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HOUSE ARMED SERVICES COMMITTEE  
PROJECTION FORCES SUBCOMMITTEE

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BEFORE THE

PROJECTION FORCES SUBCOMMITTEE

OF THE

HOUSE ARMED SERVICES COMMITTEE

ON

FY 2007 NAVY SHIP CONSTRUCTION PROGRAMS

MARCH 30, 2006

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## **INTRODUCTION**

Mr. Chairman, distinguished members of the Subcommittee, thank you for this opportunity to appear before you to discuss the Department of the Navy's (DON) Fiscal Year 2007 Shipbuilding programs.

## **CURRENT OPERATIONS**

We are a Nation at war. Today your Navy and Marine Corps Team is postured worldwide, fighting the Global War on Terrorism (GWOT), deterring aggression by would-be foes, preserving freedom of the seas and promoting peace and security. As of March 1, 2006, 126 ships are underway (45%) of which 92 (33%) are forward deployed. Navy has 4,959 reserves and the Marine Corps has over 7000 reserves on active duty.

Today, Marines remain committed to the prosecution of the GWOT. Currently, there are over 35,000 Marines forward deployed in support of Regional Combatant Commanders. Their performance on the battlefield continues to validate their forward deployed posture, maneuver warfare doctrine, adaptive logistics backbone, the unique flexibility and scalability of the combined-arms Marine Air-Ground Task Force construct and most importantly, their commitment to warfighting excellence as the world's foremost expeditionary warfighting organization.

The 25,000 Sailors and Marines under the command of I MEF in Al Anbar Province, Iraq and those Marines assigned to transition teams have made significant progress in their efforts to develop capable, credible Iraqi Security Forces. In setting the conditions for the historic constitutional referendum and national elections, they have also distinguished themselves in places like Fallujah, Ramadi, and the Euphrates River Valley. In Afghanistan, we have 1,200 Sailors and Marines providing support to the increasingly capable Afghan National Army. As part of CJTF-76, a Marine infantry battalion is conducting operations against the Taliban and Anti-Coalition Militia in the northeastern portion of the country. Marine officers and senior enlisted leaders continue to train, mentor, and operate with their Afghan counterparts as part of Task Force Phoenix.

There are over 10,000 Sailors serving ashore throughout the CENTCOM AOR including more than 4,000 in Iraq, and an additional 2,600 in Kuwait, that includes SEALs, Seabees, military police, explosive ordnance disposal, medical, intelligence, and civil affairs support personnel. Navy Carrier and Expeditionary Strike Groups continue to deploy in support of GWOT and conduct combat operations in Iraq and Afghanistan. At the same time, the Navy and Marine Corps Team conducted humanitarian assistance/disaster relief missions such as tsunami relief, Pakistani earthquake, and on our own Gulf Coast after Hurricanes Katrina and Rita. Naval forces in support of this effort consisted of 23 ships and a Special Purpose Marine Air-Ground Task Force (MAGTAF) employing 2,500 Marines, providing command and control, evacuation, and humanitarian support to military and civilian personnel in affected regions. Additionally, 104 Naval aircraft flew 1,103 sorties in support of search and rescue and other humanitarian assistance missions. These efforts resulted in the safe evacuation of 8,518 personnel and the rescue of an additional 1,582 people isolated by the disasters. In the weeks that followed, Naval relief efforts provided a total of approximately 2.5 million pounds of food and water to people most severely affected by the disaster.

The Fiscal Year 2007 Budget request maximizes our Nation's return on its investment by positioning us to meet today's challenges -- from peacekeeping/stability operations to GWOT operations and small-scale contingencies -- and by transforming the force for future challenges.

## **PREPARED TODAY – PREPARING FOR TOMORROW**

While the Navy and Marine Corps Team is engaged in supporting the GWOT, we also have a responsibility to prepare for future conflicts and contingencies. The Defense Department's Strategic Planning Guidance directs balanced capabilities for controlling four principal challenges: Traditional, Irregular, Catastrophic, and Disruptive. Our challenge is to determine the right balance of those capabilities that the Navy and Marine Corps Team must provide to meet challenges across the operational spectrum.

The enemy we are fighting today is different than those in our recent past. He is a transnational actor with no allegiance to sovereign nations or respect to conventional rules of war. He can strike us at will from markedly unforeseen directions. He will go to any length to inflict harm on America's people and damage to her soil. A different enemy requires different forms of warfighting capability, a capability based on military forces increasingly capable of operating independently in area denial and anti access environments without benefit of allied and/or host nation support. We must be able to maintain global presence with an increased relevance of the sea. Therefore, our ships will have more relevance operating under a variety of uses, all the while, maintaining ability to mass and conduct large-scale operations if required.

America's ability to use international seas and waterways, as both maneuver space and an operating base unconstrained by foreign veto, allows our Naval forces to project combat power into the littoral regions, which contain more than half the world's population and more than 75 percent of its major urban areas. Highly mobile and ready for combat, our forward-deployed expeditionary forces are critical instruments of U.S. diplomacy and central components of joint military force packages designed to quickly contain a crisis or defeat an emerging threat.

The Navy and Marine Corps Team of the future must be capabilities-based and threat-oriented. The United States needs an agile, adaptable, persistent, lethal, surge-ready force. The Navy and Marine Corps Team must seek to identify the proper strategic balance of capabilities to ensure we have the agility, speed, flexibility and lethality to respond to any threat from any adversary, whether that threat is conventional or asymmetric in nature. Through agility and persistence, our Navy and Marine Corps Team must be poised to fight irregular warfare against a "thinking enemy", able to act immediately against a fleeting target. The challenge is to simultaneously "set the conditions" for a major combat operation (MCO) while continuing to fight the GWOT, with the understanding that the capabilities required for the GWOT cannot necessarily be assumed to be a lesser-included case of an MCO. Our force must be the right mix of capabilities that balances persistence and agility with power and speed in order to fight the GWOT while being prepared to win an MCO. To do so, it must be properly postured in terms of greater operational availability from platforms that are much more capable as a distributed, networked force. While the fabric of our fighting force will still be the power and speed needed to seize the initiative and swiftly defeat any regional threat, FORCENet's pervasive awareness via C4ISR will enable us to achieve essential effects with less mass. Because of its access from the sea, the Navy and Marine Corps are focusing significant effort and analysis in support of joint combat power projection by leveraging the maneuver space of the oceans through Seabasing.

## **SEABASING – A NATIONAL CAPABILITY**

The Naval Power 21 vision defines the capabilities that the 21<sup>st</sup> Century Navy and Marine Corps Team will deliver. Our overarching transformational operating concept is Seabasing; a national capability, for projecting and sustaining Naval power and Joint forces that assures joint access by leveraging the operational maneuver of sovereign, distributed, and networked forces operating globally from the sea. Seabasing unifies our capabilities for projecting offensive power,

defensive power, command and control, mobility and sustainment around the world. It will enable commanders to generate high tempo operational maneuver by making use of the sea as a means of gaining and maintaining advantage.

The war against the Taliban and al-Qaeda in Afghanistan provided a harsh dose of reality for those who assumed traditional threats and the availability of friendly, convenient land bases to project airpower and land forces. In the early phases of Operation ENDURING FREEDOM (OEF), two forward-deployed Marine Expeditionary Units formed Task Force 58 and projected the first major U.S. “conventional” combat units into Afghanistan – more than 350 miles from its seabase of amphibious shipping. Yet, their operations were far from traditional or conventional expectations. We believe these recent experiences such as the prohibition of the 4<sup>th</sup> Infantry Division using Turkey in the early stages of Operation IRAQI FREEDOM are compelling insights on how operations can be conducted in the future. As anti-access, military and political measures proliferate; even friendly nations may deny U.S. forces land basing and transit due to their own sovereign interests.

Seabasing represents a complex capability, a system-of-systems able to move at will. Seabasing, enabled by joint integrated and operational concepts, is the employment of ships and vessels with organic strike fires and defensive shields of sensors and weapons, strike and transport aircraft, communications and logistics. We will use the sea as maneuver space to create uncertainty for adversaries and protect the Joint force while receiving, staging and integrating scalable forces, at sea, that are capable of a broad range of missions. Its inherent freedom of movement, appropriate scalability, and sustainable persistent power provides full spectrum capabilities, from support of theater engagement strategies, to rapid response to natural or man made disasters, to MCOs from raids, to swift defeat of enemies, to scale of major combat and decisive operations. In order to achieve this capability, the Navy and Marine Corps must be forward based, forward deployed (on naval shipping), and forward engaged to maintain global presence as addressed in the 2006 Quadrennial Defense Review (QDR) to meet these challenges.

The Seabased Navy will be distributed, netted, immediately employable and rapidly deployable, greatly increasing its operational availability through innovative concepts such as, for example, Sea Swap (where deemed appropriate) and the Fleet Response Plan. At the same time, innovative transformational platforms under development such as MPF(F), LHA(R) and High-Speed Connectors, will be instrumental to the Sea Base.

The Fleet Response Plan is the maintenance, training, and operational framework through which the Navy meets global Combatant Commander demand signals for traditional (e.g., GWOT, major combat operations, humanitarian assistance/disaster relief, shaping and stability operations, counter piracy, etc.) and emerging mission sets (e.g., riverine warfare, NECC, medical outreach). The Fleet Response Plan is mission-driven, capabilities-based, and provides the right readiness at the right time (within fiscal constraints). It enables responsive and dependable forward presence. With the Fleet Response Plan we can deploy a more agile, flexible and scalable naval force capable of surging quickly to deal with unexpected threats, humanitarian disasters, and contingency operations. Sea Swap is an initiative designed to keep a single hull continuously deployed in a given theater, replacing the entire crew at six-months intervals. The primary objective is to effectively and efficiently increase forward Naval presence without increasing operating cost.

## **SEAPOW 21**

We developed the Sea Power 21 vision in support of our National Military Strategy. The objective of Sea Power 21 is to ensure this nation possesses credible combat capability on scene to promote regional stability, to deter aggression throughout the world, to assure the access of

Joint forces and to fight and win should deterrence fail. Sea Power 21 guides the Navy's transformation from a threat-based platform centric structure to a capabilities-based, fully integrated force. The pillars of Sea Power 21 -- Sea Strike, Sea Shield, and Sea Basing -- are integrated by FORCEnet which will be the means by which the power of sensors, networks, weapons, warriors and platforms are harnessed in a networked combat force. This networked force will provide the strategic agility and persistence necessary to prevail in the continuing GWOT, as well as the speed and overwhelming power to seize the initiative and swiftly defeat any regional peer competitor in MCOs. Extending FORCEnet to our allies and partners in the form of Multinational Information Sharing Networks will represent an unprecedented level of interoperability for both GWOT and MCO. The immeasurable advantage of this effort is the effective association of a "1000-ship Navy" built from our own core capabilities combined with the coordinated efforts of our allies and partners in today's challenging global environment.

During the last year, the Chief of Naval Operations (CNO) established a focused effort to clearly define Naval force structure requirements. The Navy recently submitted to Congress its 2007 Annual Long Range Plan for Construction of Naval Vessels. This plan begins our movement toward a more balanced force that meets the future national security requirements outlined in the FY 2006 Quadrennial Defense Review with acceptable risk and is designed to replenish the fleet, while stabilizing workload and funding requirements. As this 30 year shipbuilding plan evolves over the next year, it will produce an investment plan that is both executable and affordable based on balancing several factors: Naval force operational capability; risk; and, the ability of the shipbuilding industrial base to execute the plan.

#### **FY 2006 QUADRENNIAL DEFENSE REVIEW (QDR 06)**

The fiscal and temporal realities associated with the design and development of modern, sophisticated weapons systems requires a significantly different approach to procurement and operation of our forces and resources. It is this dynamic that is propelling the Navy forward in the transformational arena. As recognized in QDR 06, the size and capabilities of our force are driven by the challenges we will face. The capacity of the force is determined by its global posture in peacetime and the requirement to respond from this posture, as well as to surge, in crisis. In the case of our Navy, it is based upon the need for a ubiquitous but carefully tailored maritime presence that can provide our President and our allies with strategic options in support of dynamic security requirements. QDR 06 developed guidance to achieve the national defense and national military strategies and shaping the future force to improve capabilities and expand capacity to address four priorities:

- Defeat Terrorist Extremists;
- Defending the Homeland in Depth;
- Shaping the Choices of Countries at Strategic Crossroads and;
- Preventing Hostile State and Non-state Actors from Acquiring or Using Weapons of Mass Destruction.

QDR 06 sets a 20-year course for the Department of Defense and provides an opportunity to continue to reshape the U.S. armed forces to meet current and emerging security responsibilities. The QDR 06 construct places new emphasis on the unique operational demands associated with homeland defense and the GWOT, shifts focus from optimizing for conflicts in two particular regions to building a portfolio of capabilities with global reach and serves as a bridge from today's threat-based force to a future capabilities-based transformational force.

## **FORCE STRUCTURE**

Force structure requirements were developed and validated through detailed joint campaign and mission level analysis, optimized through innovative sourcing initiatives (Fleet Response Plan (FRP), Sea Swap, forward posturing) that increase platform operational availability, and balanced with shipbuilding industrial base requirements. This force structure was developed using a capabilities-based approach measured against the anticipated threats for the Fiscal Year 2020 timeframe. The future Navy will remain sea based, with global speed and persistence provided by forward deployed forces, supplemented by rapidly deployable forces through the FRP. To maximize return on investment, the Navy that fights the GWOT and executes Maritime Security Operations will be complementary to the Navy required to fight and win in any MCO. This capabilities-based, threat-oriented Navy can be disaggregated and distributed world wide to support Combatant Commander GWOT demands. The resulting distributed and netted force, working in conjunction with our joint and maritime partners, will provide both actionable intelligence through persistent, Maritime Domain Awareness, and the ability to take action where and when a threat is identified. The same force can be rapidly aggregated to provide the strength needed to defeat any potential adversary in an MCO. The warships represented by this shipbuilding plan will sustain operations in forward areas longer, be able to respond more quickly to emerging contingencies, and generate more sorties and simultaneous attacks against greater numbers of multiple targets and with greater effect than our current fleet.

Employing a capabilities-based approach to calculate the size and composition of the future force required to meet expected Joint Force demands in peace and in the most stressing construct of the Defense Planning Guidance, along with detailed assessments of risk associated with affordability and instabilities in the industrial base, the analysis concluded that a Fleet of about 313 ships is the minimum force necessary to meet all the demands, and to pace the most advanced technological challengers well into the future, with an acceptable level of risk.

## **THIRTY -YEAR NAVAL FORCE SIZE**

The 30-year shipbuilding plan and the resulting ship inventory, as outlined in the Fiscal Year 2007 Annual Long-Range Plan for Construction of Naval Vessels, represent the baseline as reflected in the 2007 President's Budget submission. There will be subsequent studies and analysis that will continue to balance affordability with capability and industrial base capacity. As part of the Fiscal Year 2008 budget development process, the Navy will be exploring alternative approaches to attaining the future force structure and ship mix while retaining the necessary capabilities for Joint Force operations. Overall, this plan reflects the Navy's commitment to stabilize the demand signal to the industrial base while still achieving the appropriate balance of affordability and capability in all ship Classes. Also, although there is risk with this plan, and not a lot of excess capacity to accommodate the unforeseen, we believe the risk is moderate and manageable. Areas of special interest include:

### Carriers

Eleven aircraft carriers and their associated air wings are needed to ensure our ability to provide coverage in any foreseeable contingency and do so with meaningful, persistent combat power. While the Navy requirement for Carriers remains a minimum of 11 operational vessels, past delays in beginning the CVN-21 program will result in the Navy's having only 10 operational Carriers in Fiscal Year 2013 and Fiscal Year 2014. This shortfall will require some combination of shorter turn-around times between deployments, higher OPTEMPO and PERSTEMPO, and restructured Carrier maintenance cycles.

## Nuclear Attack Submarines (SSN)

An SSN force of 48 boats is needed to meet submarine tasking in support of Homeland Defense, GWOT/Irregular Warfare, and conventional campaigns. However, total SSN numbers will drop below 48 between 2020 and 2034. Our remaining fast attack submarine force will require a combination of shorter turn-around times between deployments, higher OPTEMPO and PERSTEMPO, and restructured maintenance cycles to mitigate the impact of this force structure shortfall. Navy is also pursuing a number of cost reduction initiatives intended to lower SSN 774 acquisition costs to \$2.0B (Fiscal Year 2005 dollars) at a stable build rate of two-per-year commencing with Fiscal Year 2012 as cited in QDR 06.

## Amphibious Ships

Our amphibious capability provides the Joint Forcible Entry capacity necessary to support the sea base as a lodgment point for Joint operations. The current Defense Department force-sizing construct requires the capability to respond to two major "swiftly defeat the efforts" events—each of which could require a minimum of 15 capable amphibious ships. One of these crises may further necessitate the use of a Marine Expeditionary Force, thus requiring a total of 30 operationally available amphibious ships. The Marine Corps aviation combat element requires ten large-deck amphibious ships to support a Marine Expeditionary Force. Today's 35 amphibious warships can surge the required 30 operationally available warships and provide the peacetime rotation base for Marine Expeditionary Units in up to three regions. As a Navy and Marine Corps Team, we are striving to maintain the capability to project two Marine Expeditionary Brigades assault echelons in support of the Combatant Commander.

## **SHIPBUILDING PROGRAMS**

There has been considerable activity within shipbuilding over the last year. Currently, there are 37 Naval ships under construction in the United States: 1 CVN, 13 DDGs, 1 LHD, 4 LPDs, 9 T-AKEs, 2 Littoral Combat Ships (LCS) and 7 VIRGINIA Class submarines. Four additional LPDs have ongoing contract negotiations. In 2005 the Department delivered the lead ship for our newest Class of Amphibious Transport Dock Ships USS SAN ANTONIO, LPD 17, initiating a new era of amphibious assault capabilities that are aligned to the littoral regions. In January 2006, the Navy commissioned the LPD 17. The Navy also commissioned three DDGs in 2005. We also laid the keel for the 8<sup>th</sup> ship of the LHD Class, the second and third LEWIS & CLARK Auxiliary Dry Cargo & Ammunition ship (T-AKE), and the third VIRGINIA Class submarine. In 2005, the Navy completed the Engineered Refueling Overhaul (ERO) and conversion of the USS OHIO (SSGN 726) the first SSGN and redelivered the submarine to the fleet in February 2006. In March 2005, the Navy also completed the Refueling Complex Overhaul (RCOH) of CVN 69.

Fiscal year 2007 will see the Navy's previous R&D efforts begin to bear fruit. The first increment of procurement of the lead two DD(X) destroyers is programmed. Follow on Littoral Combat Ships are programmed, which will accelerate the Navy's capabilities to defeat anti-access threats close to shore. Transformation is most apparent in Fiscal Year 2007 where new construction increases to seven ships from the four in President's FY 2006 Budget request. The total number of new ships procured over the Future Years Defense Program is 51, averaging 10 ships per year including DD(X), CG(X), LCS, T-AKE, VIRGINIA Class SSN, CVN 21, MPF(F) family of ships, LPD 17, JHSV, and LHA(R). Our Fiscal Year 2007 Budget request calls for construction of seven ships: two ZUMWALT Class (DD(X)) destroyers, one VIRGINIA Class submarine; one LEWIS & CLARK (T-AKE) Class Auxiliary Dry Cargo & Ammunition ship; the LHA 6 Amphibious Assault Ship; and two LCS. In addition, we have requested funding for advance procurement of the tenth and eleventh VIRGINIA Class submarines, the ninth SAN

ANTONIO Class Amphibious Transport Dock ship, and the CVN 21. Modernization efforts to be funded in Fiscal Year 2007 include the second increment of the split funded CVN 70 RCOH, the second year of advance procurement for CVN 71 RCOH, ERO of an SSBN, modernization of TICONDEROGA Class cruisers and ARLEIGH BURKE Class destroyers, and the service life extension for six Landing Craft Air Cushion (LCAC).

A stable shipbuilding industry is essential to sustain minimum employment levels and retain critical skills to meet our requirements for an affordable and capable force structure. We must align the industrial base for long-term force development through split funding, advanced procurement, and cost savings incentives. We must build ships more efficiently, cost effectively, and quickly. To do this, we are committed to help provide stability in the shipbuilding plan and rigorously control requirements. Costs and production schedules must be kept within contractual limits. Industry must be viewed as a trusted partner while we provide a stable baseline upon which to plan.

The Navy continues to analyze operational requirements, ship designs and costs, acquisition plans and tools and industrial base capacity to further improve its shipbuilding plan. Full funding and support for execution of this plan is crucial to transforming the U.S. Navy to a force tuned to the 21<sup>st</sup> Century and its evolving requirements.

### **DD(X) Destroyer**

DD(X) is the centerpiece of a surface combatant family of ships that will deliver a broad range of capabilities. It is already providing the baseline for spiral development of technology and engineering to support a range of future ship Classes such as LHA(R) and CVN-21. This advanced multi-mission destroyer will bring revolutionary improvements to precise time-critical strike and joint fires for our Expeditionary and Carrier Strike Groups of the future. It expands the battlespace by over 400%; has the radar cross section of a fishing boat; and is as quiet as a LOS ANGELES Class submarine. DD(X) will also enable the transformation of our operations ashore. Its on-demand, persistent, time-critical strike revolutionizes our joint fire support and ground maneuver concepts of operation so that our strike fighter aircraft are freed for more difficult targets at greater ranges. DD(X) will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces.

DD(X) has made tremendous progress in technological maturity. The ten critical Engineering Development Models (EDMs) provide high confidence in our ability to build the lead DD(X). Since the award of the DD(X) Design Agent contract in April 2002, the DD(X) Program has conducted extensive land-based and/or at-sea testing of the EDMs. As a result of these efforts, the DD(X) program has demonstrated fundamental capabilities prior to ship construction contract award, completed necessary testing to support a successful ship Critical Design Review (CDR) this past fall, and is on track to mature systems in time for ship installation. This level of technological maturity was a key factor in OSD's granting of Milestone B approval in November 2005.

The Fiscal Year 2007 Budget request includes \$794M in RDT&E, N for continued software development and \$2.6B in SCN for the first increment of the first and second DD(X). While the funding strategy for these ships is unique, the reasons for supporting a dual lead ship approach are compelling.

Based on Congressional direction that prohibits a winner take all strategy, the Navy has consulted with industry, OSD, and Congress to chart our way forward for the DD(X) program. Our key objectives are:

- Acquire the DD(X) Class destroyers in as cost effective a manner as possible;

- Create pressures to control and reduce cost;
- Acquire these ships on a timeline that meets the warfighters' needs;
- Lower overall risk in the program;
- Treat each of our industry partners fairly; and
- Preserve a viable industrial capability for complex surface combatants.

In order to accomplish these objectives, the Navy has defined a new way ahead: "Dual Lead Ships". This effort tries to create a strong, mutually dependent partnership between the shipyards and the Navy to reduce cost and improve collaboration. Importantly, the Navy's new strategy fully addresses industry's key issues and responds to Congressional concerns.

The key features are:

- Sole source lead ship detail design and construction contracts with the shipbuilders;
- Equal split of common detail design with each yard doing their respective production design;
- Shipyards procure electronics, ordnance, and IPS from system developers as contractor furnished equipment;
- Funding phased to synchronize start of fabrication dates in both shipyards;
- Importantly, the shipyards are mutually dependent on each other to urgently and cooperatively complete the DD(X) detail design;
- Sole source contracts to software and system developers;
- Transition to production of systems culminating in Production Readiness Reviews;
- Complete software releases and provide to shipyards as Government furnished information;
- Importantly, this approach lowers the cost to the Navy by avoiding incremental pass through fee costs; and
- Keep open the option for allocated procurement or various competitions in Fiscal Year 2009 and beyond.

Navy is confident that the Dual Lead Ship strategy is the acquisition approach that will motivate cooperative and collaborative completion of detail design. Further, being able to benchmark the lead ships against each other provides an unprecedented pressure and opportunity to control cost on the lead ships. Finally, because each builder will have completed significant construction on sections of the ships and will have completed detail design, the Navy will have information and options for future acquisition strategy decisions.

#### **VIRGINIA (SSN 774) Class Attack Submarine**

The Fiscal Year 2007 Budget request includes \$1.8B for the ninth ship, and \$677M for advance procurement for the tenth and eleventh ships of the VIRGINIA Class. A total of ten VIRGINIA Class submarines are under contract. The first ship, USS VIRGINIA (SSN 774), was delivered in October 2004, conducted its first deployment in 2005 and is currently undergoing post shakedown availability. This year's ship will be the fourth ship in the five-ship MYP. This MYP contracting approach provides the Navy savings of approximately \$80M per ship for a total savings of \$400M compared to "block buy" procurement. These ships currently continue to be built under the teaming approach directed by Congress in 1998, which maintains two nuclear submarine shipbuilders.

#### **LEWIS and CLARK Class Auxiliary Dry Cargo & Ammunition Ship (T-AKE)**

The Fiscal Year 2007 Budget request includes \$455M for the tenth ship. The first nine ships are under contract. Lead ship construction commenced in September 2003, with christening in May

2005. Projected delivery date of the lead ship is Spring 2006. Projected delivery dates for the other ships are as follows: second, third, and fourth ships in Fiscal Year 2007; fifth, sixth and seventh ships in Fiscal Year 2008 and the eighth ship in Fiscal Year 2009. Exercise of the option for the ninth ship occurred January 2006. The T-AKE is designed to replace aging combat stores (T-AFS) and ammunition (T-AE) shuttle ships. Working in concert with an oiler (T-AO), the team can perform a “substitute” station ship mission to allow the retirement of four fast combat support ships (AOE 1 Class).

### **LHA(R)**

The Fiscal Year 2007 Budget requests \$1.1B for the LHA 6, the lead LHA(R). LHA(R) is the replacement program for the aging LHA Class ships that reach the end of their administratively extended service life between 2011 and 2015. LHA(R) is a modified LHD 1 Class variant with enhanced aviation capabilities specifically designed to accommodate Marine Corps JSF and MV-22 aircraft of the future Aviation Combat Element. LHA(R) also provides the improved service life that will accommodate the 21st century evolution of Marine Corps aviation. The program received Milestone B approval in January 2006 to award the detail design and construction contract for the first ship of the Class. Ship delivery is scheduled for Fiscal Year 2012.

### **Littoral Combat Ship (LCS)**

LCS is being built from the keel up to be a part of a netted and distributed force. The key warfighting capability of LCS is its off-board systems: manned helicopters and unmanned aerial, surface and underwater vehicles. It is the off-board vehicles -- with both sensors and weapons -- that will enter the highest threat areas. Its modular design, built to open-systems architecture standards, provides flexibility and a means to rapidly reconfigure mission modules and payloads. Approximately 40% of LCS's payload volume will be reconfigurable. As technology matures, the Navy will not have to buy a new LCS seaframe, but will upgrade the mission modules or the unmanned systems. LCS will be different from any warship that has been built for the U.S. Navy. The program provides the best balance of risk with affordability and speed of construction. We have partnered with the Coast Guard and LCS shares a common three-dimensional radar with U.S. Coast Guard cutters. In addition, there are other nations interested in purchasing the seaframe.

Two contracts were competitively awarded in May 2004, for detail design and construction of two different LCS seaframes. The construction is currently underway on the first seaframe of each design. The Navy is very pleased with the capabilities these two seaframes will bring. A recent validation of the seaframe Capability Development Document (CDD) showed that these seaframes will not require major modifications to provide the required capabilities envisioned for this platform. To date, all milestones have been met on schedule. Two LCS seaframes are requested in Fiscal Year 2007. The LCS spiral development acquisition strategy will support construction of focused mission ships and mission packages with progressive capability improvements. Procurement of one Mine Warfare and one Surface Warfare mission packages is planned in Fiscal Year 2007. The Department is well positioned to proceed with LCS and deliver this needed capability to Sailors as soon as possible.

### **CVN 21 Class**

The CVN 21 program is designing the future aircraft carrier for the 21<sup>st</sup> Century, as the replacement for today's aircraft carriers, including the NIMITZ Class. The design provides significant improvements in capability along with total ownership cost reductions of over \$5B per ship as compared to the NIMITZ Class. Overall, CVN 21 will increase sortie generation rate and

improve survivability to better handle future threats. The new design nuclear propulsion plant and improved electric plant together provide nearly three times the electrical generation capacity of a NIMITZ Class carrier. This additional capacity allows for the introduction of new systems such as Electromagnetic Aircraft Launching System, Advanced Arresting Gear, and a new integrated warfare system that will leverage advances in open systems architecture to be affordably upgraded. Other features include an enhanced flight deck, improved weapons handling and aircraft servicing efficiency, and a flexible Command and Decision Center allowing for future technology insertion. The Fiscal Year 2007 Budget request includes \$784M of advance procurement for continued design, material procurement and advance construction. The Navy plan is to award the construction contract in Fiscal Year 2008.

### **NIMITZ Class Aircraft Carrier (CVN 68 Class)**

The Refueling Complex Overhaul (RCOH) program refuels, repairs, and modernizes NIMITZ Class aircraft carriers to provide up to 50 total years of service life. CVN 68 Class was originally based on a 30-year design life with refueling at an estimated 14 years. Ongoing analysis of the reactor cores show a nominal 23 year life prior to requirement to refuel allowing the RCOH schedule to be adjusted accordingly. The RCOH program recapitalizes these ships in lieu of procurement and is fundamental to sustaining the nuclear carrier force structure to meet current and future threats. RCOHs provide a bridge between maintaining current readiness requirements and preparing the platform for future readiness initiatives in support of Sea Power 21. They leverage technologies from other programs and platforms for insertion during this major recapitalization effort.

The Fiscal Year 2007 Budget request includes \$954M in the second of two funding increments for the USS CARL VINSON (CVN 70) RCOH execution. The Fiscal Year 2007 Budget also includes \$117M in advance procurement funding for the USS THEODORE ROOSEVELT (CVN 71) RCOH scheduled to start Fiscal Year 2010.

### **SSGN Conversions and Engineered Refueling Overhauls**

SSGN converted submarines will provide transformational warfighting capability carrying up to 154 Tomahawk cruise missiles and supporting deployed special operating forces. The SSGN conversions are being executed utilizing a public-private partnership, conducting the work in Naval Shipyards. The first SSGN, USS OHIO (SSGN 726), took about three years to deliver from its production decision date. USS OHIO (SSGN 726) was delivered to the fleet in February 2006. USS FLORIDA (SSGN 728) will be delivered in April 2006. The USS MICHIGAN (SSGN 727) will be delivered December 2006 and the USS GEORGIA (SSGN 729) will be delivered in September 2007.

### **SSBN Engineered Refueling Overhauls (EROs)**

In Fiscal Year 2007, the USS ALASKA (SSBN 732) will begin its ERO at Norfolk Naval Shipyard. The Fiscal Year 2007 Budget requests advance procurement funding for long lead time materials to support future EROs in 2008 and 2009. Continued support of these maintenance efforts will sustain our strategic deterrents well into the future.

### **Submarine Technology Development and Insertion**

The Navy's submarine technology development efforts focus simultaneously on cost reduction and closure of war-fighting gaps. Advanced Submarine System Development (ASSD) develops and demonstrates the most promising technologies including enablers for lower submarine acquisition and operation costs. Technologies in this line have applicability to all submarine

platforms. The Navy is increasing the capabilities of the VIRGINIA Class through the insertion of appropriate advanced technology via two parallel approaches. The first approach is to procure major improvements through block buys as the most economical and efficient. The second approach for systems such as acoustic, tactical and weapons systems is to make improvements through software updates under the applicable Advanced Processing Build (APB) process.

The Navy plans to introduce future major VIRGINIA improvements in successive contract blocks provided they reduce acquisition cost and maintain tactical performance. The next contract block ship improvement opportunity will be the Fiscal Years 2009 - 2013 authorized ships. Major efforts under Advanced Submarine Systems Development include the Joint Navy/DARPA Technology Barrier (Tango Bravo) Program to overcome selected technological barriers and enable design options for a reduced-cost submarine. Additional efforts include sonar/combat systems (e.g. APBs that transition to Acoustic Rapid COTS Insertion (ARCI)), Universal Encapsulation for submarine launch of joint force weapons and sensors, hull and deployable sensor arrays, stealth components and systems, and composite structural materials (VIRGINIA Class Advanced Sail).

### **ARLEIGH BURKE (DDG 51) Class Destroyer**

The Fiscal Year 2007 Budget request includes \$356M to continue funding program completion and shutdown costs. The Navy submitted a report to Congress detailing program completion requirements in November 2005, pursuant to the Fiscal Year 2006 Senate Appropriations Committee Report 109-141. The Fiscal Year 2007 budget request is consistent with this report and is essential to complete delivery of these mission capable ships. All 62 ships are under contract and the final ship will deliver in Fiscal Year 2011.

### **DDG Modernization**

The Fiscal Year 2007 Budget request includes \$16M in RDT&E,N and OPN appropriations to continue the process to bring needed mid-life DDG modernization enhancements to the mainstay of our surface fleet. The DDG Modernization Program will ensure that each ship in the Class remains an affordable and viable warfighting asset throughout the entire projected 35-year service life. It is designed to reduce total ownership costs across the entire Class through significant reductions in manning requirements and the application of technology to achieve improved quality of life for Sailors, increased survivability, and improved maintainability. DDG 51 is scheduled to be the first legacy destroyer to receive the modernization upgrade in Fiscal Year 2010.

### **TICONDEROGA (CG 47) Cruiser Modernization Plan**

The Fiscal Year 2007 Budget request includes \$359M across multiple appropriations to procure long lead time material for the modernization of TICONDEROGA Class cruisers occurring in Fiscal Years 2008 and 2009. The CG Modernization program was restructured in Fiscal Year 2006 in accordance with Congressional direction. Under the restructured plan, the older Baseline 2 and 3 ships will be modernized first. Funding began in Fiscal Year 2006 for long lead-time procurements for a Fiscal Year 2008 Baseline 2 modernization availability of USS BUNKER HILL (CG 52). The Navy's plan will permit these ships to realize their expected service life of 35 years and substantially increase combat capability of all remaining 22 CG 47 Class ships. This modernization will reduce combat system and computer maintenance costs, replace obsolete combat systems, and extend mission relevance. It will also incorporate manpower improvements and quality of service enhancements from the smart-ship program.

## **LPD 17**

The SAN ANTONIO (LPD 17) Class of amphibious transport dock ships is optimized for operational flexibility and designed to meet Marine Air-Ground Task Force lift requirements and represents a critical element of the Navy and Marine Corps future in expeditionary warfare. The Fiscal Year 2007 Budget includes \$297M of advanced procurement for the ninth ship of the Class. The Navy plans to procure the ninth ship in Fiscal Year 2008. The lead ship was delivered in July 2005, and commissioned in January 2006. Four follow on ships are currently under construction. NEW ORLEANS, LPD 18 was christened on November 20, 2004, and MESA VERDE, LPD 19 was christened January 15, 2005. Construction also continues on GREEN BAY, LPD 20 and NEW YORK, LPD 21. Advance procurement contracts for LPD 22 and 23 have been awarded to support long-lead time material purchases for these ships. LPDs 22-25 are in negotiation.

## **Maritime Prepositioning Force (Future) (MPF(F))**

In addition to the 30 operationally available amphibious ships needed to employ a MEF during a forcible entry operation, the Maritime Prepositioning Force (Future) (MPF(F)) is the key enabler for Seabasing, providing support and sustainment for early entry Marine Expeditionary Brigade. MPF(F) enables four new capabilities: (1) at-sea arrival and assembly of the Sea Base echelon (of the MEB); (2) projection of one surface and one vertical battalion landing team in one 8-10 hour period of darkness; (3) long-term, sea-based sustainment; and (4) at-sea reconstitution and redeployment. These capabilities will be invaluable in supporting joint forcible entry operations, forward engagement, presence, and relationship building operations with allies and potential coalition partners by our forward deployed forces, as well as support of disaster relief and humanitarian operations. Additionally, this flexible asset can remain in support of post-conflict activities and forces ashore from a relatively secure location at sea.

These future Maritime Prepositioning Ships will serve a broader operational function than current prepositioning ships, creating greatly expanded operational flexibility and effectiveness. We envision a force that will enhance the responsiveness of the joint team by the at-sea assembly of a Marine Expeditionary Brigade that arrives by high-speed airlift or sealift from the United States or forward operating locations or bases. The MPF(F) squadrons will be capable of the "selective offload" of equipment and supplies, which will permit our force commanders to tailor mission packages to satisfy specific mission requirements. As a part of the Sea Base, MPF(F) will provide the ability to accomplish force closure and move equipment and troops ashore as a rapid response asset, interoperate with other ships in the Sea Base, provide sustainment to expeditionary forces ashore, and permit recovery and reconstitution of forces and equipment at-sea. As our shipbuilding programs and technology further matures, thorough experimentation is essential in order to provide informed decisions prior to long term commitments in the development of the MPF(F). Examples of planned experimentation include: interaction with MPF Maintenance Cycle (MMC) to develop selective offload capability, at sea Large Medium-Speed Roll-On/Roll-Off (LMSR) ship equipment off-load/on-load, and Research & Development Teams to continue to explore safe and efficient ways for at-sea cargo and passenger transfers by testing fendering (skin-to-skin) technologies, motion compensating cranes and ship to ship interface systems.

The MPF(F) squadron will be comprised of two LHA Replacement large-deck amphibious ships, one LHD large-deck amphibious ship, three T-AKE cargo ships, three LMSR cargo ships, three Mobile Landing Platform ships with troops, and two legacy "dense-pack" MPF ships taken from existing squadrons. The Mobile Landing Platforms, the only new-design ships in the plan, will be based on current technology. This mix of ships will be capable of prepositioning critical equipment and 20 days of supplies for our future MEB.

The future Maritime Prepositioning MPF(F) Squadron will be part of the transformational SEABASING capability as defined in the SEABASING Joint Integrating Concept and will provide the key capability of a rapid response force of a 2015 MEB in support of the 1-4-2-1 strategy. MPF(F) with its associated aircraft, personnel, logistic chains, and surface and air connectors will provide rapid force closure and support forcible entry through at-sea arrival and assembly and force employment from the Seabase. In addition, it will replace current aging MPS capability.

The Fiscal Year 2007 Budget request includes \$86M of National Defense Sealift R&D funds to develop technologies to support future sea basing needs in MPF(F). The first MPF(F) ships are planned for Fiscal Year 2009 with advanced funding scheduled in Fiscal Year 2008. The proposed family of ships solution is a low cost, low risk solution for meeting the MPF(F) requirements. The solution leverages existing ship designs to control risk while allowing for broad participation of the industrial base.

### **Joint High Speed Vessel (JHSV)**

The Navy High Speed Connector has been merged with the Army Theater Support Vessel to form the JHSV program. This program will provide a high-speed intra-theater surface lift capability gap identified to implement Sea Power 21 and the Army Future Force operational concepts. The JHSV will be capable of supporting Joint Force needs for flexible, fast transport of troops and equipment for the future. Today's only alternative to meeting this gap is through the leasing of high-speed vessels for rapid troop and equipment transport. The WestPac Express is a high-speed surface vessel currently being leased by the Military Sealift Command and used to transport Marines in the Western Pacific operating area. With the Navy designated as the lead Service, the Navy, Marine Corps and Army are working together to develop the required documentation to meet a Milestone A decision in April 2006 with a lead ship contract award planned for Fiscal Year 2008. The Fiscal Year 2007 Budget request includes \$14.2M for concept studies and development of contract design.

### **Landing Craft Air Cushion (LCAC) Service Life Extension Program (SLEP)**

Our fleet LCACs saw continued increased operational tempo supporting worldwide operations during the past year, underscoring the need for the LCAC SLEP. LCAC SLEP is a vital, ongoing effort to Operational Maneuver From The Sea and Ship To Objective Maneuver options for the Naval forces. This will provide continued critical surface lift for the Marine Corps for the future as these upgrades offer greater flexibility and endurance options that allow Naval forces to continue to remain expeditionary and versatile in support of GWOT and into the future. The program, designed to extend the service life of LCACs to 30 years, had several notable accomplishments during the past year: LCAC 7, LCAC 8 and LCAC 9 delivered ahead of schedule; and the SLEP crafts, LCAC 8 and LCAC 9, rendered assistance to the Hurricane recovery effort on the Gulf Coast. The Navy is continuing the strategy of refurbishing vice replacing the buoyancy boxes and will competitively select the Fiscal Year 2006 and Fiscal Year 2007 SLEP work. The Fiscal Year 2007 Budget request includes \$111M for SLEP of six craft.

### **COMPLETION OF PRIOR YEAR SHIPBUILDING CONTRACTS**

The cost to complete shipbuilding programs under contract over Fiscal Years 2007 – 2009 is \$1.07B. The Fiscal Year 2007 Budget requests \$556M for shipbuilding cost to complete. The allocation of cost to complete funds is: \$348.4M for CVN 77, \$114M for the SSN 774 Class, and \$93.4M for the LPD 17 Class.

As of December 2005, CVN 77 construction is approximately 57% complete. Following several detailed program evaluations with the shipbuilder in 2005, the Navy revised the CVN 77 program cost estimate to \$6.057 billion. Section 122 of the Fiscal Year 1998 National Defense Authorization Act imposed an original limitation on the total cost of procurement for the CVN 77 of \$4.6 billion. Section 122 also authorized the Secretary of the Navy to adjust the cost limitation under certain circumstances and required the Secretary to notify Congress annually of any adjustments made to the limitation. The Navy last adjusted the cost limitation to \$5.357 billion in 2005, notifying Congress with the report submitted with the Fiscal Year 2006 President's Budget request. The remaining \$700 million cost increase is the result of factors not covered by the Secretary's existing adjustment authority, including the costs of increased labor hours to construct the ship (including rising health care costs), increased material costs, and the anticipated costs required to cover the Federal government's contractual liability to the point of total assumption by the shipbuilder, Northrop Grumman Newport News. As a result, Congressional action is requested to amend Section 122 to increase the cost cap to \$6.057B to accommodate the CVN 77 program cost estimate.

The VIRGINIA Class program office is working with the shipbuilders to deliver the first four ships of the Class within the available funding. To accomplish this, descoping actions have been initiated on SSN 775, with similar descoping actions anticipated for SSN 777 to deliver on budget.

The remaining six ships of the VIRGINIA Class are under a Fixed Price Incentive (FPI) contract that was converted to a MYP for the sixth through tenth hulls (five ships) in Fiscal Year 2004. This contract includes steep share lines where the contractor bears 55% of the overrun and special incentives to focus the shipbuilders on producing ships for the lowest possible cost. Early indications show significant savings (\$400M) on material purchases for these five ships. Future contracts will continue the use of MYP contracting, subject to Congressional approval, and are planned to be FPI contracts with fair and achievable targets and steep penalties for cost overruns.

In the SAN ANTONIO (LPD 17) program, the Navy has incorporated lessons learned from the construction and testing of the lead ship into plans for the follow ships. The Fiscal Year 2007 President's Budget request is for \$93.4M and a total of \$159M across the FYDP. The Navy continues to work to reduce contract changes and has implemented requirements-to-cost tradeoffs and contract scope reductions which result in a stable production baseline for the follow ships. The Fiscal Year 2007 President's Budget request for the Class reflects the use of "realistic" shipbuilding inflation projections. The Navy is pursuing an affordable conversion to a fixed price type contract for LPDs 18-21. We plan to procure future ships of this class using fixed price type contracts.

During the last year, the Navy has worked closely with the Congress to identify those prior year costs due to the impact of Hurricane Katrina. Congress has already appropriated funds to cover much of these costs in a supplemental appropriation. The Navy is committed to ensuring that these supplemental appropriations are spent only on Government responsible costs rising directly from the results of Katrina.

## **SUMMARY**

Our mission remains bringing the fight to our enemies. The increasing dependence of our world on the seas, coupled with growing uncertainty of other nations' ability or desire to ensure access in a future conflict, will continue to drive the need for Naval forces and the capability to project decisive joint power by access through the seas. The increased emphasis on the littorals and the

global nature of the terrorist threat will demand the ability to strike where and when required, with the maritime domain serving as the key enabler for U.S. military force.

Accordingly, we will execute the GWOT while transforming for the future fight. We will continue to refine our operational concepts and appropriate technology investments to deliver the kind of dominant military power from the sea envisioned in Sea Power 21. We will continue to pursue the operational concepts for seabasing persistent combat power, even as we invest in technology and systems to enable Naval vessels to deliver decisive, combat power in every tactical and operational dimension. We look forward to the future from a strong partnership with Congress that has brought the Navy and Marine Corps Team many successes today. We thank you for your consideration.