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**THE NAVY'S 30-YEAR SHIPBUILDING
PLAN: ASSUMPTIONS AND ASSOCIATED
RISKS TO NATIONAL SECURITY**

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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DOCUMENTS SUBMITTED FOR THE RECORD:

[There were no Documents submitted.]

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:

[There were no Questions submitted during the hearing.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING:

[There were no Questions submitted post hearing.]

**THE NAVY'S 30-YEAR SHIPBUILDING PLAN:
ASSUMPTIONS AND ASSOCIATED RISKS TO
NATIONAL SECURITY**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
Washington, DC, Wednesday, April 18, 2012.

The subcommittee met, pursuant to call, at 3 p.m., in room 2118 Rayburn House Office Building, Hon. Rob Wittman (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. ROB WITTMAN, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

Mr. WITTMAN. Ladies and gentlemen I will call to order the Subcommittee on Oversight and Investigations of the House Armed Services Committee. I would like to welcome everybody to today's hearing on the assumptions and risks associated with the Navy's 30-year shipbuilding plan and the consequent impact on national security.

Today we are going to be honored to hear from Mr. Ron O'Rourke with the Defense Policy and Arms Control Section of the Congressional Research Service. Mr. O'Rourke, thank you for joining us. Mr. Seth Cropsey, a Senior Fellow at the Hudson Institute. Dr. Cropsey, appreciate you joining us. And also Ms. Mackenzie Eaglen, a Resident Fellow at the Marilyn Ware Center for Security Studies at the American Enterprise Institute. Thanks, Ms. Eaglen, and thank you so much again for joining us.

Again, I want to thank you all so much for taking the time out of what I know are busy schedules to help our committee better understand the implications of our 30-year plan for Navy force structure, our defense industrial base and, most importantly, our national security. I couldn't be more pleased to have such distinguished scholars participating in today's hearing.

Before we get started I have a quick administrative matter to address. I anticipate a number of members from other subcommittees will join us. And I would like to ask for unanimous consent that they be allowed to participate.

Absent any objection, it is so ordered. And I will recognize these members at the appropriate time for 5 minutes after all O&I Subcommittee members have had an opportunity to question the witnesses.

At this particular time I will turn it over to our ranking member, Mr. Jim Cooper from the great State of Tennessee. Mr. Cooper.

[The prepared statement of Mr. Wittman can be found in the Appendix on page 25.]

Mr. COOPER. Thank you, Mr. Chairman. I appreciate you holding this hearing. I have no opening statement and I look forward to the testimony of the witnesses.

Mr. WITTMAN. Very good. With that we will begin with our witnesses. Mr. O'Rourke, we will let you begin.

STATEMENT OF RONALD O'ROURKE, DEFENSE POLICY AND ARMS CONTROL SECTION, CONGRESSIONAL RESEARCH SERVICE

Mr. O'ROURKE. Thank you, Chairman Wittman, Ranking Member Cooper, distinguished members of the subcommittee. Thank you for the chance to speak today on assumptions and risks to national security of the new 30-year shipbuilding plan. With your permission I would like to submit my statement for the record and summarize it here with a few brief remarks.

The subcommittee is familiar with the Navy's goal for a fleet of 313 ships. The 30-year plan presents a new and slightly revised goal for a fleet of about 310 to 316 ships. This slightly revised goal is an interim number that may be refined further when the Navy completes its force structure assessment.

Navy officials have testified at least twice this year that a Navy of more than 500 ships would be required to fully meet combatant commander requests for Navy forces. The difference between a fleet of 500 ships and a fleet of about 310 to 316 can be viewed as one measure of the operational risks associated with the goal of a fleet of about 310 to 316 ships. A goal for a fleet of more than 500 ships might be viewed as a fiscally unconstrained goal.

The new 30-year plan includes a total of 268 ships to be procured. Like previous 30-year plans, the new 30-year plan would result in a fleet that would not fully support all elements of the Navy's ship force structure goal. The distribution of the 268 ships over the 30-year period, combined with the age composition of the Navy's existing ships, results in a projected fleet that would remain below 310 ships during the entire 30-year period. The fleet would experience shortfalls in various years in ballistic missile submarines, cruisers, destroyers, attack submarines, and amphibious ships.

The projected shortfall in ballistic missile submarines is new with this plan and results from a 2-year deferral in the start of *Ohio* replacement procurement. The projected shortfalls in cruisers, destroyers, and attack submarines are smaller than they were under last year's plan due to a reduction in the cruiser, destroyer force-level goal and the insertion of additional destroyers and attack submarines into the 30-year plan.

Although the projected cruiser, destroyer, and attack submarine shortfalls are smaller under the new 30-year plan than they were under last year's plan, these shortfalls, and the ones projected for ballistic missile submarines and amphibious ships, could make it difficult for the Navy to fully perform its projected missions in certain years. A key potential oversight issue for Congress concerns whether the Navy in coming years would be large enough under the 30-year plan to adequately counter improved Chinese maritime

anti-access forces while also adequately performing other missions of interest to U.S. policymakers.

The 30-year plan reflects assumptions concerning ship service lives, ship procurement costs, and projected shipbuilding funding levels. If ships are retired earlier than planned, or ship procurement costs turn out to be higher than estimated, or if funding levels for shipbuilding turn out to be lower than projected, then the Navy in certain years will have fewer ships than shown in the 30-year plan. This could make it more difficult for the Navy to fully perform its projected missions in certain years. It might also reduce the Navy's ability to deter regional aggression in certain years, which in turn could increase the likelihood of a conflict that could require Navy combat operations.

In terms of gauging risks, it can be noted that the Navy in recent years has for various reasons retired certain ships well before the ends of their service lives; that certain shipbuilding programs may pose a risk of cost growth; and that the shipbuilding plan assumes a funding hump in the middle 10 years of the plan that is 26 percent higher than the average for the first and last 10 years of the plan.

Congressional review to date of the Navy's fiscal year 2013 budget has included some discussion of near-term options for adding ships to the plan and reducing ship unit procurement costs. These options include adding a second *Virginia* class submarine in fiscal year 2014, adding a 10th ship to the proposed DDG-51 multiyear, and procuring the aircraft carrier CVN-79 and -80 under a block-buy arrangement. I would be happy to discuss these options or others with the subcommittee.

Mr. Chairman, this concludes my testimony. Thank you again for the chance to speak on this issue. And I will be pleased to respond to any questions that the subcommittee might have.

[The prepared statement of Mr. O'Rourke can be found in the Appendix on page 27.]

Mr. WITTMAN. Very good. Thank you so much, Mr. O'Rourke, for your testimony. We look forward to the questioning portion of this hearing.

And with that, Dr. Cropsey, we will turn to you.

**STATEMENT OF SETH CROPSEY, SENIOR FELLOW, HUDSON
INSTITUTE**

Dr. CROPSEY. Chairman Wittman, Ranking Member Cooper, and other members of the committee, I am honored by your request to speak before this committee. The United States, like other great maritime nations in history, became a seapower because its geography coincided with the enterprising commercial spirit of our people. John Adams understood this link. He wrote that "the Great Questions of commerce and power between nations must be determined by sea," that "all reasonable encouragement should be given to a navy."

Adams said "Great Questions." Like the other Founders, even those who doubted American seapower, Adams expected America to become a great nation. He was first among the Founders in grasping the connection between American greatness and our seapower. So I am by no means the first to believe that the decisions about

American naval power that rest importantly in your hands must shape our security, our commerce, and our destiny as a great power.

The continued shrinkage of the American combat fleet threatens our access to the world's fastest growing markets. It risks our leadership of a more-than-six-decade-old alliance on the western edge of the Eurasian continent. It challenges our country-to-country alliances with the great states that bracket the same continent to the east. It risks our ability to defend the United States at a distance from our homeland. And it threatens the international system that a century of American diplomacy and arms have labored to create and to sustain.

Neither this nor any generation has enjoyed the ability to make decisions about its future in a vacuum. Resources, technology, and competing strategic demands of the moment cannot simply be brushed aside. There will always be tension between long-term goals and short-term needs. Balancing between them is the difficult task of statesmanship. When the long term is sacrificed for the short, there are always consequences. They are always bad.

In the 1970s, political leaders and professionals in the field of intelligence decided that electronic and overhead intelligence could largely replace human intelligence. On September 11th, 2001, we learned to our dismay that this was an enormous mistake. The effort is still underway to compensate for that short-term decision of more than three decades ago.

In the years before economists changed their minds about the acceptability of a sizable national debt, British leaders thought they could not bear the imbalance in the nation's accounts caused in large measure by the unexpectedly high cost of the Boer war. One measure they took was to reduce their naval expense. They decided that Japan could be depended on to maintain order in the Western Pacific and that the United States could be trusted with the Western Atlantic. As things turned out, they were right about the Western Atlantic.

Today, one short-term view is that because our combat fleet is larger than the next 10 or 11 navies combined, we can safely allow the U.S. fleet to go on shrinking. A misunderstanding of the relatively small historic size of current defense costs and their relation to the nondefense portion of the national budget, which is a ratio of 1 as is to 5, contributes to this short-term view.

Former Chairman of the Joint Chiefs Admiral Mullen said that the Nation's debt is the greatest threat to our security. I believe that the greater threat is the failure to keep a statesmanlike perspective of our security needs in relation to other important priorities. Dividing budget cuts equally between nondefense and defense expenses as in last year's sequester will neither resolve our finances nor assure our security.

Assuming an equal division among the military services, however, sequestration would reduce the Navy's annual budget from 2013 to 2021 by significantly more than the amount allotted to new ship construction. American naval forces need to remain larger than the combined power of its as-yet smaller potential competitors because of their ambition, their prospects for increasing wealth,

and the possibility that their asymmetric strategy will diminish our current advantage.

The U.S. is also the only seapower with a transoceanic, global reach. This allows us to project power, to deter war, to win it if necessary, to communicate with our allies all around the world and at the same time.

Surrendering this ability lays open the world's strategic choke-points to chaos or the will of states that possess an idea of international order that is wholly different from our own.

The Navy's 2013 30-year plan points the U.S. in precisely this direction. As Admiral Greenert, the Chief of Naval Operations, said recently, the Navy now aims for a fleet of "approximately 300 ships." This lowers the projected size of the fleet by 13 ships from what the Navy has for the previous 6 years said it requires to carry out its assigned missions. Is a reduction of 13 ships sufficient by itself to cause alarm? I don't think so. Is the continued drift toward a smaller and smaller Navy troubling? Yes, it is.

Twenty-five years ago the fleet reached its late and post cold-war era high watermark of slightly fewer than 600 ships. When a Navy request for a frigate was rejected, then-Secretary of the Navy Jim Webb remarked that this was likely a modern era turning point for the fleet. His prediction turned out to be correct. It has contracted since that day. Abandoning the goal of a 313-ship Navy should not be seen as an isolated event, but rather as part of a continuum which, stretching into the future, looks increasingly dismal.

From fiscal year 2012 to the fiscal year 2013 plan, the administration has reduced the number of ships it plans to purchase by 28 percent, from 57 to 41. The recently published 30-year plan will hold the number of ships below 300 for half the entire 30-year period.

The fiscal year 2012 budget allocated \$14.6 billion, that is constant 2012 dollars, for new construction alone. The fiscal year 2013 budget cuts back this figure to \$10.9 billion. The current future year defense plan calls for an average of \$11.9 billion, again in 2012 dollars, per year for new construction.

After the current FYDP [Future Years Defense Program] is complete, the Navy plans to increase its annual spending on new construction for the following FYDP to \$18.5 billion. In the following decade the same figure increases to a yearly average of \$19.5 billion and then drops to \$15.9 billion per year for the last decade of the 30-year plan.

The increases in new ship construction envisioned for the fiscal year 2017 to fiscal year 2022 period and for the second decade of the 30-year plan are 70 percent and 79 percent respectively. I would prefer to defer to this committee's judgment about the likelihood that such plans will be carried out.

If, however, the average of \$11.9 billion per year that the administration plans to spend over the next 5 years were to be maintained over 30 years, the result would be a total expenditure on new ships of about \$357 billion. If the current average price of a single naval combatant, around \$2 billion, were to be maintained—and this is a large if—this would purchase 178 ships at the end of three decades. Under the best circumstances, this would result in

a fleet considerably smaller than the one that now exists, one that is closer to 200, than 300 ships.

However, even if the administration's 30-year plan is fully executed, the Navy will still face significant periods of time when it will be short of the attack submarines it needs, short of the large surface combatants it needs, and short of the amphibious warfare ships it needs.

I would like to be able to tell the committee that questions about the fleet's future size can be answered by the increased combat capability that ships of today enjoy over their predecessors. There is some truth to this. There was also a truth in the story about the musician who when asked about how to get to Carnegie Hall answered, "practice." The musician is correct that practice is necessary, but practice is not a substitute for real talent. And capability is not a substitute for the presence that comes with a sufficient number of ships.

The combat capability of U.S. naval vessels has increased importantly over recent years and such developments that lie on the horizon as the rail gun, solid-state lasers, and the unmanned vehicles in the air, on the surface, and beneath the sea will continue to improve our naval capability, although it is important to note that research for many of these advances now stands to be cut.

But if we could construct a single future destroyer that is as powerful as two current ones, and if the fleet was diminished proportionately, would we be better off? What good could an extremely powerful destroyer on patrol in the Persian Gulf do if a second is unavailable in the event of a serious crisis in East Asia's waters? The answer is no good at all. Numbers matter.

I would also like to be able to tell the committee that encouraging our allies to assume a greater share of responsibility for our collective maritime security could compensate for a reduced U.S. combat fleet, but partnerships with foreign navies envisioned by the Navy's Maritime Strategy published in 2007 aimed roughly in this direction. But most of these partners are small coastal forces that lack the seagoing and seakeeping ability of the U.S. fleet. And while the older naval powers such as those in Western Europe maintain larger combat fleets, they are a shadow of their former selves, and the shadow is getting dimmer. There is no good reason to expect they will take up the slack left by a shrinking U.S. Navy.

If the Navy's assumption is mistaken that current political leadership will agree to large future increases in shipbuilding, we will be headed toward a kind of naval holiday. The equally optimistic expectation that average ship costs can be maintained at roughly \$2 billion per vessel prolongs the holiday. This will not be a pleasant holiday. China's economy has its problems, but it continues to perform. Jane's Defense Forecasts says that China will double its defense budget between now and 2015. Russia plans a \$160 billion naval expansion in the Pacific which is to include 36 new submarines and 40 surface ships. Some of you may have noted that the Russians and Chinese are holding joint exercises shortly in the Pacific.

If a couple postpones needed repairs on their home for a decade and then decides to fix all that has been broken, they will be lucky to finish the job in a year. They will also be fortunate because

other more prudent owners will have sustained the home repair industry. Our shipbuilding industry does not have the benefit of other purchasers who can sustain it if Navy budgets prove unequal to the task.

For the industrial base that supports U.S. shipbuilding, a budget-induced naval holiday would be a disaster that could take decades if ever from which to recover.

Finally there are consequences if U.S. seapower continues to decrease and shows itself unable to meet even the reduced goals that it has set for itself. History is a good guide.

During our Civil War, British political leadership considered recognizing the Confederacy but was eventually dissuaded by Union military success. In World War II, Sweden declared neutrality but grew increasingly amenable to allied requests as Hitler's military position worsened. Romania initially sided with the Third Reich in the same war, but changed sides following U.S. attacks on their oil fields and the coup that deposed the pro-Nazi dictator Antonescu. Bulgarians followed a similar path from siding with the Nazis to switching their allegiance to the allies. More recently, Saudi Prince Bandar, acknowledging China's increasing international prominence and power, visited Beijing and met with President Hu.

American weakness at sea, especially in the Indo-Pacific, will change the current military, diplomatic, and commercial character of the region. Whether the U.S. fleet shrinks because of too little funding or because unreformed procurement practices have raised the price of ships, or because ships have been called home to save on operational expense, the result is pretty much the same. While we were once present in strength, we would be no more.

A pivot to Asia, like any pivot, needs a fulcrum. American seapower is this fulcrum. Diminishing it removes the pivot. A nation burdened with massive debt whose ability to shape world events has been limited, in tandem with its capacity to invest in research and technology, will have more and more trouble finding markets. China's potential hegemony would not only force its neighbors to reconsider whether the U.S. is a reliable ally, it would also become an increasingly powerful magnet for trade in the region and I believe at the expense of U.S. commerce.

Unlike the U.S. whose seapower has protected sea lanes that other states have used to its benefit, China has a different set of values. It views with suspicion a liberal trading system, notwithstanding the benefits received from it. China's friends include Iran and North Korea. Beijing is a poor candidate to support the international order that has been the keel of U.S. foreign and security policy for a century. Winning U.S. seapower is an invitation that China will regard as a complement to its rising military and navy in particular. It foreshadows a coercive resolution of territorial disputes in the South China Sea, the likelihood of an increased regional arms race, and the troubling international perception that the U.S. is or has abandoned its role as a great power.

American seapower is the strategic keel of our foreign and security policy. Reducing it would be an exercise of history-making shortsightedness. Restoring it would be an act of statesmanship from which Americans and all who cherish political liberty would benefit for the remainder of this century.

Thank you for your patience and for the opportunity to address this committee.

[The prepared statement of Dr. Cropsey can be found in the Appendix on page 52.]

Mr. WITTMAN. Thank you, Dr. Cropsey. Ms. Eaglen.

**STATEMENT OF MACKENZIE EAGLEN, RESIDENT FELLOW AT
THE MARILYN WARE CENTER FOR SECURITY STUDIES,
AMERICAN ENTERPRISE INSTITUTE**

Ms. EAGLEN. Thank you, Chairman Wittman, and thank you Ranking Member Cooper and members of the committee for the chance to join you again this year. I too would ask that my written statement be submitted into the record and I will just briefly cover a few points in my opening remarks. I know you are on a tight schedule here today.

Before the administration issued its guidance in January, strategic guidance, after the Budget Control Act with an emphasis on the Asia-Pacific, the pivot, we had the QDR [Quadrennial Defense Review] Independent Panel, which this committee strongly supported and stood up 2 years ago, a bipartisan group led by Bill Clinton's Secretary of Defense and George W. Bush's National Security Advisor. I know you know their report and findings very well. That group found that the military would need to shift its emphasis and focus to the Asia-Pacific. And one of the things recommended as part of a broader portfolio of force structure recommendations, was a Navy roughly the size of 346 ships.

Now, obviously the panel understood the resource constraints 2 years ago, which has only grown significantly since then. But this is something that has been a priority for the Department and the direction that they have needed to head for a while. Strategically it makes sense. Budgetarily, the two are at complete odds with each other. The goals of the strategy and the budget dollars, including the 30-year shipbuilding plan, simply don't match or add up.

The Secretary of Defense was called to the White House to brief the President's National Security Advisor, Tom Donilon, on that very fact before the budget hit the Hill, basically saying this budget shrinks the Navy and the Air Force and yet we are going to pivot to Asia. There is an internal inconsistency in the two documents and I understand the resource constraints, again, the Department is under.

This week the Air, Sea and Space Conference has highlighted a lot of the things that are on your minds here today and the ongoing lens through which we are talking about a lot of these challenges. It was telling when a panel of Navy, Marine Corps, and Coast Guard officials were asked the question: if there was one more free dollar floating around Washington—pretend—we are going to go to the land of pretend for a moment—where would you spend it? And the overwhelming responses were that they would spend it on maintenance, deferred and unfunded maintenance, primarily ships and aircraft. And of course no committee knows better than the House Armed Services Committee the Navy's readiness challenges over the last 5 years. They have certainly put in an effort, but this

gets right at the assumption in the 30-year shipbuilding plan of rosy and optimistic service life assumptions as found in this plan.

So for example, if you look at the plan and it says we are going to keep cruisers in the service for 35 years and destroyers for 40 years, but you look at the Navy's budget this year, we are retiring cruisers 15 years before the ends of their service life because there is not enough money to modernize them for the ballistic missile defense mission, in this case for those seven cruisers, one actually that was grounded and should be retired.

So again reality is that we are keeping cruisers in service roughly 20 years. The assumption behind the plan is that it is 35. So reality is going to hit this plan as well, which brings it to its logical conclusion that even the 298-ship Navy may never become a reality, the one that has certainly shrunk.

As the Department pivots to Asia, to a region that is defined by its tyranny of distances as stated by previous Pacific Command commanders, so you only exacerbate the wear and tear on a fleet already stressed incredibly, and maintenance that is not fully funded. So you have a fleet that will be smaller as a result of this plan, that will be older as a result of this plan, and whose maintenance bills will continue to rise.

You might recall a couple of months ago the USS *Essex* had to sit out its participation in the military exercise. That is the second time that happened, and it was due to equipment malfunctions and failures onboard the ship. This is not an isolated example across the Navy and we will see more of this going forward.

The assumptions behind the 30-year plan are flawed because the assumptions behind the January Strategic Guidance are flawed. It assumes that limited conflict is the only type of operations that the military will be involved in over the next 10 years. The war plans are changing at the Department from long stabilization operations, for example, to short-duration, high-intensity scenarios with Iran and North Korea. It presupposes basically a more stable world. Yet the Chiefs have told you repeatedly that the risks and threats and challenges facing the Department are only growing. If you look at what we have asked the military to do the last 10 years, it is only growing, and that is not exclusive to Iraq and Afghanistan.

So I would close by saying some of my concerns, aside from these assumptions, that are throughout the Department of Defense, not just the Department of the Navy's plans, are that the *Virginia* class submarine slipped specifically from fiscal year 2014 to fiscal year 2018, as I was told by the Navy was pure BCA-driven. That was just a Budget Control Act decision. When the top-line numbers came down, it was not linked to the strategy, the pivot to Asia. For example, that is concerning to me and I am sure to you.

Something my colleague Ron O'Rourke highlighted in his testimony, it is unclear what this new extension of carrier construction means. You recall in the 2010 budget request President Obama asked to slip carrier construction from 4 to 5 years. Excuse me, that might have been 2011. This may slip it from 5 now to 6, possibly 7. The industrial base, particularly the suppliers and vendors to our carrier yards, have already started talking pretty loudly about what this will cause: inefficiencies. It is going to grow the cost to the taxpayer because they are going to charge the shipyard

more. Supplier layoffs. Some of them will exit the business altogether, not to return. And a longer learning curve when the workers come back, if there is this delay.

And then, of course finally, the promise that the check is in the mail. The assumptions behind this plan are that the Navy's funding—and Ron referenced this—will grow in the second FYDP. Fiscal year 2018 through 2022; that then they will get these additional SCN [Shipbuilding and Conversion, Navy] dollars to meet all of the priorities for the bulge in spending that is going to be required to actually make this plan a reality. That is a trick as old as the future years defense plan. We all know that anything beyond the current fiscal year is Monopoly money, and I am very concerned about the Navy resting all of its eggs in this basket and hope and promise of additional funds in the future.

Thank you, I look forward to your questions.

[The prepared statement of Ms. Eaglen can be found in the Appendix on page 62.]

Mr. WITTMAN. Thank you, Ms. Eaglen. I appreciate that.

I am going to make some very brief remarks so we can get straight into questioning. I think the perspectives that you all provide are extraordinarily valuable. The reason behind this hearing is to look at where we have gone recently; and I say recently, within the past 5 years, in the broadening differential between planning and what actually happens in decisionmaking here in Congress. And I think there is some building concern about making sure that planning is a more vigorous process that tries to reflect the reality of what we have to deal with.

Now, as has been said before, it is very difficult to predict the future. And I don't think anybody has an unrealistic expectation about what planning does as far as predicting with accuracy the future. I think the critical part, though, of planning is to make sure it encompasses contingencies and encompasses flexibility, whereas we know those challenges change. And who would have, 11 years ago, thought about the asymmetric threat and how the military has been repositioned?

And so as somebody had said in the past, one thing for sure is that as far as the predictive capability of planning is that we always get it wrong as far as what to expect in the future. But that doesn't mean, though, that the planning process itself shouldn't be vigorous and shouldn't try as best it can to reflect the scope, not only in the short term but also in the long term.

And I think that is a big question that we need to ask ourselves; that is, are we being vigorous in that process? Are we asking ourselves the difficult questions? Are we making sure that as we make decisions, we keep in mind not only the short term but the long term, and as best we can provide the ability for ourselves to be able to address the threats that are out there. Granted that they will change, but we do know with some certainty based on history where those threats are. We do know also through history, too, that the unexpected comes up and that we want to make sure within those plans that there is some contingency there.

So I appreciate you all's perspective. I think you bring that up in a very cogent way and in a very direct way for all of us to con-

sider as we make these decisions. So with that, I am going to turn to Mr. Cooper for his time of questioning.

Mr. COOPER. Thank you, Mr. Chairman. I appreciate the witnesses' testimony. All the witnesses seem to be agreed that we need more ships. I would like to ask each of you how we pay for that. Mr. O'Rourke.

Mr. O'ROURKE. The affordability challenge for Navy shipbuilding is present not just in this 30-year plan but in plans going back several years. The Navy is proposing to pay for that through an increase in the shipbuilding funding profile through the middle years of the plan.

One potential oversight question for Congress is the extent to which the Navy has received promises or assurances or commitments of some kind from OSD [Office of the Secretary of Defense] that that funding hump will be realized. It shows in the 30-year plan, but there aren't any statements in the 30-year plan from the Navy about the basis for their confidence that that hump in funding will be realized. So I think that is an issue for the Congress to pursue potentially as an oversight question in relation to this plan.

Mr. COOPER. Dr. Cropsey.

Dr. CROPSEY. Well, one way would be to adhere more closely to good business practices. Try to bring down the cost of ships. Fixed-price contracts have proven that usefulness in the past. The Navy has tried to do that with some success for the littoral combat ship.

Another is dual sourcing. That also has proven in the past to reduce the cost of ships. Imposing cost discipline, encouraging the Navy to impose cost discipline as ships are being constructed would help. I think it would also be a great encouragement for the Defense Department and for the military in general to consider, instead of an equal distribution of resources, a strategic distribution of resources. And I think that that would favor American seapower right now, because among other things, of the pivot to Asia. Asia is a maritime theater.

I don't think anything is more important, though, than an understanding of what our priorities, what our strategic priorities as a nation are. And if those strategic priorities are expressed in dividing the pain equally wherever there is pain, then we are going to run into trouble. If they are divided according to some idea of what our strategic requirements are, I think that a combination of doing business better, reforming to a certain extent the way the Navy does business, imposing more discipline and strategic considerations would produce the money.

Mr. COOPER. Ms. Eaglen.

Ms. EAGLEN. This is a topic about which I have given great thought and written about. A lot of the money that can be saved in the Department is not in the procurement account. It is structural changes that are required. More things along the lines of the efficiency drills that the Department has been under in recent years. Examples include, for example, performance-based logistics, where you have public-private partnerships in the maintenance of systems and platforms. That brings down the cost of working with depots and the companies that built these systems in the first place.

I think another thing we need to do is be honest about what stretching out programs does to the cost. For example, take the Joint Strike Fighter program as part of the 2013 budget request. The overall buy was not cut, but a lot of the planes were shifted into the outyears. The Pentagon said this morning that costs \$6 billion. That is not a savings, that is a cost. But it was done in order to meet a budget target of savings.

And so until and unless we are honest about what does stretching out of these programs, including carriers, is really doing to the cost of them by making them actually rise over time, it is hard to see how we can have the next part of that conversation. I support multiyear procurement and block-buys whenever possible, and Congress has been excellent about that, and this committee in particular in the shipbuilding realm. I know that this is an area that the Navy—in fact, I think the Navy is in decent acquisition shape. The plan, of course the numbers are too low, but I think in terms of execution, things are going pretty well for the Navy, particularly relative to the other services' acquisition failures of late.

Finally, I think you need to look internal to the entire Department of Defense before you ever come to Congress and ask for an additional dollar. That is something that the QDR [Quadrennial Defense Review] independent panel also found. The simple fact remains that 50 percent of the entire defense budget is people. The 2013 budget proposes laying off 100,000 Active Duty service members, but it leaves untouched 750,000 Defense civilians. I think that is a workforce ripe for reduction and some savings there.

Mr. COOPER. Thank you, Mr. Chairman. I see that my time has expired.

Mr. WITTMAN. Thank you, Mr. Cooper. Mr. Brooks.

Mr. BROOKS. Thank you, Mr. Chairman. As you know, we face some very serious financial difficulties. We have got the Budget Control Act. We have sequestration. House Armed Services Committee staffers have put together some different scenarios that we face with sequestration, and then we also have the White House position.

Some examples with sequestration, on the one hand, we would have a reduction in force of 100,000 uniformed personnel, 100,000 DOD [Department of Defense] civilian support workers, a half-million private sector contract support workers for national defense, totaling 700,000 lost jobs. That is one scenario that has been put together by the House Armed Services Committee staff.

Another scenario is where we mothball one, maybe two, carrier battle groups, one or two of our submarines, 10 to 30 percent of our fighter and strategic bomber capabilities, we would reduce our rapid response capabilities by 20 percent. That is another possible scenario if sequestration takes hold January 1, 2013, as is required by the Budget Control Act.

Then we have the White House position. On the one hand we have Secretary of Defense Leon Panetta publicly stating that sequestration would be disastrous. We have got one of the members of the Joint Chiefs testifying before the Senate that it would be the equivalent of a Pentagon shutdown.

But on the other hand we have the President of the United States saying that he is going to veto any constructive measures

to change the Budget Control Act sequestration provisions. Then you have got the possible effect before the House Armed Services Committee where the White House spokesmen testify that their scenario is that we would cut anywhere from 8 to 9 percent or, on the low side, or high side, 12, 13, 14 percent out of every single existing contract that the Department of Defense has with anyone, which would be hundreds of thousands of contracts that would be terminated for the convenience of the government or they would have to be renegotiated.

In that kind of context, how do you see sequestration if it holds true, and it is supposed to hit us in 8½ months, impacting the information that you shared with us about shipbuilding?

Mr. O'ROURKE. There are a couple of points that I can raise in connection with that. One has to do with how sequestration is applied—and I know that you are aware that there are discussions on exactly how that law would be applied—and whether you would do it as a straight percentage at the program, project, and activity level, or whether you do it at a higher account level, and whether the Department takes advantage of the 1990 amendment that allows a reallocation of the defense budget prior to the imposition of sequestration.

So when you look at those variables, there are different ways that sequestration might be applied. If it is applied at the program, project, and activity level and it is a straight arithmetic application, then the shipbuilding budget is particularly vulnerable to program disruption because it is laid out in the DOD appropriations bill at the line-item level, at the level of individual shipbuilding programs. That is not true of the other procurement accounts in the DOD appropriations bill.

And so you do get into a problem of not being able to build three-quarters of a ship. In that sense, if you apply sequestration at that level, the shipbuilding budget is more vulnerable programmatically to this way of applying sequestration than are other parts of the DOD appropriation account.

The other part of the answer I want to give you is that at the general level of cost calculation, my counterpart at CBO [Congressional Budget Office], Eric Labs, ran the numbers and he estimated a few months ago that if you were to apply sequestration generally across the Department, where the Navy gets a proportionate share and the shipbuilding budget gets a proportionate share of that, that we would lose 18 to 24 ships over the 10-year period. So you can round that off and say it is 20 ships or 2 ships per year, and that this would be the hit to the shipbuilding budget.

That is another way of looking at it, and then what you have to then decide is what exactly is going to be the method for applying sequestration and whether it will be at this general level or whether it will be at the program, project, and activity level where it can cause particular disruption to individual shipbuilding programs.

Mr. BROOKS. Ms. Eaglen or Dr. Cropsey, do you have anything else to add?

Dr. CROPSEY. Sure. Go ahead.

Ms. EAGLEN. Ron did a great job outlining it. I would just say one thing from the perspective of shipbuilders. It is workforce management. They need to plan now for what is going to be—what

their actual workers are going to do who clock in every day in January. Basically what this means is significant numbers of layoffs, and they will do this in the face of the uncertainty, whether or not the Department is planning for it, whether or not Congress does anything about it between now and the lame duck session, this will begin happening, this consolidation and downsizing now.

Dr. CROPSEY. And I would like to add a point here to what my colleague Ron said, and that is that with that impact felt especially hard on the shipbuilding accounts, especially on new construction, where that decision is made, the effect on the industrial base should be considered very carefully because it will have a profound effect on the industrial base, which I think 5 years out from now, even with the current shipbuilding program in place, is going to have a problem. That brings the problem up immediately.

And as I mentioned—alluded to in my shorter version of the testimony that I gave, we are going to be facing a very severe problem, one which will take years, if ever, to recover from.

Mr. BROOKS. Thank you, Mr. Chairman.

Mr. WITTMAN. Thank you, Mr. Brooks. Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chairman. I would like to follow basically that line. And in one of the codels [congressional delegations] that I took, we went to Nassco which is of course, as you know, in San Diego, and one of the—I guess the person who runs the institution there said that the Jones Act was extremely critical, because of the fact that what we cannot rely upon is for the defense industry to be the shipbuilder and the only customer, and that in fact you need the commercial intervention to come in, especially when we have those dips.

And I think that was along the lines about workforce, that if we dip too low we are going to lose that critical mass, and we have already lost a lot of that talent pool. And as a result, we are going to even fall further down in terms of our ability to build the ships.

So in that light, Mr. O'Rourke, can you go back about what you were saying was the distinction in how the procurement works on shipbuilding versus any other form of military expenditure, and then whether or not there is a resolution or some way that we can fix that?

Mr. O'ROURKE. It has to do with the format of the DOD, annual DOD appropriations bill. And if you look at the actual language of the law, you will see that most of the accounts are appropriated at the full account level. The exception to that within the procurement title of the DOD Appropriations Act is the paragraph that appropriates funds for shipbuilding. That paragraph is structured to call out funding levels for individual shipbuilding programs.

So if the sequestration law is applied at the individual program, project, and activity level, the PPA level, then you can run into a scenario in which each of those programs gets their funding shaved by whatever the arithmetic percentage is, and you can get into multiple situations of not being able to build three-quarters, or four-fifths, or nine-tenths of a ship.

The fix to that potentially is a 1990, if I recall, amendment to the sequestration law which allows the Defense Department to propose a reallocation of the defense budget prior to the imposition of sequestration. That is a proposal that the executive branch would

make to Congress, and Congress would have the choice of whether to approve it or not.

If DOD took advantage of that authority—and there is some question as to whether they can or not under the BCA—but if it is judged that they can, and if the executive branch then chooses to in fact do so, they could restructure the allocation of spending within the defense budget in a way that could reduce the disruptions to individual shipbuilding programs, probably by bumping up the funding for some shipbuilding programs and perhaps sacrificing entire ships in other shipbuilding programs so that you don't run into a situation where all the programs are disrupted by being shaved across the board.

Ms. HANABUSA. So if I am understanding you correctly, the uniqueness of the shipbuilding program is that we allocate by a particular ship, and that when we cut in sequestration, for example, across the board, all of those ships would not have enough funds to actually go forward, because they would not go forward unless the full funding is there, because they would have to take the risk that the full funding would not be there. And we do not afford in the shipbuilding line item, or whatever way we want to refer to it, the ability to shift funds or reallocate at the discretion of the military. Am I understanding you correctly?

Mr. O'ROURKE. I think you are. It has to do with the format, the actual language of the law of the DOD Appropriations Act. And each year when it is passed, it is only the shipbuilding account, the SCN account, that calls out individual programs within the account as a routine matter from year to year.

Ms. HANABUSA. Does anybody know why that became the practice?

Mr. O'ROURKE. I think that is simply a matter of tradition of how the format of the DOD appropriations bill has evolved down through the decades.

Ms. HANABUSA. But is there any specific reason why just shipbuilding was given that privilege of not being able to be shifted in any way?

Mr. O'ROURKE. There may have been such a reason originally, but I am not aware of what it would be.

Ms. HANABUSA. Have we ever seen this kind of potential threat to shipbuilding in recent history?

Mr. O'ROURKE. There was a sequestration scenario that was investigated during the time of the multiple continuing resolutions [CRs] a year or two ago, and we ran into exactly this situation where there was about a 1- or \$2 billion shortfall in shipbuilding, but the funds from the prior year that might carry through in the CR were not properly aligned with the individual programs for the next year. And the misalignment was actually between 5- and \$6 billion, even though the total account difference was only 1- to \$2 billion.

Ms. HANABUSA. Thank you. Thank you, Mr. Chairman.

Mr. WITTMAN. Thank you, Ms. Hanabusa. Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman. Thank you all for being here.

I want to chase a bit of a rabbit from shipbuilding to talk about the Navy's use of resources with respect to the energy they con-

sume. In a recent letter to me and the full committee, after some questions we had with Secretary Mabus, he said that the Navy's energy program is to source a competitively priced and domestically produced liquid fuel that could be dropped in as a replacement to diesel aviation gas. I queried his Assistant Secretary of the Navy for Energy as to why, if that was the case, if it is simply liquid fuel domestically sourced, wouldn't they embrace a removal of the restraints they have under section 526 of the energy bill which prevents the Navy from buying that gas? And she emphatically said no, they wouldn't. And I asked, well, is this a green agenda or an agenda to provide fuel? She said no, no, no, it is not a green agenda.

So given that we have studies that show coal-to-liquids, coal biomass-to-liquids, at prices of crude oil that are below where crude oil is currently today are competitively priced, they are not domestically available.

I guess, Ms. Eaglen, why would the Navy not stick to their guns in talking about competitively priced, domestically sourced fuel and not embrace coal-to-liquids or coal biomass-to-liquids under that rubric or under that definition? Any thoughts? Ms. Eaglen.

Ms. EAGLEN. I think that you raise a very fair question. I know that the Department of Defense obviously is the largest consumer of oil and anytime there are fluctuations in the price of oil that they feel—and you usually receive the reprogramming requests pretty rapidly to deal with it. So I understand the general policy goal for the Department to become less reliant or allow their systems to operate under alternate or hybrid fuels. I think that is a worthy goal.

I will say that the Department of Defense is spending significant amounts of resources on its energy agenda across the services, and the Navy of course I think is out front on this effort, more so I believe than any other Federal agency. As the Department is grappling with its third year of funding cuts, I think that this is a priority set that should be questioned by you for the Department.

Mr. O'ROURKE. Just very quickly I would note that colleagues of mine at CRS are right now preparing a report on DOD energy initiatives, including among other things the Navy's initiatives in the biofuel area. And we will take that question back to them and attempt as best as we can to address that as part of our process for preparing that report.

Mr. CONAWAY. Thank you, Mr. O'Rourke. I look forward to getting that.

It seems that this whole effort began in 2007 under Speaker Pelosi's tutelage and has exacerbated under the President currently. I have asked repeatedly the question: Shouldn't the taxpayer be able to decide for themselves what the value is? Give us the differential between what you would spend if all you were doing is trying to move stuff from point A to point B, versus what you are spending now on all these initiatives to do things that the Department of Energy may be better suited to develop and those kinds of things.

Now I understand their logic, and this is their favorite: They trot out, well, if we avoid hauling diesel across Afghanistan we put our folks at less risk. I get it and if that is what you are doing, great.

Keep it up. But we have got about 3- or \$400 million a year in research that we put at that issue, which is dwarfed by all the other things they are doing.

So if it is mission-critical, I get that. But much of what they are doing is not. Including this rim of the Pacific exercise in which Secretary Mabus bought 400,000 gallons of aviation fuel at 16 bucks a gallon versus a \$4 a gallon regular, because it is green and his F-18s can be tagged with the moniker of Green Hornet. And I asked the Secretary, I said, well since you spent four times as much money as you would have otherwise spent, will you fly a fourth of the amount of hours in order to keep your fuel budget the same? He said no, no, no, we will fly the same number of hours. I said, you are going to spread the load of this nonsense across the entire fleet. And he said, well, it is only a little bit of money. And I said, well, Mr. Secretary, Scripture says if you are faithful in the little bits, you will be faithful in a lot of big things. We have entrusted you with a lot of big things and it is disconcerting for you to tell me 8 million bucks extra on fuel just to wave a green flag in these days when we are short resources across the entire system; you just sat here and spent an hour almost, or plus, telling us that the Navy is short of resources, whether it is maintenance or shipbuilding or whatever it might be, and yet we are squandering precious dollars on initiatives that ought to be done somewhere else in the Federal Government and are not a core competency of our Department of Defense.

So, Mr. O'Rourke, I appreciate your study at CRS.

Mr. O'ROURKE. I can tell you that one objective of that study will be to try to sort out the rationalizations that have been offered, the justifications that have been offered for the various DOD energy initiatives so that you can try to plot the initiative against the particular justification that has been offered. Because it is a potentially pretty complex matrix where some initiatives have been justified and some—

Mr. CONAWAY. Will that include cost differentials as well? Will the study include cost differentials as well?

Mr. O'ROURKE. We are going to try and present as much data as we can find.

Dr. CROUSEY. I think that is one of the problems. That is the problem that I have seen. I have seen the statements by the Secretary of the Navy that there are these alternatives out there, and algae and so on and so forth, and I have asked and asked people who should know: Do these alternatives exist and what do they cost? There is no—I haven't seen a convincing answer from the Navy. The answers that I have seen from people who are supposed to know about this is yes, you can do it, but it costs X times as much. I am looking forward to this study also.

Mr. CONAWAY. Thank you, Mr. Chairman. Thank you, folks.

Mr. WITTMAN. Thank you Mr. Conaway.

I want to wrap up with just a general scope question in looking at the whole decisionmaking process. As I stated earlier, what concerns me is looking at the process historically, whether it is the Quadrennial Defense Review, which I know each of you have been involved in and have been very analytical in your approach to that, or the 30-year shipbuilding plan, it seems as though as we go

through the years, there is more and more separation from a planning process and then the ultimate decisionmaking process, and that we get much more myopic in scope in how decisions are being made. And I realize some of that is out of necessity with the immediate urgency of budget decisions. But I also realize, too, that if we get so myopic in addressing the urgency of the immediate, we lose focus on the long term. And as you all have pointed out, there is expense related to that, there is strategic weakness associated with that.

And I want to get each of your perspective about how do we then, in this environment, how do we restructure the planning process so that those long-term impacts are more apparent and are more in the forefront when decisions are being made? And I say that because the QDR seems to become a document that really isn't as useful as it needs to be, as well as the 30-year shipbuilding plan.

How do we address the planning process so that it is more reflective not only of the short term, but of the long term, to make sure that the decisions that we are making are truly in our best long-term interest. I would argue that if we are not doing that, that we really, as you all have pointed out, placed this country in a strategic quandary, in many instances a strategic position of longer-term weakness of which we may not be able to pull ourselves out of. Mr. O'Rourke I will begin with you.

Mr. O'ROURKE. I will give a two-part answer. The first part is that the fact that we do have a requirement for an annual 30-year plan does provide a tool that allows long-term visibility, especially into the question of whether we are pushing off large investments into the future and building up what might be an insurmountable investment burden in the future. There are other branches of military planning that do not have the benefit of that.

So in one sense, shipbuilding has a tool available to it to support congressional oversight that other parts of defense procurement do not. There is also a 30-year aviation plan but it is structured a little bit differently. But many parts of DOD procurement don't have that at all.

So on the one hand, we do have a tool. One way to improve the usability of the tool is to ensure, for example, that it is submitted in a timely manner. As you know, the law requires the 30-year shipbuilding plan to be submitted as part of the defense budget materials each year, meaning along with the submission of the budget itself, which occurred on February 13th of this year. The 30-year plan this year was submitted on March 28th, which was the eve of the Seapower Subcommittee's oversight hearing on shipbuilding that was held on March 29th. So there was almost no opportunity for that subcommittee, or for the committee as a whole, to review the details of the 30-year shipbuilding plan prior to the hearing that was being held as the principal mechanism for investigating the details of that plan and asking and hearing answers to oversight questions.

So one way in which the process can be improved would be to encourage DOD as much as possible to submit that plan in a timely manner in accordance with 10 U.S.C. 231. And in a parallel way, you can ask the same thing or perhaps encourage, again, the execu-

tive branch to submit the annual report on security and military developments relating to China in a timely way. That is supposed to be submitted I think at the beginning of March, and for the past 2 years in a row it has been submitted in August, after the mark-ups have occurred and the spring oversight and budget review hearings have occurred.

The purpose of that report, like the 30-year plan, is to support congressional oversight and review of that year's budget proposal. Now if you submit that in August, you have missed all of those activities and you are 6 months out of cycle. And right now we do not have the annual report on security developments relating to China. So that report is also overdue, and I have no idea when it is going to be submitted.

Mr. WITTMAN. Ms. Eaglen.

Ms. EAGLEN. It is a great question, and I know it is a concern of yours and mine. And I agree with Ron about the tools. Last year I advocated for continuing to ask for the 30-year shipbuilding and aviation plans because precisely you can walk back into the problems and you can identify the challenges.

There are two things I would add to Ron's answer. The first is that implicit behind this 30-year plan as well as the new defense strategy—hard to call it that, it was only eight pages—but implicit behind that, and we heard the chiefs testify in the posture hearings, the force will absorb more risks. That means a whole lot of things. As I already referenced, that means the war plans are changing, the response time, the mobilization rate, the readiness of units stateside versus those deploying, increased casualties, all of these things are part of increased risk. It has so many facets and so many angles. It is on an individual level and it is on a unit level and it is on a system level. It is across the force.

Congress does not have a clear understanding of what this means, but it is the Department's favorite solution to meeting budget cuts. So I would argue that this committee should take the lead in pushing for some version, some type of unclassified risk assessment. I know that the chairman does his. It is classified and it is not helpful to anybody in this town to understanding what you are signing up for when you agree to the President's budget in most of its form.

Then something else, I think, sort of the long term, to understand better in the long term. I am not one for adding more plans without taking a few away that are unnecessary. So I will put that out up front. But alongside the shipbuilding and aviation plans, there should be some type of discussion or annex with a long-term technology road map, R&D [research and development] and S&T [science and technology] focused, where we can understand linking things like the air and sea battle concepts to these kinds of number plans but also to future investments.

When is the Navy going to bring back that NextGen surface combatant? It dropped out a few years ago, never to be heard from again, but we know they need one. They need to be talking about it. We know there needs to be a follow-on, some type of fighter after the Joint Strike Fighter, whether it is manned or unmanned. We know that we need a new rotary-wing aircraft, not upgrades to the current system, satellite—next generation PGMs [precision-

guided munitions] and other weapons systems. All of these things need to be put together holistically alongside these numbers plans so you understand broadly the investment portfolio and priorities of the Department.

Mr. WITTMAN. Dr. Cropsey, if we can do that, we have got about a minute 47 left in the vote. So I am going to have to scoot on out of here. But I wanted to make sure I give you an opportunity.

Dr. CROPSEY. Thank you, sir. The 30-year shipbuilding plan is not a strategy. It is a way of implementing a larger strategy. I think your question goes to a very broad issue, and that is, what is the national strategy? And the way that that has been addressed in the past is that Congress says we want a document, and the document that you get says the administration—not this, not the preceding, all of them, going back let's say to the Eisenhower administration—say we want this, this, this, this, and this. And then how are we going to get there? Well, that part is in some other document which we have never read.

The recently left Under Secretary of Defense for Policy, Michèle Flournoy, wrote a good paper several years ago about President Eisenhower's Solarium project. You are familiar with that. The Solarium project is I think an excellent model of how you go about crafting a national strategy that has an effect on the budget, on our plans, on the Defense Department. I think it is a commendable one. I think it should be imitated. If the President himself or herself takes direct interest in that strategy and direct interest in implementing it, then I think you start to have an effect.

And I think that the way that Congress has influence over that is by asking officials who you speak with: What is the strategy and how are you going to accomplish it? Not by saying, we need a document.

Mr. WITTMAN. I think that is a good point to make sure there is closure there, not just the strategy itself, but how do you hope to accomplish that and maybe have a little longer-term perspective in how that comes to be.

Witnesses, thank you so much. Mr. O'Rourke, Ms. Eaglen, Dr. Cropsey, thank you all so much for spending time with us today to give us your insight. As you can imagine, very challenging issues before us to try to make sure planning reflects some semblance of reality in a very challenging budget time. So for us to help navigate that and get your perspective is very, very helpful. So, again, thank you so much for spending your time with us today. I look forward to continued conversations.

Also if you have thoughts or ideas after this hearing, please feel free to share those with us. We will make sure that as we pursue this hearing process, we want to make sure we give the widest perspective possible on that. So again, we want to encourage your comments, too, as this process moves along as we finish these hearings.

Thank you all again. The Subcommittee on Oversight and Investigations is now adjourned.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned.]

A P P E N D I X

APRIL 18, 2012

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

APRIL 18, 2012

**Opening Statement of Hon. Rob Wittman,
Chairman, Subcommittee on Oversight and Investigations**

**Hearing on
The Navy's 30-Year Shipbuilding Plan: Assumptions and Associated Risks to
National Security**

April 18, 2012

We stand at a critical juncture in our Nation's history. As we see combat operations draw down in Afghanistan, and our strategy shift to the Asia Pacific, it's important to focus attention on our Navy and the plans detailing our naval force structure for the years to come. We need to closely examine the assumptions and associated risks of the Navy's current shipbuilding plan and consider its implications.

It goes without saying that the future of the U.S. Navy, its role in advancing our national defense strategy, and of course, its importance in preserving the economic order on the world's oceans, stand out among the concerns that merit a serious national discussion about the way forward, particularly in a time when short-term financial objectives appear to threaten and undermine our strategic interests.

After reviewing the plan, I have a number of concerns about our ability to conduct core Navy missions in the short and long-term. Last year, I traveled to the Middle East to observe combat operations aboard the U.S.S. John C. Stennis. I also traveled to Pacific Command to meet with commanders who work these issues every day to learn firsthand about their concerns.

After doing so, I returned with one conclusion: we need bolstered and continued presence in both these regions and we need a plan that adequately addresses this reality. Every commander I spoke with informed me that "presence"

is the concern that keeps him up at night. Where gaps exist, other countries such as Iran and China, will fill the voids.

As written, the Navy's current plan fails to recognize this reality and has many additional shortfalls. Chief among them, assuming the plan is fully executed, are: significant time periods where we fall short of the attack submarines we need, times where we fall short of the large surface combatants we need and, finally, times when we fall short of the amphibious warfare ships we need.

This is unacceptable. We can, and must, do better. Numbers matter when assessing strategic risk despite the incredible capability of our current ship inventory. With that said, the capabilities of these ships matters as well and we need to find the right balance to execute the maritime strategy of the 21st century.

As you said in your statement, Mr. Cropsey: "capability is not a substitute for the presence that comes with a sufficient number of ships." I think the expression, "quantity has a quality all its own" also accurately captures this dilemma. The strategic risks associated with shrinking our Navy, as currently planned, are simply too high.

I'm looking forward to learning more about your concerns regarding the plan which I hope you'll address in your testimony today, particularly about possible contingency plans. Again, thank you for being here.

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UNTIL RELEASED BY
HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
RONALD O'ROURKE
SPECIALIST IN NAVAL AFFAIRS
CONGRESSIONAL RESEARCH SERVICE
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
HEARING ON
THE NAVY'S 30-YEAR SHIPBUILDING PLAN—
ASSUMPTIONS AND ASSOCIATED RISKS TO NATIONAL SECURITY
APRIL 18, 2012

NOT FOR PUBLICATION
UNTIL RELEASED BY
HOUSE ARMED SERVICES COMMITTEE

Chairman Wittman, Ranking Member Cooper, distinguished members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Navy's FY2013 30-year (FY2013-FY2042) shipbuilding plan, particularly with regard to assumptions and associated risks to national security.

Five-Year (FY2013-FY2017) Shipbuilding Plan

Table 1 shows the Navy's FY2013 five-year (FY2013-FY2017) shipbuilding plan, which was submitted to Congress on February 13 as part of the FY2013 budget submission, and which constitutes the first five years of the FY2013 30-year (FY2013-FY2042) shipbuilding plan.

Table 1. Navy FY2013 Five-Year (FY2013-FY2017) Shipbuilding Plan
(Battle force ships—i.e., ships that count against 310-316 ship goal)

Ship type	FY13	FY14	FY15	FY16	FY17	Total
Ford (CVN-78) class aircraft carrier	1					1
Virginia (SSN-774) class attack submarine	2	1	2	2	2	9
Arleigh Burke (DDG-51) class destroyer	2	1	2	2	2	9
Littoral Combat Ship (LCS)	4	4	4	2	2	16
LHA(R) amphibious assault ship					1	1
Fleet tug (TATF)				2		2
Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB)		1				1
Joint High Speed Vessel (JHSV)	1					1
TAO(X) oiler				1		1
TOTAL	10	7	8	9	7	41

Source: FY2013 Navy budget submission.

Notes: The MLP/AFSB is a variant of the MLP with additional features permitting it to serve in the role of an AFSB.

Observations that can be made about the Navy's FY2013 five-year (FY2013-FY2017) shipbuilding plan include the following:

- **Total of 41 ships—16 ships, or 28% less than planned last year.** The FY2013-FY2017 five-year shipbuilding plan contains a total of 41 ships—14 ships, or about 25%, less than the 55 ships in the FY2012 five-year (FY2012-FY2016) shipbuilding plan, and 16 ships, or about 28%, less than the 57 ships that were planned for FY2013-FY2017 under the FY2012 budget.
- **The 16 ships eliminated or deferred.** Of the 16 ships that are no longer planned for FY2013-FY2017, nine were eliminated from the Navy's shipbuilding plan and seven were deferred to years beyond FY2017. The nine ships that were eliminated were eight Joint High Speed Vessels (JHSVs) and one TAGOS ocean surveillance ship. The seven ships that were deferred beyond FY2017 were one Virginia-class attack submarine, two Littoral Combat Ships (LCSs), one LSD(X) amphibious ship, and three TAO(X) oilers.
- **Average of 8.2 ships per year.** The FY2013-FY2017 plan includes an average of 8.2 battle force ships per year. The previous two five-year shipbuilding plans included an average of 10 or more battle force ships per year. Given the single-

digit numbers of battle force ships that were procured from FY1993 through FY2010, shipbuilding supporters for some time have wanted to increase the shipbuilding rate to 10 or more battle force ships per year. The steady-state replacement rate for a fleet of 310-316 ships with an average service life of 35 years is about 8.9-9.0 ships per year. The average shipbuilding rate since FY1993 has been 6 ships per year.

- **Five percent reduction in large combat ships.** Although the FY2013-FY2017 five-year shipbuilding plan contains about 28% fewer ships than were planned for FY2013-FY2017 under the FY2012 budget, the percentage reduction in large combat ships (defined here as aircraft carriers, submarines, destroyers, and amphibious ships) was much smaller. The total number of large combat ships planned for FY2013-FY2017 dropped from 21 in the FY2012 budget to 20 in the FY2013 budget—a reduction of about 5%.
- **Two-year stretch-out in aircraft carrier construction.** Although the FY2013-FY2017 five-year shipbuilding plan retains FY2013 as the year of procurement for the aircraft carrier CVN-79, the FY2013-FY2017 plan defers the scheduled delivery date of this ship by two years, to 2022, which is a delivery date that in the past might have been expected for a carrier procured in FY2015. Although it does not show in **Table 1**, the FY2013 budget also retains FY2018 as the year of procurement for CVN-80, the next carrier after CVN-79. As with CVN-79, the FY2013 budget defers the scheduled delivery date of CVN-80 by two years, to 2027, which is a delivery date that in the past might have been expected for a carrier procured in FY2020.
- **Virginia-class submarine deferred from FY2014 to FY2018.** The FY2013-FY2017 five-year shipbuilding plan defers one Virginia-class submarine from FY2014 to FY2018. Navy leaders in testimony this year have expressed an interest in finding a way to restore a second Virginia-class submarine to FY2014. The Navy this year is also seeking congressional approval for a multiyear procurement (MYP) arrangement for the nine Virginia-class boats currently scheduled for procurement in FY2014-FY2018. Adding a second Virginia-class boat to FY2014 would increase to 10 the number of boats that would be procured under the proposed FY2014-FY2018 MYP arrangement.
- **Start of Ohio-replacement procurement deferred to FY2021.** Although it does not show in **Table 1**, the FY2013 budget defers the scheduled procurement of the first Ohio replacement (SSBN[X]) ballistic missile submarine by two years, from FY2019 to FY2021.
- **DDG-51 destroyer deferred from FY2014 to FY2016.** The FY2013-FY2017 five-year shipbuilding plan defers the scheduled procurement of one DDG-51 destroyer from FY2014 to FY2016. The Navy this year is also seeking congressional approval for an MYP arrangement for the nine DDG-51s scheduled for procurement in FY2013-FY2017.
- **LCS procurement reduced in FY2016-FY2017.** The FY2013-FY2017 five-year shipbuilding plan reduces the LCS procurement rate in FY2016 and FY2017 from three ships per year to two ships per year. The Navy still plans on procuring a total of 55 LCSs, so the two LCSs that are no longer planned for FY2016 and FY2017 have been deferred beyond FY2017.
- **LHA(R) amphibious assault ship deferred from FY2016 to FY2017.** The FY2013-FY2017 five-year shipbuilding plan defers the scheduled procurement

of the next LHA(R) amphibious assault ship by one year, from FY2016 to FY2017.

- **Start of LSD(X) amphibious ship procurement deferred to FY2018.** The FY2013-FY2017 five-year shipbuilding plan defers from FY2017 to FY2018 the scheduled procurement of the first LSD(X) amphibious ship. LSD(X)s are to replace aging LSD-41/49 class amphibious ships.
- **AFSB added in FY2014.** The FY2013-FY2017 five-year shipbuilding plan adds an Afloat Forward Staging Base (AFSB) ship in FY2014. This ship will be a variant of the Mobile Landing Platform (MLP) ship. The Navy is also proposing to build the third MLP, which was funded in FY2012, to the modified AFSB design, which would produce an eventual force of two regular MLPs and two AFSBs. The Navy has canceled the retirement of an existing LPD-type amphibious ship and is now modifying that ship to serve as an interim AFSB, pending the delivery of the two new-built AFSBs.
- **Start of TAO(X) oiler procurement deferred to FY2017.** The FY2013-FY2017 five-year shipbuilding plan defers the start of TAO(X) oiler procurement three years, from FY2014 to FY2017. The addition of the AFSB in FY2014 is intended in part to mitigate the industrial-base impact of deferring the start of TAO(X) procurement.
- **Eight JHSVs eliminated.** The elimination of the eight JHSVs from the FY2013-FY2017 shipbuilding plan reflects a reduction in the Navy's JHSV force-level goal from 21 ships down to 10 ships. A total of nine JHSVs have been procured through FY2012; the JHSV requested for FY2013 is to be the 10th and final ship.
- **Early retirements for seven Aegis cruisers and two LSD-type amphibious ships.** The FY2013 budget also proposes the early retirement of seven Aegis cruisers and shifting into Reduced Operating Status (ROS) two LSD-41/49 class amphibious ships in FY2013-FY2014. The seven cruisers would await foreign sale or disposal.

30-Year (FY2013-FY2042) Shipbuilding Plan

Table 2 shows the Navy's FY2013 30-year (FY2013-FY2042) shipbuilding plan, which was submitted to Congress on March 28, 2012.¹

¹ 10 U.S.C. 231, as most recently amended by Section 1011 of the FY2012 National Defense Authorization Act (H.R. 1540/P.L. 112-81 of December 31, 2011), states that "The Secretary of Defense shall include [the 30-year shipbuilding plan] with the defense budget materials for a fiscal year...."

Table 2. Navy FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan

FY	CVN	LSC	SSC	SSN	SSBN	AWS	CLF	Supt	Total
13	1	2	4	2				1	10
14		1	4	1				1	7
15		2	4	2					8
16		2	2	2			1	2	9
17		2	2	2		1			7
18	1	2	3	2		1	1	1	11
19		2	3	2				1	8
20		2	3	3		1	1	2	12
21		2	3	2	1		1		9
22		2	3	3		1	1	2	12
23	1	3	3	2			1	3	13
24		2	3	1	1	2	1	2	12
25		3	3	2			1	1	10
26		2	3	1	1	1	1		9
27		3		1	1		1		6
28	1	2		1	1	2	1	1	9
29		3		1	1	1	1	1	8
30		2	1	1	1	1	1	2	9
31		2		1	1	1	1	2	8
32		2	1	1	1	2	1	3	11
33	1	2		1	1		1	2	8
34		2	1	1	1		1	2	8
35		2	1	1	1				5
36		3	2	1		1			7
37		3	3	1					7
38	1	3	4	2					10
39		3	4	1					8
40		3	4	2		2			11
41		3	4	1					8
42		3	2	2		1			8

Source: FY2013 30-year (FY2013-FY2042) shipbuilding plan.

Key: **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., Littoral Combat Ships [LCSs]); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

Table 3 shows the Navy's projection of force levels for FY2013-FY2042 that would result from implementing the FY2013 30-year (FY2013-FY2042) shipbuilding plan shown in **Table 2**.

Table 3. Projected Force Levels Resulting from FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan

	CVN	LSC	SSC	SSN	SSGN	SSBN	AWS	CLF	Supt	Total
310-316 ship plan	11	~90	~55	~48	0-4	12-14	~32	~29	~33	~310-316
FY13	10	80	35	55	4	14	31	32	24	285
FY14	10	78	30	55	4	14	29	32	27	279
FY15	11	78	26	54	4	14	28	31	30	276
FY16	11	80	30	53	4	14	29	31	32	284
FY17	11	82	32	50	4	14	30	29	33	285
FY18	11	84	35	51	4	14	31	29	33	292
FY19	11	86	39	51	4	14	31	29	35	300
FY20	11	87	37	48	4	14	31	29	34	295
FY21	11	88	38	48	4	14	31	29	33	296
FY22	12	87	40	47	4	14	32	29	33	298
FY23	11	89	39	47	4	14	32	29	35	300
FY24	11	89	41	46	4	14	34	29	35	303
FY25	11	88	43	45	4	14	34	29	33	301
FY26	11	89	46	45	2	14	34	29	32	302
FY27	12	90	49	44	1	13	33	29	33	304
FY28	11	89	52	43	0	12	34	29	33	303
FY29	11	87	55	43	0	11	33	29	33	302
FY30	11	85	55	43	0	11	33	29	33	300
FY31	11	81	55	45	0	11	32	29	33	297
FY32	11	80	55	45	0	10	32	29	33	295
FY33	11	79	55	46	0	10	33	29	33	296
FY34	11	78	55	47	0	10	34	29	33	297
FY35	11	80	55	48	0	10	33	29	33	299
FY36	11	82	55	49	0	10	33	29	33	302
FY37	11	84	55	50	0	10	33	29	33	305
FY38	11	86	55	48	0	10	32	29	34	305
FY39	11	88	55	49	0	10	32	29	33	307
FY40	10	88	55	49	0	10	31	29	33	305
FY41	10	89	55	48	0	11	32	29	33	307
FY42	10	88	55	49	0	12	31	29	33	307

Source: FY2013 30-year (FY2013-FY2042) shipbuilding plan.

Note: Figures for support ships include five JHSVs transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.

Key: FY = Fiscal Year; CVN = aircraft carriers; LSC = surface combatants (i.e., cruisers and destroyers); SSC = small surface combatants (i.e., frigates, Littoral Combat Ships [LCSs], and mine warfare ships); SSN = attack submarines; SSGN = cruise missile submarines; SSBN = ballistic missile submarines; AWS = amphibious warfare ships; CLF = combat logistics force (i.e., resupply) ships; Supt = support ships.

Observations that can be made about the Navy's FY2013 30-year (FY2013-FY2017) shipbuilding plan and resulting projected force levels include the following:

- **Total of 268 ships.** The plan includes a total of 268 ships, compared to 276 ships in the FY2012 30-year (FY2012-FY2041) shipbuilding plan. The total of 268 ships equates to an average of about 8.9 ships per year, which is the approximate average rate (sometimes called the steady-state replacement rate) that would be needed over the long run to achieve and maintain a fleet of about 310-316 ships—the Navy's current ship force structure goal (see **Appendix A**)—assuming an average life of 35 years for Navy ships.
- **Projected fleet remains below 310 ships.** Although the FY2013 30-year plan includes an average of about 8.9 ships per year, the FY2013 30-year plan, like previous 30-year plans, results in a fleet that does not fully support all elements of the Navy's ship force structure goal. The distribution of the 268 ships over the 30-year period, combined with the age composition of the Navy's existing ships, results in a projected fleet that would remain below 310 ships during the entire 30-year period and experience shortfalls in ballistic missile submarines, cruisers-destroyers, attack submarines, and amphibious ships.
- **New projected shortfall in ballistic missile submarines.** As a result of the decision in the FY2013 budget to defer the scheduled procurement of the first Ohio replacement (SSBN[X]) ballistic missile submarine by two years, from FY2019 to FY2021, the ballistic missile submarine force is projected to drop to a total of 10 or 11 boats—one or two boats below the 12-boat SSBN force-level goal—during the period FY2029-FY2041.
- **Smaller projected shortfalls in cruisers-destroyers and attack submarines.** The cruiser-destroyer and attack submarine shortfalls under the FY2013 30-year plan are smaller than they were projected to be under the FY2012 30-year plan, due in part to the reduction in the cruiser-destroyer force-level goal to about 90 ships (compared to the previous goal of 94 ships) and the insertion of additional destroyers and attack submarines into the FY2013 30-year plan.
 - **18 more destroyers and 2 more attack submarines in plan.** The FY2013 30-year shipbuilding plan includes 70 destroyers and 46 attack submarines, compared to 52 destroyers and 44 attack submarines in the FY2012 30-year plan. Fifteen of the 18 additional destroyers in the FY2013 plan were added during the final 20 years of the 30-year plan.
 - **Cruiser-destroyer force now projected to bottom out at 78 ships.** Under the FY2013 30-year plan, the cruiser-destroyer force is projected to bottom out in FY2014-FY2015 and FY2034 at 78 ships—12 ships, or 13.3% less than the goal of about 90 ships. Under the FY2012 30-year plan, the cruiser-destroyer force was projected to bottom out in FY2034 at 68 ships—26 ships, 27.7% less than the goal under that plan of 94 ships.
 - **Attack submarine force now projected to bottom out at 43 ships.** Under the FY2013 30-year plan, the attack submarine force is projected to bottom out in FY2028-FY2030 at 43 ships—5 ships, or 10.4% less than the goal of about 48 boats. Under the FY2012 30-year plan, the attack submarine force was projected to bottom out in FY2030 at 39 boats—9 boats, or 18.8% less than the goal of 48 boats.

- **Shortfall in amphibious ships.** The Navy projects that there will be a shortfall of one to four amphibious ships (i.e., 3.1% to 12.5% of the goal of about 32 ships) during the first nine years (FY2013-FY2021) of the 30-year period.

Assumptions and Associated Risks to National Security

Assumptions Behind 310-316 Ship Force-Structure Goal

The 30-year shipbuilding plan is devised to move the Navy toward its goal for a fleet of about 310-316 ships—a goal that reflects a number of assumptions and planning factors, including but not limited to the following:

- current and projected Navy missions in support of U.S. military strategy, including both wartime operations and day-to-day forward-deployed operations;
- current and projected capabilities of potential adversaries, including their anti-access/area-denial (A2/AD) capabilities;
- regional combatant commander (COCOM) requests for Navy forces;
- the individual and networked capabilities of current and future Navy ships and aircraft;
- basing arrangements for Navy ships, including numbers and locations of ships homeported in foreign countries;
- maintenance and deployment cycles for Navy ships; and
- fiscal constraints.

With regard to the third point above, Navy officials have testified at least twice this year that a Navy of more than 500 ships would be required to fully meet COCOM requests for Navy forces (see **Appendix B**). The difference between a fleet of more than 500 ships and the current goal for a fleet of about 310-316 ships can be viewed as one measure of the operational risk associated with the goal of a fleet of about 310-316 ships. A goal for a fleet of more than 500 ships might be viewed as a fiscally unconstrained goal.

Assumptions Behind 30-Year Shipbuilding Plan

In devising a 30-year shipbuilding plan to move the Navy toward its ship force-structure goal, key assumptions and planning factors include but are not limited to the following:

- ship service lives;
- estimated ship procurement costs;
- projected shipbuilding funding levels; and
- industrial-base considerations.

Regarding the first point above—ship service lives—the Navy in past years has, for various reasons, retired numerous ships, including surface combatants and attack submarines, well before the ends of their expected service lives. Many of these retirements were due the decision to reduce the size of the Navy following the end of the Cold War. Other instances were due to the material condition of the ships or the projected costs of keeping them mission-effective through the ends of their service lives.

Regarding the second point above—estimated ship procurement costs—programs that pose a risk of being more expensive to build than the Navy estimates include Gerald R. Ford (CVN-78) class aircraft carriers (a program currently experiencing cost growth), Ohio-replacement (SSBNX) class ballistic missile submarines, the Flight III version of the DDG-51 destroyer, and the LSD(X) amphibious ship. If one or more of these designs turns out to be more expensive to build than the Navy estimates, then the projected funding levels shown in the 30-year shipbuilding plan will not be sufficient to procure all the ships shown in the plan.

In recent years, the Congressional Budget Office (CBO) has estimated that the Navy's 30-year shipbuilding plan would cost more to implement than the Navy has estimated. CBO is currently preparing its estimate of the cost of the FY2013 30-year shipbuilding plan. In its June 2011 report on the cost of the FY2012 30-year plan, CBO estimated that the plan would cost an average of \$18.0 billion per year in constant FY2011 dollars to implement, or about 16% more than the Navy estimated. CBO's estimate was about 7% higher than the Navy's estimate for the first 10 years of the plan, about 10% higher than the Navy's estimate for the second 10 years of the plan, and about 31% higher than the Navy's estimate for the final 10 years of the plan.² Some of the difference between CBO's estimate and the Navy's estimate, particularly in the latter years of the plan, was due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding.

Regarding the third point above—projected shipbuilding funding levels—it has been known for some time that funding requirements for the SSBN(X) program will put considerable pressure on the shipbuilding budget during the middle years of the 30-year plan. Although the FY2013 30-year shipbuilding plan reduces procurement of other types of ships in the middle years of the plan to help accommodate the SSBN(X) program, the Navy still projects that the shipbuilding budget would need to be substantially higher during the middle 10 years of the plan than during the first or last 10 years of the plan. The Navy estimates that, in constant FY2012 dollars, implementing the FY2013 30-year shipbuilding plan would require an average of \$15.1 billion per year during the first 10 years of the plan, \$19.5 billion per year during the middle 10 years of the plan, and \$15.9 billion per year during the final 10 years of the plan. The figure of \$19.5 billion per year for the middle 10 years of the plan is about 26% higher than the average of \$15.5 billion per year for the first and last 10 years of the plan. If the “hump” in shipbuilding funding during the middle 10 years of the 30-year plan is not achieved, numerous ships shown for procurement during the middle 10 years of the plan might not be procured.

The Navy's report on the FY2013 30-year shipbuilding plan states that

This 30-year shipbuilding plan is based on several key assumptions:

- *The battle force inventory target that forms the basis for the accompanying 30-year shipbuilding report will not change substantially with the Navy Force Structure Assessment or the ongoing Department of Defense review of its operational plans for a variety of potential regional contingencies.* Individual ship targets may vary slightly based on a detailed analysis of Combatant Commander requirements in light of the new defense strategy.
- *Yearly spending on Navy shipbuilding must increase starting in the second FYDP of the near-term period [FY2013-FY2022], and remain at higher levels throughout the mid-term planning period [FY2023-FY2032] before falling down to annual shipbuilding levels nearer to historical averages.* During the 2020s and early 2030s, a large number of surface ships and submarines built during the Cold War build-up in the 1980s and early 1990s—particularly the OHIO-class SSBNs—will reach the

² Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2012 Shipbuilding Plan*, June 2011, Table 2 (page 9).

end of their service lives. This will inevitably cause the annual shipbuilding expenditures from FY2020 through FY2032 to be higher than those seen from the mid-1990s through 2020.

- *All battle force ships—particularly Large Surface Combatants [i.e., cruisers and destroyers]—will serve to the end of their planned or extended service lives. In this fiscal environment, the DoN [Department of the Navy] can ill-afford to inflate future shipbuilding requirements by retiring ships earlier than planned.*
- *The Department of the Navy will be able to maintain cost control over its major shipbuilding acquisition programs, especially once individual ship classes shift to serial production. The Department will need to focus on limiting overruns for first ships-of-class.*
- *The Department of the Navy must still be able to cover the Manpower, Operations and Maintenance (MPN/O&MN), Weapons Procurement navy (WPN), and Other Procurement Navy (OPN) costs associated with this plan. DoN leaders are committed to avoiding a “hollow force.”³*

Risks to National Security

Military Strategy and the Planned Size and Structure of the Navy

Changes in strategic and budgetary circumstances have led to a broad debate over the appropriate future size and structure of the military, including the future size and structure of the Navy. Changes in strategic circumstances include, among other things, the winding down of U.S. combat operations in Iraq, the planned winding down of such operations in Afghanistan, and the growth of China’s military capabilities.⁴ Changes in budgetary circumstances center on reductions in planned levels of defense spending resulting from the Budget Control Act of 2011 (S. 365/P.L. 112-25 of August 2, 2011).

On January 5, 2012, the Administration announced that, in light of the winding down of U.S. combat operations in Iraq, the planned winding down of such operations in Afghanistan, and developments in the Asia-Pacific region, U.S. defense strategy in coming years will include a stronger focus on the Asia-Pacific region.⁵ Since the Asia-Pacific region is to a significant degree a maritime and aerospace theater for the United States, this shift in strategic focus is expected by many observers to result in a shift in the allocation of DOD resources toward the Navy and Air Force.

Risks If All Ships in 30-Year Plan Are Procured

Although the projected cruiser-destroyer and attack submarine shortfalls are smaller under the FY2013 30-year plan than they were under the FY2012 30-year plan, the shortfalls in cruisers-destroyers, attack submarines, and amphibious ships projected under the FY2013 30-year plan could make it difficult for the Navy to fully perform its projected missions in certain years. In

³ Department of the Navy, *Annual Report to Congress on Long-Range Plan for Construction of Naval Vessels for FY2013*, April 2012, p. 19. Italics as in original.

⁴ For more on the growth in China’s military (particularly naval) capabilities and its potential implications for required U.S. Navy capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O’Rourke.

⁵ Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, 8 pp. For more on this document, see CRS Report R42146, *In Brief: Assessing DOD’s New Strategic Guidance*, by Catherine Dale and Pat Towell.

light of these projected shortfalls, policymakers may wish to consider various options, including but not limited to the following:

- keeping in active service some or all of the seven Aegis cruisers that the Navy's FY2013 budget proposes for early retirement, and/or the two LSD-41/49 class amphibious ships that the Navy's FY2013 budget proposes shifting to Reduced Operating Status (ROS);
- increasing planned procurement quantities of destroyers and attack submarines, perhaps particularly in years prior to the start of SSBN(X) procurement; and
- extending the service lives of some Flight I/II DDG-51 destroyers to 40 or 45 years, and refueling a small number of Los Angeles (SSN-688) attack submarines and extending their service lives to 40 or more years.

The Navy estimates that keeping in service the seven Aegis cruisers proposed for early retirement would cost a total of a little more than \$4 billion over the period FY2013-FY2017. This figure includes costs for conducting maintenance and modernization work on the ships during those years, for operating the ships during those years (including crew costs), and for procuring, crewing, and operating during those years helicopters that would be embarked on the ships.⁶

Regarding the third option above, it is not clear whether service life extensions for Flight I/II DDG-51 destroyers or Los Angeles-class attack submarines would be feasible or cost effective. Feasibility would be a particular issue for the attack submarines, given limits on submarine pressure hull life. Extending the service lives of these ships could require increasing funding for their maintenance, possibly beginning in the near term, above currently planned levels, so that the ships would be in good enough condition years from now to remain eligible for service life extension work. Such funding increases would be in addition to those the Navy has recently programmed for ensuring that its surface ships can remain in service to the end of their currently planned service lives.

A key potential oversight issue for Congress concerns whether the U.S. Navy in coming years would be large enough under the 30-year shipbuilding plan to adequately counter improved Chinese maritime anti-access forces while also adequately performing other missions of interest to U.S. policymakers around the world. Some observers are concerned that a combination of growing Chinese naval capabilities and budget-driven reductions in the size of the U.S. Navy could encourage Chinese military overconfidence and demoralize U.S. allies and partners in the Pacific, and thereby make it harder for the United States to defend its interests in the region.⁷ Potential oversight questions for Congress include the following:

- Under the Administration's plans, will the Navy in coming years be large enough to adequately counter improved Chinese maritime anti-access forces while also adequately performing other missions of interest to U.S. policymakers around the world?

⁶ Source: Transcript of spoken testimony of Vice Admiral William Burke, Deputy Chief of Naval Operations, Fleet Readiness and Logistics, before the Readiness subcommittee of the House Armed Services Committee, March 22, 2012.

⁷ See, for example, Dan Blumenthal and Michael Mazza, "Asia Needs a Larger U.S. Defense Budget," *Wall Street Journal*, July 5, 2011; J. Randy Forbes, "Defence Cuts Imperil US Asia Role," *The Diplomat* (<http://the-diplomat.com>), October 26, 2011. See also Andrew Krepinevich, "Panetta's Challenge," *Washington Post*, July 15, 2011: 15; Dean Cheng, *Sea Power and the Chinese State: China's Maritime Ambitions*. Heritage Foundation Background No. 2576, July 11, 2011, p. 10.

- What might be the political and security implications in the Asia-Pacific region of a combination of growing Chinese naval capabilities and budget-driven reductions in the size of the U.S. Navy?
- Are the proposed early retirements of nine Aegis cruisers and the shifting of two LSD-41/49 class amphibious ships into Reduced Operating Status (ROS) consistent with the stronger focus on the Asia-Pacific region in DOD's new strategic guidance? What are the potential operational implications of these early retirements? What steps, if any are being taken to preserve a potential for reactivating these nine ships, should circumstances warrant their reactivation?
- If the Navy is reduced in size and priority is given to maintaining Navy forces in the Pacific, what will be the impact on Navy force levels in other parts of the world, such as the Persian Gulf/Indian Ocean region or the Mediterranean Sea, and consequently on the Navy's ability to adequately perform its missions in those parts of the world?
- To what extent could the operational impacts of a reduction in Navy ship numbers be mitigated through increased use of forward homeporting, multiple crewing, and long-duration deployments with crew rotation (i.e., "Sea Swap")? How feasible are these options, and what would be their potential costs and benefits?
- Particularly in a situation of constrained DOD resources, if enough funding is allocated to the Navy to permit the Navy in coming years to maintain a fleet of about 310-316 ships including 11 aircraft carriers, how much would other DOD programs need to be reduced, and what would be the operational implications of those program reductions in terms of DOD's overall ability to counter improved Chinese military forces and perform other missions?⁸

Risks If Some Ships in 30-Year Plan Are Not Procured, or Some Ships Are Retired Earlier Than Planned

If one or more of the 30-year shipbuilding plan's key assumptions and planning factors are not realized—that is, if ships are retired earlier than planned, or ship procurement costs turn out to be higher than estimated, or if funding levels for shipbuilding turn out to be lower than projected—then the Navy in certain years will have fewer ships than shown in **Table 3**. This could make it more difficult, or potentially impossible, for the Navy to fully perform its projected missions in certain years. It might also reduce the Navy's ability to deter regional aggression in certain years, which in turn could increase the likelihood of a conflict that could require Navy combat operations.

Near-Term Options For Adding Ships and Reducing Ship Unit Procurement Costs

Congressional review to date of the Navy's FY2013 five-year and 30-year shipbuilding plans have included, among other things, discussion of near-term options for adding ships to the plan and reducing ship unit procurement costs. These options include the following:

⁸ For further discussion, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

- adding a second Virginia-class submarine to FY2014 and, as a consequence, increasing to 10 the number of Virginia-class submarines procured under the proposed FY2014-FY2018 MYP arrangement for the Virginia-class program;
- adding a tenth DDG-51 destroyer to the proposed FY2013-FY2017 MYP arrangement for the DDG-51 program; and
- procuring the aircraft carriers CVN-79 and CVN-80 under a block buy arrangement.

The first two options could mitigate risks to national security associated with the projected cruiser-destroyer and attack submarine shortfalls. The third option could reduce the cost of implementing the 30-year shipbuilding plan.

Adding a Second Virginia Class Boat in FY2014—10 Boats in MYP

Navy officials have testified this year that the second Virginia-class boat that had been programmed for FY2014 was deferred to FY2018 in the FY2013 budget submission because FY2014 has become a tight budget year for the Navy, and that the Navy is interested in finding a way, if possible, to restore the procurement of a second Virginia-class boat to FY2014.⁹

The question of whether to procure a second boat in FY2014 is an issue for FY2013 because procuring a second boat in FY2014 could involve adding advance procurement funding for that boat in FY2013. A comparison between the Navy's FY2012 and FY2013 budget submissions suggests that the amount of advance procurement funding in FY2013 could be as much as \$700 million to \$800 million. Providing advance procurement funding for the boat in FY2013 would permit the boat to be constructed on a schedule that is more-or-less consistent with what one might expect for a boat procured in FY2014.

Adding advance procurement funding in FY2013, however, is not absolutely required to procure a second boat in FY2014—the boat can be procured in FY2014 without any advance procurement funding in FY2013. Doing so might result in the boat being built on a schedule closer to what one might expect for a boat procured in FY2015, but the boat would still enter service years earlier than it would if it is procured in FY2018.

Finding a way to procure a second Virginia-class boat in FY2014 could involve the use of incremental funding (as opposed to full funding) in the Virginia-class program, at least for the second boat in FY2014, if not also for one or more other Virginia-class boats. Incrementally funding a second boat in FY2014 would involve providing some of the boat's procurement cost in FY2014 and deferring the remainder to one or more subsequent years.

Incremental funding is normally used only for procuring aircraft carriers and LHD/LHA-type amphibious assault ships,¹⁰ but there have been rare cases when individual ships of other types have, for various reasons, been procured with incremental funding. Examples include the third and final Seawolf (SSN-21) class attack submarine, whose procurement was reinstated in FY1996, and each of the three Zumwalt (DDG-1000) class destroyers that were procured in FY2007-FY2009.¹¹

⁹ See, for example, the spoken testimony of Secretary of the Navy Ray Mabus to the House Armed Services Committee on February 16, 2012.

¹⁰ Incremental funding is allowed for procuring aircraft carriers and LHD/LHA-type amphibious assault ships because using full funding to procure these ships—which are very expensive and which are procured once every several years—can cause a one-year “spike” in Navy shipbuilding funding requirements that can be disruptive to other acquisition programs.

¹¹ The first two DDG-1000s were procured in FY2007 and split-funded (i.e., funded with two-year incremental

The Navy estimates that adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement would reduce by roughly \$700 million the total cost of the other 9 boats in the arrangement.¹² The reduction in cost would come from maintaining a smooth, two-per-year production rate at the GD/EB and NNS, from increased spreading of fixed overhead costs at the shipyards, and from reduced costs for components procured from suppliers in batches of 10 rather than batches of 9. Since the figure of roughly \$700 million is roughly equivalent to one-quarter the cost of a Virginia-class submarine, the Navy, in effect, is estimating that adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement would be roughly 25% self-financing.

Adding a Tenth DDG-51 to the DDG-51 MYP

Regarding the possibility of adding a tenth DDG-51 to the proposed FY2013-FY2017 MYP arrangement for the DDG-51 program, Sean Stackley, the Assistant Secretary of the Navy for Research, Development, and Acquisition (i.e., the Navy's acquisition executive), stated the following at a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee, in response to a question about the FY2013 budget's deferral to FY2016 of a second DDG-51 that was previously programmed for FY2014:

I'd like to address the question regarding the second destroyer in 2014. A couple of important facts: First, the—we restarted DDG-51 construction in—in [FY]2010 and we've got four ships under contract, and a result of the four ships that we've placed under contract is we have prior year savings in this program that are—work in our favor when we consider future procurement for the [DDG-]51s.

We also have a unique situation where we've got competition on this program—two builders building the 51s, and the competition has been healthy with both builders. We also have a very significant cost associated with government-furnished equipment, so not only did we restart construction at the shipyards, we also restarted manufacturing lines at our weapon systems providers.

So in this process we were able to restart 51s virtually without skipping a beat, and we're seeing the continued learning curve that we left off on back with the [FY]2005 procurement. So when we march into this third multiyear for the 51s we're looking to capitalize on the same types of savings that we saw prior, and our top line, again, allowed for nine ships to be budgeted, but when we go out with this procurement we're going to go out with a procurement that enables the procurement of 10 ships, where that 10th ship would be the second—potentially the second ship in [FY]2014 if we're able to achieve the savings that we're targeting across this multiyear between the shipbuilders in competition as well as the combat systems providers as well as all of the other support and engineering associated with this program.

So we want to leverage the strong learning, we want to leverage the strong industrial base, we want to leverage the competition to get to what we need in terms of both affordability and force structure, and I think we have a pretty good shot at it.¹³

funding) in FY2007-FY2008. The third DDG-1000 was procured in FY2009 and split-funded in FY2009-FY2010.

¹² Source: Navy briefing to CRS and Congressional Budget Office (CBO), March 16, 2012.

¹³ Source: Transcript of hearing. See also Megan Eckstein, "Navy Looking Into Feasibility Of Procuring 10th DDG In Multiyear Contract," *Inside the Navy*, April 2, 2012.

Block Buy For CVN-79 and CVN-80

The Navy currently plans to procure CVN-79 and CVN-80 separately, as one-ship procurements. Procuring the two ships together in a block buy could reduce their combined procurement cost. Procuring two aircraft carriers together in a two-ship block buy has been done on two previous occasions. The Navy procured two Nimitz (CVN-68) class aircraft carriers (CVN-72 and CVN-73) together in a block buy in FY1983, and procured another two Nimitz-class aircraft carriers (CVN-74 and CVN-75) together in a block buy in FY1988. The Navy proposed these block buys in the FY1983 and FY1988 budget submissions.¹⁴

When the FY1983 block buy was proposed, the Navy estimated that the block buy would reduce the combined cost CVN-72 and CVN-73 by 5.6% in real terms.¹⁵ When the FY1988 block buy was proposed, the Navy estimated that the block buy would reduce the combined cost of CVN-74 and CVN-75 by a considerably larger percentage. GAO testified that the savings would be considerably less than the Navy estimated, but agreed that a two-ship acquisition strategy is less expensive than a single-ship acquisition strategy, and that some savings would occur in a two-ship strategy for CVN-74 and CVN-75.¹⁶

The FY1983 and FY1988 block buys each involved procuring two aircraft carriers in a single year. Procuring two carriers in the same year, however, is not mandatory for a two-ship aircraft carrier block buy. The Navy, for example, proposed the block buy for CVN-74 and CVN-75 in the FY1988 budget submission as something that would involve procuring CVN-74 in FY1990 and CVN-75 in FY1993. (Congress, in acting on the FY1988 budget, decided to not only approve the two-ship block buy, but also accelerate the procurement of both CVN-74 and CVN-75 to

¹⁴ It can also be noted that the Air Force is procuring two Advanced EHF (AEHF) satellites under a two-satellite block buy that the Air Force proposed and Congress approved in FY2012.

¹⁵ See General Accounting Office, *Request to Fully Fund Two Nuclear Aircraft Carriers in Fiscal Year 1983*, MASAD-82-87 (B-206847), March 26, 1982, 10 pp. The figure of 5.6 was derived by dividing \$450 million in non-inflation cost avoidance shown on page 5 by the combined estimated cost of the two ships (absent a block buy) of \$8,024 million shown on page 4.

¹⁶ See General Accounting Office, *Procurement Strategy For Acquiring Two Nuclear Aircraft Carriers*, Statement of Frank Conahan, Assistant Comptroller General, National Security and International Affairs Division, Before the Conventional Forces and Alliance Defense Subcommittee and Projection Forces and Regional Defense Subcommittee of the Senate Armed Services Committee, April 7, 1987, T-NSIAD-87-28, 5 pp. The testimony states on page 2 that "A single ship acquisition strategy is more expensive because materials are bought separately for each ship rather than being combined into economic order quantity buys under a multi-ship procurement." The testimony discounted the Navy's estimated savings of \$1,100 million based on this effect on the grounds that if CVN-74 and CVN-75 were not procured in the proposed two-ship block buy, with CVN-74 procured in FY1990 and CVN-75 procured FY1993, it was likely that CVN-74 and CVN-75 would subsequently be procured in a two-ship block buy, with CVN-74 procured in FY1994 and CVN-75 procured in FY1996. For the discussion here, however, the comparison is between the Navy's current plan to procure CVN-79 and CVN-80 separately and the potential alternative of procuring them together in a block buy.

The GAO testimony commented on an additional \$700 million in savings that the Navy estimated would be derived from improving production continuity between CVN-73, CVN-74, and CVN-75 by stating on page 3 that "It is logical to assume that savings are possible through production continuity but the precise magnitude of such savings is difficult to calculate because of the many variables that affect the outcome." It is not clear how significant savings from production continuity might be in a two-ship block buy for CVN-79 and CVN-80 if the procurement dates for the two ships (FY2013 and FY2018, respectively) are not changed.

The GAO testimony noted that the Navy estimated \$500 million in additional savings from avoided configuration changes on CVN-74 and CVN-75 if the ships were procured in FY1990 and FY1993 rather than FY1994 and FY1996. It is not clear how significant the savings from avoided configuration changes might be for a two-ship block buy for CVN-79 and CVN-80.

See also CRS Issue Brief IB87043, *Aircraft Carriers (Weapons Facts)*, 13 pp., updated February 10, 1988 and archived March 24, 1988, by Ronald O'Rourke. The report includes a discussion of the above GAO testimony. The CRS report is out of print and available directly from the author.

FY1988.¹⁷) A block buy on CVN-79 and CVN-80 could leave intact the FY2013 procurement date for CVN-79 and the FY2018 procurement date for CVN-80. This would permit the funding for the two ships to be spread out over the same fiscal years as currently planned, although the amounts of funding in individual years would likely change.

It is too late to implement a complete block buy on CVN-79 and CVN-80, because some of CVN-79, particularly its propulsion plant, has already been purchased. Consequently, the option would be to implement a partial block buy that would include the remaining part of CVN-79 and all of CVN-80.

To illustrate the notional scale of the savings that might result from using a block buy strategy on CVN-79 and CVN-80, it can be noted that if such a block buy were to achieve one-third as much percentage cost reduction as the FY1983 block buy—that is, if it were to reduce the combined procurement cost of CVN 79 and 80 by about 1.9%—that would equate to a savings of roughly \$470 million on the currently estimated combined procurement cost of CVN-79 and CVN-80. More refined estimates might be higher or lower than this notional figure of \$470 million.

At a March 19, 2012, briefing for CRS and CBO on the CVN-78 program, CRS asked the Navy whether it was considering the possibility of a block buy on CVN-79 and CVN-80. The Navy stated that it had looked into a narrower option of doing joint purchases of some materials for the two ships. CRS asked the Navy to examine the broader option of a block buy along the lines described above, and inform CRS and CBO of the Navy's estimate of how much it might reduce the combined procurement cost of CVN-79 and CVN-80.

Implementing a block buy on CVN-79 and CVN-80 would require committing to the procurement of CVN-80. Whether Congress would want to commit to the procurement of CVN-80, particularly in light of current uncertainty over future levels of defense spending, is a factor that Congress may consider in assessing the option of doing a block buy. If budgetary circumstances were to lead to a decision to end procurement of Ford-class carriers after CVN-79, then much or all of the funding spent procuring materials for CVN-80 could go to waste.

At a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, Sean Stackley, the Assistant Secretary of the Navy for Research, Development, and Acquisition (i.e., the Navy's acquisition executive), stated the following when asked by Representative Robert Wittman about the possibility of a two-ship block buy on CVN-79 and CVN-80:

Yes, sir. Let me focus on affordability of the CVN-78 class. We are right now about 40 percent complete construction of the CVN-78 and we're running into some very difficult cost growth issues across the full span—design, material procurement, and production—material procurement on both contractor and government side.

So our first focus right now is to stabilize the lead ship. Let's get cost under control so we can complete this ship as close to schedule at the lowest cost possible.

But in parallel, the Navy is working very closely with the shipbuilder to take a step back and say, one, what are all the lessons we just learned on CVN-78? Two, CVN-78 is a very different ship from the Nimitz [CVN-68]; we cannot expect to build the [CVN-]78 the way we build the [CVN-]68 and—and get to an affordable ship construction plan. So we're pressing on the way the carrier is built—the build plan for the carrier—to arrive at a more affordable CVN-79.

Now, in the process of doing that we'll take a hard look at what opportunity there is across [CVN-]79 and [CVN-]80, recognizing that we're going to be limited, again, by

¹⁷ See CRS Issue Brief IB87043, *Aircraft Carriers (Weapons Facts)*, 13 pp., updated February 10, 1988 and archived March 24, 1988, by Ronald O'Rourke. The report is out of print and available directly from the author.

[budget] top line. But there are going to be some opportunities that jump out at us. We don't want to have to replan each carrier. We have a vendor base that is stretched out with the carrier build cycle that for some components that are carrier-unique, that vendor base is—is just struggling to hold on between the five-year gaps.

So we have to take a hard look at where does it make sense after we've gotten to what I'm calling an optimal build plan for CVN-79 and then be able to come back and—and say, OK, here—on CVN-79 here are some opportunities that if we could, in fact, reach out to CVN-80 we can either avoid a gap in a production line or avoid unnecessary cost growth on that follow ship.¹⁸

Later in the hearing, the following exchange occurred:

REPRESENTATIVE RICK LARSEN:

Finally, we had some discussion about this question with regard to CVNs and trying to find a way to squeeze some costs out, and one of the ideas was to do some—do block buy of certain components of—of—of CVN components. And have you considered that, and what's your thought on that on block buy on components from [CVN-]79 to [CVN-]80, or whatever, [CVN-]79, [CVN-]79 to [CVN-]80, and so on?

ASSISTANT SECRETARY OF THE NAVY SEAN STACKLEY:

Yes, sir. At this point in time the Navy and the shipbuilder are sitting side by side putting together a build plan for CVN-79. We're 40 percent complete construction of the [CVN-]78; we've got a lot that we've got to, I'll say, do different on the [CVN-]79 and follow from the lead ship. It's a very different ship class [compared to the Nimitz class].

So we're taking a hard look at the build plan [for CVN-78]. We need to get that locked down. And associated with that is the complete bill of materials for the Ford class.

At that point in time we'll be able to take a look at...

LARSEN:

On this, call it bill of materials, what does it make sense—what makes sense in terms of looking long term, beyond the immediate ship?

STACKLEY:

Right.

LARSEN:

Are there areas of the industrial base that are stressed to the point that it does make sense to look at coupling the CVN-79 and CVN-80 buy?

STACKLEY:

We're not at that point yet. I described earlier that I think after we get through this build plan review then we'll be able to come back in '14 [FY2014] and identify potential critical items that warrant a block buy approach.¹⁹

Later in the hearing, Matthew Mulherin, President of NNS and Corporate Vice President of HII, stated the following when asked by Representative Robert Wittman about the possibility of a two-ship block buy on CVN-79 and CVN-80:

Yes, sir. You know, historically you go back, you were exactly right, if you look at the contracts that bought the CVN- 72 and [CVN-]73 there was huge savings that flowed to the second ship, both in the ability to go buy materials, a block buy and get—get discounts there, but also that you did the engineering up front the first time for both hulls

¹⁸ Source: Transcript of hearing.

¹⁹ Source: Transcript of hearing.

so the second ship you really just had the answer, problem, paper [sic] and some of those kind of things—the kind of the normal course of business to support the waterfront.

So I wouldn't see any different. I think if we were able to do it both for material, for—for the engineering to be able to go pump out drawings that had two-ship applicability—plus, I think it brings the—the—the CVN—if we were to do a two-ship buy for [CVN-]79 and [CVN-]80 it would ensure CVN-80 was a copy of CVN-79, no change into the contract or very minimal, you're not having a—on the material side you get economic order savings, you don't have to deal with obsolescence.

So absolutely. I think there's huge opportunity to go do that. You know, you talk to the—the vendor base. They would love to see it. It gives them the ability to go look at—at what investments they need, what work is out in front of them, and go invest in—in training and tools to—to be able to go support that.²⁰

Mr. Chairman, distinguished members of the subcommittee, this concludes my testimony. Thank you again for the opportunity to appear before you to discuss these issues. I will be pleased to respond to any questions you might have.

²⁰ Source: Transcript of hearing.

Appendix A. Navy's 310-316 Ship Force Structure Plan

The Navy in February 2006 presented to Congress a goal of achieving and maintaining a fleet of 313 ships, consisting of certain types and quantities of ships. On March 28, 2012, the Department of Defense (DOD) submitted to Congress an FY2013 30-year (FY2013-FY2042) shipbuilding plan that includes a revised goal for a fleet of about 310-316 ships. The goal of about 310-316 ships, however, may be further refined in coming months: DOD states that

In response to the new strategic priorities and guidance found in [the January 2012 document entitled] *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*,²¹ the Department of Defense is now reviewing and updating the requirements for naval presence and forces and its operational plans for a variety of potential regional contingencies. When these efforts are complete, the DoN [Department of the Navy] will revisit and reassess the force structure judgments and decisions in a supporting Naval Force Structure Assessment (FSA).

Table A-1 compares the 310-316 ship goal to earlier Navy ship force structure plans.

²¹ For more on this document, see CRS Report R42146, *In Brief: Assessing DOD's New Strategic Guidance*, by Catherine Dale and Pat Towell.

Table A-1. Navy Ship Force Structure Plans Since 2001

Ship type	310-316 ship plan of March 2012	Revised 313-ship plan of September 2011	Changes to February 2006 313-ship plan announced through mid-2011	February 2006 Navy plan for 313-ship fleet	Early-2005 Navy plan for fleet of 260-325 ships		2002-2004 Navy plan for 375-ship Navy ^a	2001 QDR plan for 310-ship Navy
					260-ships	325-ships		
Ballistic missile submarines (SSBNs)	12-14 ^b	12 ^b	12 ^b	14	14	14	14	14
Cruise missile submarines (SSGNs)	0-4 ^c	4 ^c	0 ^c	4	4	4	4	2 or 4 ^d
Attack submarines (SSNs)	~48	48	48	48	37	41	55	55
Aircraft carriers	11	11 ^e	11 ^e	11 ^f	10	11	12	12
Cruisers and destroyers	~90	94	94 ^g	88	67	92	104	116
Frigates	0	0	0	0	0	0	0	0
Littoral Combat Ships (LCSs)	~55	55	55	55	63	82	56	0
Amphibious ships	~32	33	33 ^h	31	17	24	37	36
MPP(F) ships ⁱ	0	0 ⁱ	0 ⁱ	12 ⁱ	14 ⁱ	20 ⁱ	0 ⁱ	0 ⁱ
Combat logistics (resupply) ships	~29	30	30	30	24	26	42	34
Dedicated mine warfare ships	0	0	0	0	0	0	26 ^k	16
Joint High Speed Vessels (JHSVs)	10 ^l	10 ^l	21 ^l	3	0	0	0	0
Other ^m	~23	16	24 ⁿ	17	10	11	25	25
Total battle force ships	~310-316	313	328	313	260	325	375	310 or 312

Sources: Table prepared by CRS based on U.S. Navy data.

Note: QDR is Quadrennial Defense Review. The “~” symbol means approximately and signals that the number in question may be refined as a result of the Naval Force Structure Assessment currently in progress.

- Initial composition. Composition was subsequently modified.
- The Navy plans to replace the 14 current Ohio-class SSBNs with a new class of 12 next-generation SSBNs. For further discussion, see CRS Report R41129, *Navy Ohio Replacement (SSBN(X)) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.
- Although the Navy plans to continue operating its four SSGNs until they reach retirement age in the late 2020s, the Navy does not plan to replace these ships when they retire.
- The report on the 2001 QDR did not mention a specific figure for SSGNs. The Administration's proposed FY2001 DOD budget requested funding to support the conversion of two available Trident SSBNs into SSGNs, and the retirement of two other Trident SSBNs. Congress, in marking up this request, supported a plan to convert all four available SSBNs into SSGNs.

- e. With congressional approval, the goal will temporarily be reduced to 10 carriers for the period between the retirement of the carrier *Enterprise* (CVN-65) in November 2012 and entry into service of the carrier *Gerald R. Ford* (CVN-78), currently scheduled for September 2015.
- f. For a time, the Navy characterized the goal as 11 carriers in the nearer term, and eventually 12 carriers.
- g. The 94-ship goal was announced by the Navy in an April 2011 report to Congress on naval force structure and missile defense.
- h. The Navy acknowledged that meeting a requirement for being able to lift the assault echelons of 2.0 Marine Expeditionary Brigades (MEBs) would require a minimum of 33 amphibious ships rather than the 31 ships shown in the February 2006 plan. For further discussion, see CRS Report RL34476, *Navy LPD-17 Amphibious Ship Procurement: Background, Issues, and Options for Congress*, by Ronald O'Rourke.
- i. Today's Maritime Prepositioning Force (MPF) ships are intended primarily to support Marine Corps operations ashore, rather than Navy combat operations, and thus are not counted as Navy battle force ships. The MPF (Future) ships, however, would have contributed to Navy combat capabilities (for example, by supporting Navy aircraft operations). For this reason, the ships in the planned MPF(F) squadron were counted by the Navy as battle force ships.
- j. The Navy no longer plans to acquire an MPF(F) squadron. The Navy, however, has procured or plans to procure six ships that were previously planned for the MPF(F) squadron—three modified TAKE-1 class cargo ships, and three Mobile Landing Platform (MLP) ships. These six ships were included in the total shown for "Other" ships.
- k. The figure of 26 dedicated mine warfare ships included 10 ships maintained in a reduced mobilization status called Mobilization Category B. Ships in this status are not readily deployable and thus do not count as battle force ships. The 375-ship proposal thus implied transferring these 10 ships to a higher readiness status.
- l. Totals shown include 5 ships transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.
- m. This category includes, among other things, command ships and support ships.
- n. The increase in this category from 17 ships under the February 2006 313-ship plan to 24 ships under the apparent 328-ship goal included the addition of one TAGOS ocean surveillance ship and the transfer into this category of six ships—three modified TAKE-1 class cargo ships, and three Mobile Landing Platform (MLP) ships—that were previously intended for the planned (but now canceled) MPF(F) squadron.

Appendix B. 2012 Testimony on Size of Navy Needed to Fully Meet COCOM Requests

At a March 22, 2012, hearing on Navy readiness before the Readiness subcommittee of the House Armed Services Committee, the following exchange occurred:

REPRESENTATIVE J. RANDY FORBES:

We have a lot of requests for our combatant commanders—of the validated requests that come from combatant commanders. How many ships would it take in our navy, based on your estimation, to meet all of the validated requests from our commanders, combatant commanders?

VICE ADMIRAL WILLIAM R. BURKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET READINESS AND LOGISTICS:

Let me—give me just a minute on that, sir.

FORBES:

Please. And if you'd like, on any of these questions, if you'd rather take them for the record and get back I'm OK with that, too.

BURKE:

I'm—no, I'm happy to answer the question. I just want to make sure I elaborate a little to make sure we get—get the point right.

FORBES:

Please.

BURKE:

The—the combatant commander requests come in to the—to the services, and then the—there's a—a very high number of requirements from the services, or from the—the combatant commanders which are then prioritized and adjudicated by the joint staff.

Essentially, a way to adjudicate supply—a lesser supply and a greater demand. So—so those—of those requests that come in, some are determined to be more valid than others, if you will. But to get to your exact question, of those requests that come in from the combatant commanders, if we ...

(CROSSTALK)

FORBES:

Admiral, could—could I just—on the nomenclature, just make sure I'm right, too. As they come in, one of the first weed-out processes is we determine whether they're validated or not. In other words, we go through and make sure they're legal, they don't have the other asset somewhere. And—and then we stamp them as validated.

And then like you said, they go through a process where we then look at the resources we have and allocate what we can. And we adjudicate which ones we can give and which ones we can't. So I want the top number. The—the ones that we have validated and said, "Yes, this is legal, it's a proper request."

Of those combatant commander requests, approximately how many ships would it take us to be able to meet those if we had them?

BURKE:

It would take a navy of over 500 ships to meet the combatant commander requests. And, of course, it would take a similar increase in the aircraft and—other parts of the—of the Navy, as well, to meet the combatant commander requests.²²

At a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, the following exchange occurred:

REPRESENTATIVE DUNCAN D. HUNTER:

If you were to build the amphibs [i.e., amphibious ships] where would you prioritize? I mean, where would you take money out of to be able to get the Marine Corps to where they need to be?

VICE ADMIRAL JOHN TERENCE BLAKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR INTEGRATION OF CAPABILITIES AND RESOURCES:

Here's the issue we deal with: I don't have the luxury of dealing with any single issue in isolation; I have to deal with it across the entire...

HUNTER:

Well, we can. That's why I'm asking.

BLAKE:

Well, we have to deal with it, though, across the entire portfolio.

HUNTER:

Sure.

BLAKE:

And so what we have to do is we have to balance the requirement for amphibs, the requirement for surface combatants, the requirement for the carriers, the submarines—every category of ships that we have. And so when we do that we then have to say, all right, as we balance across that where are we going to be able to assume more risk? And that's how we—that's how we end up where we are.

HUNTER:

So you're saying there is less risk but still risk in the Marine Corps being short on amphibs than there are in the other—the rest of the picture?

BLAKE:

No. I'm saying that we have assumed risk in all areas. The best example I can give you: It was only a short time ago, if we tried to fill all the COCOM needs we said the number was around 400 ships we'd need in the fleet. Today—and we see no abatement in that commitment or the...

HUNTER:

No (inaudible) signal.

BLAKE:

Today we look at it and we see that we would—if we wanted to hit 100 percent of all the COCOM requirements we'd need in excess of 500 ships. So what we end up having to do is we go through the—the global management process and we look at it and we say, here are our highest priorities, these are how we are going to address them, and then we—we have those units available and we push that...

HUNTER:

²² Source: Transcript of hearing.

I understand.

I'm going to yield back in just one second.

So I would take from your statement, then, that you did go through a prioritization process and the amphibs are not at the top of that list. And second, when you say that you assume risk all the way around I would argue that when you do your risk assessment and you prioritize your needs the fact that the COCOMs wanted more ships and needed more ships due to the international environment and where we find ourselves with the world today, going down is probably – it's going the wrong way.

We all know that, but I—I would—I would argue that your prioritization—I would like to see that, if you don't mind, the—the way that you analyzed this and the—and the way that you said, hey, we're going to—we're going to keep them there to make sure that we have this over here. That's all I'm asking for.

BLAKE:

OK. When we put it together we do it across the entire spectrum; we don't—and by that I mean, as we look at the entire requirement we say, this is what we need to do in order to be able to meet the COCOM demand signal.²³

²³ Source: Transcript of hearing.

Ronald O'Rourke

Mr. O'Rourke is a Phi Beta Kappa graduate of the Johns Hopkins University, from which he received his B.A. in international studies, and a valedictorian graduate of the University's Paul Nitze School of Advanced International Studies, where he received his M.A. in the same field.

Since 1984, Mr. O'Rourke has worked as a naval analyst for the Congressional Research Service of the Library of Congress. He has written numerous reports for Congress on various issues relating to the Navy. He regularly briefs Members of Congress and Congressional staffers, and has testified before Congressional committees on several occasions.

In 1996, Mr. O'Rourke received a Distinguished Service Award from the Library of Congress for his service to Congress on naval issues.

Mr. O'Rourke is the author of several journal articles on naval issues, and is a past winner of the U.S. Naval Institute's Arleigh Burke essay contest. He has given presentations on Navy-related issues to a variety of audiences in government, industry, and academia.



Statement before the
Committee on Armed Services
Subcommittee on Oversight & Investigations
U.S. House of Representatives

on

**“The U.S. Navy Shipbuilding Plan:
Assumptions and Associated Risks to National Security”**

April 18, 2012

Dr. Seth Cropsey

Hudson Institute

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the

Hudson Institute.

Chairman Wittman, Ranking Member Cooper, Members of the Committee:

I am honored by your request to speak before this committee. The United States, like other great maritime nations in history, became a seapower because its geography coincided with the enterprising commercial spirit of our people. John Adams understood the link. He wrote that “the Great Questions of commerce and power between nations must be determined by sea...all reasonable encouragement should be given to a navy.”

Adams said “Great Questions.” Like the other founders, even those who doubted American seapower, Adams expected America to become a great nation. He was first among the founders in grasping the connection between American greatness and our seapower. So I am by no means the first to believe that the decisions about American naval power that rest importantly in your hands must shape our security, our commerce, and our destiny as a great power.

The continued shrinkage of the American combat fleet threatens our access to the world’s fastest growing markets. It risks our leadership of a more-than-six-decade old alliance on the western edge of the Eurasian continent. It challenges our country-to-country alliances with the great states that bracket the same continent to the east. It risks our ability to defend the U.S. at a distance from our homeland. And it threatens the international system that a century of American diplomacy and arms have labored to create and sustain.

Neither this nor any generation has enjoyed the ability to make decisions about its future in a vacuum. Resources, technology, and competing strategic demands of the moment cannot be brushed aside. There will always be tension between long-term goals and short-term needs. Balancing between them is the difficult task of true statesmanship. When the long-term is sacrificed for the short, there are always consequences.

In the 1970s political leaders and professionals in the field decided that electronic and overhead intelligence could largely replace human intelligence. On September 11th 2001 we learned to our dismay that this was an enormous mistake. The effort is still underway to compensate for that short-term decision of more than three decades ago.

In the years before economists changed their minds about the acceptability of a sizable national debt British leaders decided that they could not bear the imbalance in the nation’s accounts caused in large measure by the unexpectedly high cost of the Boer War. One measure they took was to reduce their naval expense. They decided that Japan could be depended on to maintain order in the Western Pacific—and that the U.S. could be trusted with the Western Atlantic. As things turned out, they were right about the Western Atlantic.

Today, one short-term view is that because our combat fleet is larger than the next 10 or 11 navies combined we can safely allow the U.S. fleet to go on shrinking. A misunderstanding of the relatively small historic size of current defense costs and their relation to the non-defense portion of the national budget (1:5) contributes to this short-term view.

Former Chairman of the Joint Chiefs Mullen said that the nation’s debt is the greatest threat to our security. I believe that the greater threat is the failure to keep a statesmanlike perspective of

our security needs in relation to our other important priorities. Dividing budget cuts equally between non-defense and defense expenses, as in last year's sequester, will neither resolve our finances nor assure our security. Assuming an equal division among the military services, however, sequestration would reduce Navy's annual budget from 2013 to 2021 by significantly more than the amount allotted to new ship construction.

American naval forces need to remain larger than the combined power of its as-yet smaller potential competitors because of their ambition, their prospects for increasing wealth, and the possibility that their asymmetric strategy will diminish our current advantage. The U.S. is also the only seapower with a trans-oceanic, global reach. This allows us to project power, deter war, and communicate with our allies around the world—all at the same time. Surrendering this ability lays open the world's strategic chokepoints to chaos or the will of states that possess an idea of international order that is wholly different from our own.

The Navy's 2013 30-year plan points the U.S. in this direction. As Admiral Greenert said recently, the Navy now aims for a fleet of "approximately 300 ships."¹ This lowers the projected size of the fleet by 13 ships from what the Navy has for the previous six years said it requires to carry out its assigned missions. Is a reduction of 13 ships sufficient by itself to cause alarm? No. Is the continued drift toward a smaller and smaller Navy troubling? Yes.

Twenty-five years ago the fleet reached its late and post-Cold War era high-water mark of slightly fewer than 600 ships. When a Navy request for a frigate was rejected then-Secretary of the Navy Jim Webb remarked that this was likely a modern-era turning point for the fleet. His prediction turned out to be correct. It has contracted since that day. Abandoning the goal of a 313-ship Navy should not be seen as an isolated event, but rather as part of a continuum which stretching into the future looks increasingly dismal.

From Fiscal Year 2012 to the FY 2013 plan the administration has reduced the number of ships it plans to purchase by 28 percent, from 57 to 41. The recently published 30-year plan will hold the number of ships below 300 for half the entire period. Where the FY 2012 budget allocated \$14.6 billion dollars (constant 2012 dollars) for new construction alone, the FY 2013 budget cuts back this figure to \$10.9 billion dollars. The current FYDP calls for an average of \$11.9 billion dollars (again, all these figures are constant 2012 dollars) per year for new construction.

After the current FYDP is complete the Navy plans to increase its annual spending on new construction for the following FYDP to \$18.5 billion dollars. In the following decade, the same figure increases to a yearly average of \$19.5 billion dollars and then drops to \$15.9 billion per year for the last decade of the 30-year plan. The increases in new ship construction envisioned for the FY 2017 – FY 2022 period and for the second decade of the Navy's 30-year plan are 70 percent and 79 percent respectively. I would prefer to defer to this Committee's judgment about the likelihood that such plans will be carried out if the current administration is returned to office. If, however, the average of \$11.9 billion dollars per year that the administration plans to spend over the next five years were to be maintained over 30 years, the result would be a total expenditure on new ships of \$357 billion dollars. If the current average price of a single naval combatant, \$2 billion dollars, were to be maintained—and this is a large if—this would purchase

178 ships at the end of three decades. Under the best circumstances this would result in a fleet considerably smaller than the one that now exists, one that is much closer to 200 than 300 ships. However, even if the administration's 30-year plan is fully executed, the Navy will still face significant periods of time when it will be short of the attack submarines it needs; short of the large surface combatants it needs; and short of the amphibious warfare ships it needs.ⁱⁱ

I would like to be able to tell this Committee that questions about the fleet's future size can be answered by the increased combat capability that ships of today enjoy over their predecessors. There is some truth to this. There is also truth in the joke about the musician who when asked how to get to Carnegie Hall answers "practice." The musician is correct that practice is necessary. But practice is not a substitute for real talent. And capability is not a substitute for the presence that comes with a sufficient number of ships. The combat capability of U.S. naval vessels has increased importantly over recent years and such developments that lie on the horizon as the rail gun, solid state lasers, and unmanned vehicles in the air, on and below the surface will continue to improve our naval capability. But if we could construct a single future destroyer that is as powerful as two current ones, and if the fleet was diminished proportionately would we be better off? What good could an extremely powerful destroyer on patrol in the Persian Gulf do if a second is unavailable in the event of a crisis in East Asia's waters? The answer is 'no good at all.' Numbers matter.

I would also like to be able to tell the Committee that encouraging our allies to assume a greater share of responsibility for our collective maritime security could compensate for a reduced U.S. combat fleet. The partnerships with foreign navies envisioned by the Navy's maritime strategy published in 2007 aim in roughly this direction but most of these partners are small coastal forces that lack the sea-going and sea-keeping ability of the U.S. fleet. And while the older naval powers such as those in Western Europe maintain larger combat fleets they are a shadow of their former selves. There is no good reason to expect that they will take up the slack left by a shrinking U.S. Navy.

If the Navy's assumption is mistaken that current political leadership will agree to large future increases in shipbuilding we will be headed toward a kind of naval holiday. The equally optimistic expectation that average ship costs can be maintained at \$2 billion dollars per vessel prolongs the holiday. This will not be a pleasant holiday. China's economy has its problems but it continues to perform. Janes Defence Forecasts says that China will double its defense budget between now and 2015.ⁱⁱⁱ Russia plans a \$160 billion dollar naval expansion in the Pacific which is to include 36 new submarines and 40 surface ships.^{iv} If a couple postpones needed repairs on their home for a decade and then decides to fix all that has broken they will be very lucky to finish the job in a year. They will also be fortunate because other more prudent owners will have sustained the home repair industry. Our shipbuilding industry does not have the benefit of other purchasers who can sustain it if Navy budgets prove unequal to the task. For the industrial base that supports U.S. shipbuilding a budget-induced naval holiday would be a disaster that could take decades—if ever—from which to recover.

Knowledge of shipbuilding remains part of American manufacturing. But accelerating cost, an ageing workforce, reduced orders for warships, and an uncertain future risk the nation's ability to turn out sufficient numbers of vessels at affordable prices and profitably enough to keep

shipbuilding companies alive. The destabilization of the American shipbuilding industrial base is one reason that the cost of warships is outpacing the rate of inflation. The Navy's reduced procurement of ships over the past twenty years has caused the industry to contract, lay off workers, and in general to become less reliable. This has driven up the cost of labor and the cost of construction materials. The fewer ships the Navy buys, the less lucrative the industry is for skilled workers. As the cost of labor rises shipbuilders are increasingly pressed to attract and train qualified personnel.

The negative trends reinforce each other. As younger workers are dissuaded from seeking employment or remaining in the industry by the prospects of sporadic employment those who remain—the existing workers—age. The cycle is self-defeating. Paying older workers increases overhead costs and makes it increasingly expensive to invest in the training and education of a younger workforce. The destabilization of the industrial base also causes costs to rise since many of the materials and products that go into building Navy ships are not useful for other purposes. Since the Navy is buying far fewer ships now than it did in the 1980s, many shipyards rely on a single source for necessary materials. With a virtual monopoly on these products, the suppliers have in large part the ability to name their price. The inefficient manner in which the shipyards acquire these materials drives up labor and overhead costs. The solution lies in stabilizing the American shipbuilding industry. This means that the Navy must either increase its orders of ships and/or improve its business practices, for example disciplining the changes it requires of shipbuilders once orders have been placed and vessels are under construction. Buying and stockpiling spare parts for ships that are already in service and whose need for regular maintenance and repair is well known would also help provide stability for the American shipbuilding industry.

In a study conducted on the subject in 2006, the RAND Corporation concluded that the rising costs of building ships is the result of a combination of unsteady U.S. Government procurement rates and a “monopsony relationship” between the government and the shipbuilders. In a monopsony a single purchaser is faced with a host of sellers. Because there is so little American shipbuilding outside of what the Navy purchases, U.S. firms are at the commercial mercy of the 9 percent of the Navy budget devoted to buying ships. A 2005 Government Accountability Office report attributed cost increases in shipbuilding to instability in the entire industry, the difficulty in recruiting and training qualified personnel, high rates of skilled personnel turnover and the shipbuilders' dependence on a rapidly shrinking supplier base.

Finally there are the consequences if U.S. seapower continues to decrease and proves unable to meet even the reduced goals it has set for itself. History is a good guide. Nations in the middle like to side with the winner. During our Civil War British political leadership considered recognizing the Confederacy but was eventually dissuaded by Union military success. In World War II Sweden declared neutrality but grew increasingly amenable to Allied requests as Germany's military position worsened. Romania initially sided with Germany in the same war but changed sides following U.S. attacks on their oil fields and a coup that deposed the pro-German dictator, Antonescu. Bulgarians followed a similar path from siding with the Nazis to switching their allegiance to the Allies in 1944. Saudi Prince Bandar, acknowledging China's increasing international prominence and power visited Beijing last year and met with President Hu.

American weakness at sea, especially in the Indo-Pacific will change the current military, diplomatic, and commercial character of the region. Whether the U.S. fleet shrinks because of too little funding or because unreformed procurement practices have raised the price of ships or because ships have been called home to save on operational expense, the result is the same. While we were once present in strength, we would be no more.

A nation burdened with massive debt whose ability to shape world events has been limited in tandem with its capacity to invest in research and technology will have more and more trouble finding markets. China's potential hegemony would not only force its neighbors' to reconsider whether the U.S. is a reliable ally. It would also become an increasingly powerful magnet for trade in the region—at the expense of U.S. commerce.

Unlike the U.S. whose seapower has protected global sea lanes that other states have used to their benefit China has a different set of values. It views with suspicion a liberal trading system notwithstanding the benefits received from it. China's friends include Iran and North Korea. Beijing is a poor candidate to support the international order that has been the keel of U.S. foreign and security policy for a century. Waning U.S. seapower is an invitation that China will regard as a complement to its rising military and navy in particular. It foreshadows a coercive resolution of territorial disputes in the South China Sea, the likelihood of an increased regional arms race, and the troubling international perception that the U.S. is—or has—abandoned its role as a great power.

American seapower is the strategic keel of our foreign and security policy. Reducing it would be an exercise of history-making shortsightedness. Restoring it would be an act of statesmanship from which Americans and all who cherish political liberty would benefit for the remainder of this century. Thank you.

ⁱ Reuters, 16 Mar. 2012

http://www.aviationweek.com/aw/jsp_includes/articlePrint.jsp?headline=U.S.%20Navy%20Sees%20Fleet%20Target%20About%20300%20Ships&storyID=news/awx/2012/03/19/awx_03_19_2012_p0-437523.xml

ⁱⁱ Annual Report to Congress on Long-Range Plan for Construction of Naval Vessels for FY 2013, p.12

<http://www.coltoncompany.com/newsandcomment/LRSP.pdf>

An Analysis of the Navy's Fiscal Year 2012 Shipbuilding Plan, Figure 3

<http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/122xx/doc12237/06-23-summaryforweb.pdf>

ⁱⁱⁱ *Financial Times*, 13 February '12 <http://www.ft.com/intl/cms/s/0/7b58ac0a-5592-11e1-9d95-00144feabdc0.html#axzz1s8qkjdPc>

^{iv} *Singapore Straits Times*, 12 April, '12 <http://web1.iseas.edu.sg/?p=7478>

HUDSON INSTITUTE

Seth Cropsey began his career in government as assistant to Secretary of Defense Caspar Weinberger. In 1984 he was appointed Deputy Undersecretary of the Navy where he advised the Secretary on strategy, special operations, defense organization, and naval education. In the George H. W. Bush administration he served as Principal Deputy Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict.

After leaving the Defense Department in 1991 Cropsey led the Asia Studies Center where his work focused on U.S.-Japan security and diplomacy as well as emerging commercial and security relations between the U.S. and China.

In 1994 he returned to the government as first department chairman and distinguished professor at the George W. Marshall European Center for Security Studies in Garmisch-Partenkirchen, Germany. He administered the department of national security planning, developed curriculum, lectured, and led seminars. After returning to the U.S. Cropsey joined the American Enterprise Institute where he wrote and published a monograph on defense export controls.

In 2002 he was confirmed by the Senate as director of international broadcasting where he helped increase resources, broadcasting, and focus on audiences in key Middle Eastern states.

In 2005 Cropsey returned to writing, analyzing, and lecturing on U.S. strategy. He is currently a Senior Fellow Senior at Hudson Institute and serves as Senior Advisor for maritime strategy at the Center for Naval Analyses. He completed a book on the decline of American seapower in January 2012, scheduled for publication in early 2013.

Cropsey served as a naval officer from 1985 to 2004 and served with Special Boat Squadron TWO in Little Creek. He has lectured at Oxford, the Ecole Militaire, the NATO School at Oberammergau, various national security forums in Albania, Hungary and Romania, Taiwan's National Defense University, and U.S. colleges and universities. His articles have been published in such journals and newspapers as the *Foreign Affairs*, *World Affairs*, *The American Interest*, *The Wall Street Journal*, *The Washington Post*, *Harper's*, *Commentary*, and *The Weekly Standard*.

He is a graduate of St. Johns College in Santa Fe and received his M.A. from Boston College. He holds a Ph.D. in philosophy from the University of Cluj in Romania. Cropsey, his wife, and 12-year old son live in Bethesda, MD.

FISCAL YEAR 2009

Federal grant(s)/ contracts	federal agency	dollar value	subject(s) of contract or grant

Federal Contract Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) with the federal government, please provide the following information:

Number of contracts (including subcontracts) with the federal government:

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

Federal agencies with which federal contracts are held:

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

Aggregate dollar value of federal contracts held:

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

Federal Grant Information: If you or the entity you represent before the Committee on Armed Services has grants (including subgrants) with the federal government, please provide the following information:

Number of grants (including subgrants) with the federal government:

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.

Federal agencies with which federal grants are held:

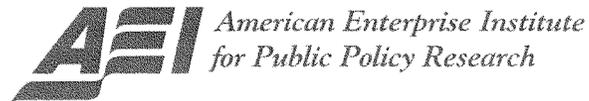
Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.

List of subjects of federal grants(s) (for example, materials research, sociological study, software design, etc.):

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.

Aggregate dollar value of federal grants held:

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.



Statement before the

Committee on Armed Services
Subcommittee on Oversight & Investigations
U.S. House of Representatives

on

**“The U.S. Navy Shipbuilding Plan:
Assumptions and Associated Risks to National Security”**

April 18, 2012

Ms. Mackenzie Eaglen
American Enterprise Institute

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Thank you, Chairman Wittman, Ranking Member Cooper, and members of the Oversight & Investigations Subcommittee for the opportunity to join you again to analyze the U.S. Navy’s 30-year shipbuilding plan.

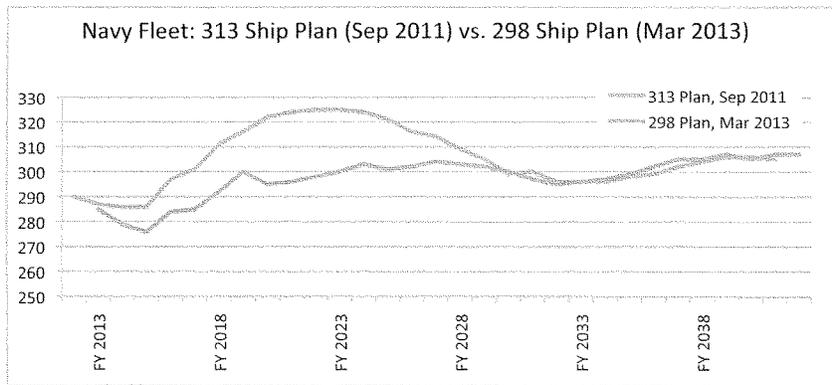
Even though one year has passed since our last conversation, much has changed in the Navy’s long-term budgets and plans. In January, President Obama released a new strategic guidance to the Department of Defense (DoD) leadership that emphasized the importance of the Asia-Pacific to America’s enduring interests. The latest Pentagon strategy follows the wisdom of the Congressionally-mandated bipartisan Quadrennial Defense Review (QDR) Independent Panel, which in 2010 argued that the threats of the Asia-Pacific would place special emphasis on naval and air forces, concluding that “the force structure in the Asia-Pacific needs to be increased.”

While the QDR Independent Panel recommended a Navy of 346 ships in order to meet global requirements and ensure continued deterrence in vital regions like the Asia-Pacific, the Navy’s latest shipbuilding plan produces a fleet averaging 298 ships. Rather than recommending increases in naval and air forces in order to meet increased regional commitments, the Obama administration’s 30-year shipbuilding plan for 2013 shrinks the force. Yet a smaller Navy and Air Force are widely expected to see increased demands on their personnel and equipment as a result of the latest guidance.

Asia-Pacific Region’s “Tyranny of Distance” Means Quantity Still Matters

The shortcomings of the Navy’s FY 2013 shipbuilding plan are especially transparent when viewed in the context of last year’s plan, updated just six months ago last September. In the Navy’s previous plan, it would have exceeded its long-standing target of 313 ships in 9 out of 30 years, or 30 percent of the time. Conversely, it would have fallen below a 300-ship floor for 11 of the 30 years, just over one-third of the time. Over the course of last year’s long-term plan, the fleet would have averaged 306 ships in any given year.

Five months later, amidst a pivot to Asia that emphasizes naval power, the administration’s new plan reduces the 313-ship goal that was considered the minimum needed by the previous Chief of Naval Operations. At no point over the newest 30-year plan will the Navy approach 313 ships, and the fleet falls under 300 ships for nearly half of its three decades. In fact, the Navy will not reach a fleet size of 300 ships for another decade.



The Navy's 2013 shipbuilding plan simply builds fewer ships. Under the current future years defense program (FYDP), the Navy plans to build 16 fewer ships and retire 9 additional ships early.

As little as six months ago, the administration stated the Navy needed to construct 276 ships. Today: 268. This will surely increase risk on these assets and the people manning them in the near-term. The September version of the 2012 plan called for the construction of 57 ships from fiscal year (FY) 2013 through FY 2017. The new plan cuts this figure to 41.

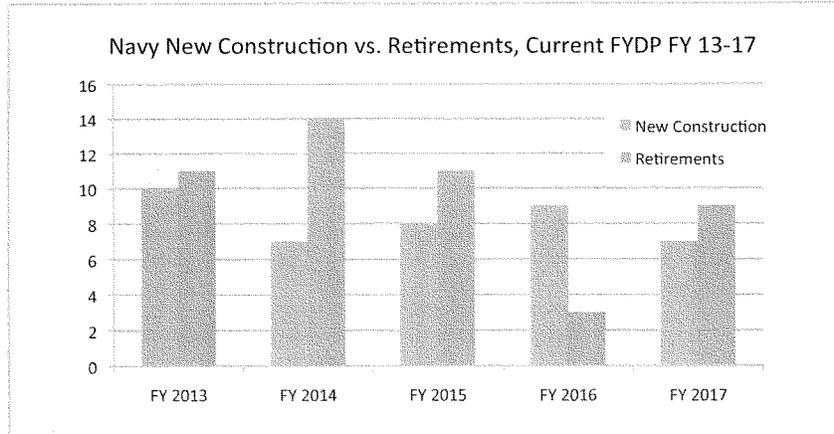
As the fleet shrinks in size, it also changes its mix from a force heavily equipped with major surface combatants, submarines, and carriers to one emphasizing small surface combatants and transport vessels in the near-term.

The Navy's newest shipbuilding plan is back loaded with most of the new construction occurring after the current FYDP. For instance, the plan states that the Navy will need to spend \$16.8 billion on new construction each year. However, over the plan's first five years, the Navy spends only \$12.7 billion on new ship construction. The promise that budgets and fleet sizes will improve in the future simply does not match with the near, mid and long-term budget plans of the Department of Defense. The money we spend now, and the number of ships we buy now, will set a precedent that could lock the service into a new construction number that is 25% below its own newly reduced requirements.

While technological advances are significant and important, numbers still matter to the U.S. Navy. Ships, no matter how capable, cannot be in two places at once. The Navy spends the vast majority of its time assuring and deterring others, not fighting battles. Networks do not deter potential aggressors nor support and assure our friends and allies. Ships steaming the world's oceans and sailors home ported in foreign docks do that. Quantity is still important and even more so when the pivot is to a region defined by vast distances.

Rosy Service Life Assumptions Do Not Match Current Retirement Reality

The simple and unavoidable fact is that the Navy is retiring ships faster than it can build them.



Since older ships will be serving for longer periods as the budget cuts new construction, even the modest fleet sizes projected by the plan rely entirely upon the Navy's ability to keep ships running to the end of their service lives. The plan projects that cruisers (CGs) will stay in service up to 35 years, while it projects destroyer (DDG) service life of 40 years. By way of comparison, the first five *Ticonderoga*-class cruisers averaged a little over 19 years in service before being decommissioned, and a 2010 assessment chartered by the Navy's Pacific fleet commander projects that DDGs will only last 25 to 27 years in service, not 40.

As part of its 2013 budget request, the Navy is retiring seven cruisers whose average age is barely over 20 years—a full 15 years earlier than the assumed service lives of other cruisers in this shipbuilding plan.

The Navy's new service life estimates for these ships are simply unrealistic. In the case of the first five CGs, the Navy retired these ships due to technological advances in missile launch technology in the next block of the class. But as ships are pushed further towards the end of their service lives, the Navy's growing maintenance bow wave will only drive up costs and leave the service unprepared for unforeseen contingencies.

Fleet readiness will decline as a result. The 2010 Balisle report detailed the effect of collapsed maintenance upon naval readiness. One of the primary metrics by which the Navy tests its maintenance and upkeep is the Board of Inspection and Surveys (INSURV), which conducts onboard inspections. From 2005 through 2009, the Navy's failure rate was more than double the previous five years' average. In 2008, ships scored on average marginal or unsatisfactory in two-thirds of all inspection categories.

Facing ongoing budget cuts, the Navy has eliminated many of the posts that have historically kept its ships healthy. In 2004, there were 8,000 billets for Shore Intermediate Maintenance Activity and Regional Maintenance Centers. By 2010, there were only 2,500 of these billets. Unsurprisingly, the report found that "surface ship maintenance has been significantly underfunded for over ten years." If persistent, underfunded maintenance is unsurprising, what should concern members of Congress is that the Navy has no clearly identifiable maintenance requirements for conventional surface vessels. Under the Navy's long-term shipbuilding plan, the service will maintain—and, in fact, increase—the high operations tempo. When combined with unrealistic planning and optimistic assumptions that will not materialize, the fleet may fall into maintenance neglect.

The Pivot to Asia Is Not Adequately Resourced

Even if the Navy's assumptions about surface ship lives were not unduly optimistic, this plan as currently constructed does not meet America's needs in the Pacific. Extending the life of Flight IIA DDG 51s will not be enough to make up for a growing gap in major surface combatants. As future procurement is delayed due to decreased funding, the Navy will run into a "destroyer gap" in the mid 2030s, falling a full 15 ships below its large surface combatant requirement.

Additionally, the fleet will face increased risks to fulfill its crucial mission of nuclear deterrence as the Navy's inventory of ballistic missile submarines falls to ten for nearly one-third of the next 30 years.

One of the Navy's most enduring sources of competitive advantage is its attack submarine fleet. Yet the new shipbuilding plan drops the number of SSNs to 45 from 55 today at the same time the service plans to build just one per year in 2026. The Navy will purchase just one attack

submarine per year for over a decade starting in 2026 at the same time that the fleet's inventory is nearing its low point.

Nonetheless, the Navy is prioritizing the fleet's most important warfighting ships: submarines, large surface combatants, and aircraft carriers. The new 30-year plan averages more nuclear attack submarines in the fleet each year, builds nearly 20 more large surface combatants than the last plan, increases the number of Littoral Combat Ships to be constructed, and keeps last year's goal of six new aircraft carriers over the next three decades. Congress should recall that the Navy did not decide to make do with fewer resources. It was handed a budget number and forced to meet that diminished target.

Investment in the Future Continues to Fall Behind

As the Navy shrinks under current budget plans, Pentagon leaders have claimed they will hedge against future uncertainty through investment in innovation and cutting-edge programs. But the President's FY 2013 budget cuts some critical Navy investments in anti access / area denial capabilities.

The pending budget slices the Navy's power projection applied research account by nearly 15%, affecting programs like precision strike and directed energy weapons. Similarly, force protection applied research dropped by 27%, cutting innovation in anti-submarine warfare and hull assurance. A 28% cut in electromagnetic systems applied research affects initiatives such as electronic attack, surface-based anti-cruise and ballistic missile defenses, and the Surface Warfare Improvement Program, or SEWIP, which uses electronic warfare to disarm incoming missiles.

Other R&D cuts impact separate initiatives on anti-submarine warfare, undersea weapons, cyber security, electronic warfare, sensing, satellite communications vulnerabilities, missile defense countermeasures, S and X-band radar integration, and radar defenses against electronic attack. These programs form important parts of the Navy's next-generation arsenal, especially when it comes to the Pentagon's evolving AirSea Battle concept.

They are exactly the type of programs the Pentagon should be protecting if it is serious about emphasizing the unique challenges of the Asia-Pacific. The fact that R&D money declined for these particular Navy programs is a disturbing sign for the overall coherence of the administration's budget.

Long-Range Technology Roadmaps Still Needed

Under recent shipbuilding plans, Navy leaders had correctly concluded that the United States needed a larger fleet in numbers of ships and aircraft, but also increased network capability, longer range, and increased persistence. Like last year, the fact still remains that the U.S. military is quickly losing its monopolies on guided weapons and the ability to project power. Precision munitions and battle networks are proliferating, while advances in radar and electro-optical technology are increasingly rendering stealth less effective.

Congress should mandate the development of a long-range science and technology plan and research and development blueprint for both the Navy and Air Force. These plans should broadly outline future investments, capabilities, and requirements. The possibilities include:

- A next-generation surface combatant;
- Low-observable capabilities beyond stealth;
- More capable anti-ship, land attack, and air-to-air missiles;
- Next-generation rotary wing aircraft;
- Satellite recapitalization;
- Directed energy and electromagnetic weapons;
- Underwater weapons, including an unmanned underwater vehicle;
- Nanotechnology and solid-state and fiber lasers;
- Biotechnologies; and
- Advanced cyber technologies.

The road map should be holistic and account for the rapidly declining force structure of the U.S. vis-à-vis our global partners and the potential emergence of new players. The Navy's roadmap should also consider shifting global shipping patterns, including the expansion of the Panama Canal and melting in the Arctic. These plans should also carefully consider the capabilities required in the increasingly contested undersea, cyber, and space domains. Without this detailed analysis, Congress will continue struggling to determine where to apply diminishing resources and how to justify the additional investments needed in higher-priority areas.

Conclusion

The Navy and all of America's Armed Forces are comprised of dedicated patriots who will carry out the orders of its political leaders. But those political leaders are increasingly failing to give the services the resources they need to meet the administration's own defense strategy.

The 2013 long-term shipbuilding plan does not accurately portray the forces or funding necessary to execute the administration's strategy. There is a growing disconnect between resources and strategy that should not go unaddressed by members of this committee. This plan is based on dubious assumptions about increased life expectancy that will not survive reality.

Various defense officials have testified recently that the services are sacrificing size of the force for either readiness or quality. Given the rapidly rising levels of risk associated with the latest defense budget cuts, it is likely both readiness and quality will decline despite the Chiefs' best efforts. While the Navy gets some things right in the new shipbuilding plan, this service is making real sacrifices both in terms of fleet size and future innovation that may come back to haunt all of us.

Mackenzie Eaglen has worked on defense issues in the U.S. Congress, both House and Senate, and at the Pentagon in the Office of the Secretary of Defense and on the Joint Staff. She specializes in defense strategy, budget, military readiness and the defense industrial base. In 2010, Ms. Eaglen served as a staff member of the congressionally mandated Quadrennial Defense Review Independent Panel, a bipartisan, blue-ribbon commission established to assess the Pentagon's major defense strategy. A prolific writer on defense related issues, she has also testified before Congress.

FISCAL YEAR 2009

Federal grant(s)/ contracts	federal agency	dollar value	subject(s) of contract or grant

Federal Contract Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) with the federal government, please provide the following information:

Number of contracts (including subcontracts) with the federal government:

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

Federal agencies with which federal contracts are held:

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

Aggregate dollar value of federal contracts held:

Current fiscal year (2011): _____;
 Fiscal year 2010: _____;
 Fiscal year 2009: _____.

Federal Grant Information: If you or the entity you represent before the Committee on Armed Services has grants (including subgrants) with the federal government, please provide the following information:

Number of grants (including subgrants) with the federal government:

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.

Federal agencies with which federal grants are held:

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.

List of subjects of federal grants(s) (for example, materials research, sociological study, software design, etc.):

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.

Aggregate dollar value of federal grants held:

Current fiscal year (2011): _____;
Fiscal year 2010: _____;
Fiscal year 2009: _____.