program Manager pipeline (experience and training); and leveraging the recent National Defense Authorization Act Sections 219 and 852 to restore capability and capacity in the DoN Acquisition Workforce.

Further, we are working with our international allies to exchange best practices and lessons learned on shipbuilding efforts. A Shipbuilding Quadrilateral forum, comprised of

government officials from the United States, United Kingdom, Canada and Australia, meets quarterly to discuss systematic trends that are emerging in shipbuilding programs. This spring, the United States is hosting the forum, which serves as a forum to discuss acquisition matters such as contracting practices and industry trends.

The Navy is procuring capability and modernizing current ships to create our future fleet. A discussion and the status of construction and modernization for the platforms that comprise the Navy's Fleet follow.

Aircraft Carriers

Aircraft carriers are the foundation of our carrier strike groups and ensure dominance of and presence from the sea. There are 11 operational carriers, as required by statute. However, the Navy will be challenged to meet that inventory requirement from FY 2013 until CVN 78 delivers in FY 2015. The Navy is exploring mitigation opportunities for this two year period but must balance the cost to bridge the gap.

CVN 21 Program

GERALD R. FORD (CVN 78), the lead ship of the CVN 78 Class, will replace USS ENTERPRISE (CVN 65). CVN 78 warfighting capability improvements include: 25-percent increase in sortie generation rate; a significant reduction in ship's force, as well as the air wing and embarked staff; nearly three-fold increase in electrical generating capacity; restoration of service life allowances; and enhanced integrated warfare system to pace future threats. These improvements will ensure that CVNs, the centerpiece of the Navy's Carrier Strike Group will continue to lead the Navy throughout their 50-year carrier lives. The detail design and construction contract between the Navy and Northrop Grumman Shipbuilding – Newport News (NGSB-NN) was signed in September 2008. Keel laying is planned for this fall.

CVN 68 Class

GEORGE H.W. BUSH (CVN 77) is the tenth and final Nimitz Class carrier, and is the numerical replacement for USS KITTY HAWK (CV 63). Delivery of CVN 77 maintains the carrier force structure at the statutory requirement level of 11 carriers. She was commissioned in January 2009 and, following delivery this spring, she will enter a Post Shakedown Availability.

CVN 68 Class Refueling Complex Overhaul (RCOH)

The CVN 68 Class RCOH program spans over 40 years in support of the Class. During each RCOH, 35-percent of a carrier's total service life maintenance plan is performed, as well as depot level mid-life recapitalization which extends the service life of the ship to approximately 50 years. Nuclear reactor refueling, warfighting modernization, and ship systems and infrastructure repair will help meet future missions. These combined upgrades support a reduction in operating costs, achieve expected service life, and allow the Nimitz Class to deter projected threats well into the 21st century. This program is critical for the class to achieve its service life and retain combat relevance. CVN 70 is currently in her RCOH and will complete this summer.

The Submarine Fleet

It is our intent that the Navy's submarine force remain the world's preeminent submarine force. We are aggressively incorporating new and innovative technologies to maintain dominance throughout the maritime battle space. We are promoting the multiple capabilities of submarines and developing tactics to support national objectives through battle space preparation, sea control, supporting the land battle and strategic deterrence. To these goals, the Department has continued a pattern of timely delivery of Virginia Class submarines while ensuring the overhaul of the Ohio Class submarines supports their continued ability throughout their full anticipated lifetime.

Virginia Class

Five Virginia Class submarines have delivered and six more are under construction. In 2008, the Navy commissioned USS NORTH CAROLINA (SSN 777) in May and USS NEW HAMPSHIRE (SSN 778) in October.

General Dynamics Electric Boat and NGSB-NN continue to jointly produce Virginia Class submarines and are working with the program office to reduce the construction time and cost of these ships. An eight-ship, multi-year procurement contract for the FY 2009-2013 ships was signed in December 2008. The contract achieves the cost reduction goal of \$2 billion (FY 2005\$) with the FY 2012 ships as well as the two per year build rate starting in FY 2011.

SSBN Engineered Refueling Overhauls (EROs)

The Ohio Class SSBN Engineered Refueling Overhaul Program continues. USS ALASKA (SSBN 732) completed her overhaul in March 2009; USS NEVADA (SSBN 733) will complete her overhaul in 2010; and USS TENNESSEE (SSBN 734) will complete her overhaul in 2011. These EROs are a one time depot maintenance period, near the mid-point of the SSBN service life, during which the nuclear reactor is refueled, major equipment is refurbished, class alterations are installed, and SUBSAFE unrestricted operations maintenance is accomplished.

Surface Combatants

Today's Navy is operating in an increasingly complex and challenging environment. Demand from Combatant Commanders for traditional Navy core capabilities, forward presence, deterrence, sea control, and power projection by surface combatants operating both independently and with strike groups is increasing. The new Maritime Strategy also calls for expanding capabilities in Integrated Air and Missile Defense to include ballistic missile defense, maritime security, disaster relief and humanitarian assistance.

DDG 51 Class

DDG 51 is a proven, multi-mission guided missile destroyer. She is the Navy's most capable ship against ballistic missile threats and adds capacity to provide regional ballistic missile defense. The risks associated with re-opening the DDG 51 line are less than those of a new start platform and will provide the Navy ballistic missile defense capability more affordably.

This proven program will commission DDGs 103 and 106, TRUXTUN and STOCKDALE, respectively, in April 2009. DEWEY (DDG 105) and WAYNE E. MEYER (DDG 108) will be delivered to the Navy this year.

Restarting the DDG 51 line is a central focus of the Navy. Acquisition strategies are being formulated and advanced procurement efforts to restart the line should be contracted this spring.

CG 47 Modernization

Twenty-two Aegis Cruisers remain in service and are planned to receive modernization upgrades. A comprehensive Mission Life Extension is critical to achieving the ship's expected service life and includes the All Electric Modification; SMARTSHIP; hull, mechanical, and electrical (HM&E) system upgrades; and a series of alterations designed to restore displacement and stability margins, correct hull and deck house cracking, and improve quality of life and service onboard. Cruiser Modernization bridges the gap to future surface combatants and facilitates a more rapid and affordable capability insertion process. The first full modernization availability was completed on USS BUNKER HILL (CG 52) in February 2009.

DDG 51 Modernization

The DDG 51 modernization program is a comprehensive effort to modernize the Arleigh Burke class ships' combat and HM&E systems. As ships are modernized halfway through their 35-year estimated service life, each ship will be enabled to achieve an additional 10-15 years of life that historically has been reduced by early decommission due to both the inability to pace the threat and to high operating costs. This program is modeled on the successful CG Modernization program and will occur in two phases. The first phase is the HM&E phase. These upgrades support workload reduction, operating costs minimization, expected service life achievement, and projected threat pacing well into the 21st century.

The second phase, expected to commence in FY 2012, will consist of a full combat systems computing plant and Combat Information Center replacement, known as Advanced Capability Build 12 (ACB-12). ACB-12 will allow the class to field substantial capability against ballistic missiles, new generation advanced anti-ship cruise missiles and new, quieter submarines now in the hands of potential adversaries.

The first DDG to be modernized will be USS ARLEIGH BURKE (DDG 51), planned for FY 2010.

DDG 1000 Destroyer

DDG 1000, with its Dual Band Radar and sonar suite design, is optimized for the littoral environment. However, in the current program of record, the DDG 1000 is incapable of conducting Ballistic Missile Defense. Although superior in littoral ASW, the DDG 1000's lower power active sonar design is less effective in the blue water than DDG 51 capability. DDG 1000's advanced gun system provides enhanced naval fires support capability in the littorals with increased survivability. In support of the Defense Appropriations Act for Fiscal Year 2009 direction, the Joint Requirements Oversight Council (JROC) reviewed and concluded that

existing surface combatant and Joint Surface Fires requirements remain valid. The Navy will return to the JROC this summer to address the way ahead for naval surface fires.

The Navy began construction of DDG 1000 in February 2009. A rigorous systems engineering approach has been employed to mitigate the risk involved with building a complex lead ship surface combatant. This approach included successful building and testing of the ten critical technologies via engineering development models. Naval Vessel Rules were fully accommodated in detail design. Mission systems design is nearly complete. Detail design was also near completion prior to the start of fabrication – more complete than any other previous surface warship.

The research, development, test and evaluation efforts for the DDG 1000 program, which include software development and other critical efforts, must continue in order to deliver the necessary technology to completed ships and to the CVN 78 Class.

CG(X)

Vital research and development efforts are in progress for the Air and Missile Defense Radar which paces the ship platform development. Engineering development and integration efforts include systems engineering, analysis, computer program development, interface design, engineering development models, technical documentation, and system testing are in process to ensure a fully functional CG(X) system design.

Littoral Combat Fleet

LCS fills warfighting gaps in support of maintaining dominance in the littorals and strategic choke points around the world. The LCS program capabilities address specific and validated capability gaps in Mine Countermeasures, Surface Warfare, and ASW. The concept of operations and design specifications for LCS were developed to meet these gaps with focused mission packages that deploy manned and unmanned vehicles to execute a variety of missions. LCS' inherent characteristics (speed, agility, shallow draft, payload capacity, reconfigurable mission spaces, air/water craft capabilities) combined with its core Command, Control, Communications, Computers and Intelligence, sensors, and weapons systems, make it an ideal platform for engaging in Irregular Warfare and Maritime Security Operations.

Littoral Combat Ship (LCS)

The Navy is aggressively pursuing cost reduction measures to ensure delivery of future ships on a schedule that affordably paces evolving threats. This will be accomplished by matching required capabilities, to a recurring review of warfighting requirements through applying lessons learned from the construction and test and evaluation periods of sea frames and mission packages. USS FREEDOM (LCS 1) was delivered to the Fleet on September 18, 2008 and was commissioned in November. INDEPENDENCE (LCS 2) was christened in Mobile, Alabama on October 4, 2008. Later this year, the program will deliver that second ship, of a completely different design.

In October 2008, the Undersecretary of Defense for Acquisition, Technology and Logistics approved a revised acquisition strategy for LCS to cover procurement of the FY 2009

and FY 2010 ships. The updated strategy combines the FY 2009 procurement and FY 2010 options to maximize competitive pressure on pricing as a key element of cost control. Increasing the quantity solicited by adding the FY 2010 ships to the FY 2009 solicitation as options will also enable industry to better establish longer term supplier relationships and offer the potential for discounting to the prime contractors and subcontractors. The FY 2009 ships and FY 2010 ship options will be fixed price type contracts.

Acquisition strategies for FY 2011 and outyear ships are under development. The Navy's strategy will be guided by cost and performance of the respective designs, as well as options for sustaining competition throughout the life of the program. Combat systems and HM&E design will be evaluated throughout the test and trial periods and we are already looking for opportunities to reduce total ownership costs.

Amphibious Ships

These ships provide distributed forward presence to support a wide range of missions from forcible entry to conventional deterrence, Theater Security Cooperation, and humanitarian assistance. In major combat operation, sufficient amphibious ships are required to support two Marine Expeditionary Brigades (MEB). As an organization principle, this requires the Navy to maintain a minimum of 38 amphibious ships. Understanding this requirement and in light of the fiscal challenges with which the Navy is faced, the DoN will sustain a minimum of 33 amphibious ships in the assault echelon. This 33 ship force accepts risk in the arrival of combat service support element of the MEB, but has been adjudged to be adequate to meet naval service needs within today's fiscal limitations.

WASP (LHD 1) Class Amphibious Assault Ship

MAKIN ISLAND (LHD 8), the last of the Wasp Class, completed acceptance trials in March 2009 and will be delivered this spring. Although a modified repeat of the previous seven ships, this ship introduced a gas turbine propulsion system with all electric auxiliary systems and eliminated the steam plant and steam systems.

LHA (R) General Purpose Amphibious Assault Ship (Replacement)

The LHA (R) Assault Echelon ship, the functional replacements for LHA 1 Class ships, will provide the Nation forcible entry capability and forward deployed contingency response forces. These ships have enhanced hangar and maintenance spaces to support aviation maintenance, and increased jet fuel storage and aviation ordnance magazines. LHA 1 Class ships will reach the end of their extended service life in 2011-2015, and limited fabrication of the first ship of the new class, AMERICA (LHA 6), began in December 2008.

LPD 17 Class Amphibious Warfare Ship

The LPD 17 Class of amphibious warfare ships represents the Navy's commitment to a modern expeditionary power projection fleet that will enable our naval force to operate across the spectrum of warfare. The class replaces four classes of older ships – the LKA, LST, LSD 36, and the LPD 4 – and will have a 40-year expected service life. SAN ANTONIO Class ships will play a key role in supporting the ongoing Overseas Contingency Operations by forward

deploying Marines and their equipment to respond to crises abroad. USS GREEN BAY (LPD 20) was commissioned in January 2009 and USS NEW ORLEANS (LPD 18) deployed the same month. New York (LPD 21) is planned to deliver this fall.

Auxiliary and Intra-Theater Lift Platforms

Combat logistics force ships are critical for forward deployed forces. The vital role of underway replenishment of such items as fuel, food, repair parts, and ammunition enable Navy ships to operate for extended periods at sea. The extended operating demands for vessels such as Joint High Speed Vessels (JHSV) and LCS for intra-theater lift, Theater Security Cooperation, or engagement missions will place a high demand for support on existing logistics shipping and increase the operating tempo of the Combat Logistics Force ships. Intra-theater lift is key to enabling the United States to rapidly project, maneuver, and sustain military forces in distant, anti-access or area-denial environments.

The Maritime Prepositioning Force (Future) (MPF(F)) provides a scalable, joint, sea-based capability for the closure, arrival, assembly, and employment of up to a Marine Expeditionary Brigade-sized force. MPF(F) ships will be forward deployed to enable rapid closure to areas of interest in the event of the crisis. When combined with the Amphibious Ready Groups, Carrier Strike Groups, and Amphibious Task Forces, the MPF(F) operational capacity can be employed across the full range of Military operations. It will provide prepositioning equipment and supplies for a Marine Expeditionary Brigade and is essential to reinforcing the assault echelon of the Marine Expeditionary Force during forcible entry operations. The MPF(F) can operate in a disaggregate mode for Lesser Contingency Operations such as humanitarian assistance and peace enforcement.

Maritime Prepositioning Force (Future)

In March 2006, the Defense Acquisition Board approved program entry into the Technology Development Phase. The Navy recently awarded a preliminary design contract to General Dynamics National Steel and Shipbuilding Company (NASSCO) for the Mobile Landing Platform – one of the MPF(F) vessels.

Lewis and Clark Class Dry Cargo/Ammunition Ship (T-AKE)

T-AKE replaced the Navy's combat stores (T-AFS) and ammunition (T-AE) shuttle ships. Working with an oiler (T-AO), the team can perform a "substitute" station ship mission which will provide necessary depth in combat logistics. Fourteen T-AKE ships are covered under a fixed-price incentive contract with NASSCO. Three of the T-AKEs are to support MPF(F) program requirements. Major accomplishments for 2008 include delivery of USNS ROBERT E. PEARY (T-AKE 5) in June 2008 and USNS AMELIA EARHART (T-AKE 6) in October 2008. USNS CARL BRASHEAR (T-AKE 7) delivered in March 2009 and WALLY SCHIRRA (T-AKE 8) will deliver later this year.

Joint High Speed Vessel (JHSV)

The Joint High Speed Vessel (JHSV) program is for the acquisition of high-speed vessels for the Army and the Navy. JHSV will be a high-speed, shallow draft surface vessel able to

rapidly transport medium payloads of cargo and personnel over intra-theater distances to austere ports, and load/offload without reliance on port infrastructure. The detail design and lead ship construction contract was awarded to Austal, USA on November 13, 2008, and includes contract options for nine additional ships for the Army and Navy. Delivery of the first vessel will be to the Army and is expected in 2011.

Ship Leasing

The Department of Defense charters ships to respond efficiently when a military requirement is immediate, subject to change, or of uncertain duration. Ships are initially contracted for a lease of 12 months or less, with options to extend use up to 59 months total. Currently, there are 28 ocean-going vessels under time-charter for periods that fall in the long-term category; 13 of these are U.S.-flagged foreign-built ships. Of the 13, three have been chartered since the 1980s, as authorized by law, but will be terminated in July 2009. To meet the USMC need, the Navy recently purchased three U.S.-built ships formerly on long term charters to support the Military Sealift Command's (MSC) Maritime Prepositioning Ships strategy.

Since 2002, the number of foreign-built ships under charter has declined from 22 to 13. Few commercial ships with military utility have been constructed in United States' shipyards in the past 20 years. Consequently, when MSC must charter a vessel, most of the offers are for foreign-built ships. When a foreign-built ship is used for these charters, the ship is required to be converted to U.S.-flag, and crewed by United States citizen mariners prior to the beginning of the charter. Conversion work must be accomplished in a United States shipyard.

Summary

The Navy has come through many difficulties associated with lead ships and sustained production is proceeding. We are addressing issues with the acquisition workforce and realize our government talent has atrophied. We have instituted the acquisition governance process to aid continual requirements/acquisition communication. We are committed to meeting the force structure required to meet the Maritime Strategy.