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U.S. House of Representatives

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ROBERT L. SIMMONS, II, STAFF DIRECTOR

November 28, 2012

To the Members of the Committee on Armed Services:

Naval power is essential to the security of the United States. Having a sufficient number of capable ships in the U.S. Navy ensures that global sea lanes remain safe, that American resolve can be demonstrated, and that power can be projected as necessary.

For these reasons, between June 2011 and September 2012, the Oversight and Investigations subcommittee conducted three hearings with seven witnesses on the process by which the Navy develops and implements the annual 30-year shipbuilding plan. Subcommittee members also participated in 4 congressional delegations to visit more than 10 industrial partners, Navy facilities, and vessels to observe first-hand the challenges of managing the planning process.

The attached report sets forth the important observations made by hearing witnesses and notes meetings with industry and business leaders.

We commend this document to you. If you have any further questions, please contact Michele A. Pearce, Staff Lead, at 6-7171.

Sincerely,



Robert J. Wittman
Chairman
Subcommittee on Oversight and Investigations
Investigations



Jim Cooper
Ranking Member
Subcommittee on Oversight and

Enclosure

The Navy's 30-Year Shipbuilding Plan: Process, Outcomes, and Observations

Summary

Between June 2011 and September 2012, the Oversight and Investigations subcommittee conducted three hearings with seven witnesses on the process by which the Navy develops and implements the annual 30-year shipbuilding plan. Chairman Wittman also led 4 congressional delegations to visit more than 10 industrial partners, Navy facilities, and vessels to observe first-hand the challenges of managing the planning process.

Today's Navy is a battle force of 286 ships, nearly half of which are deployed or underway at any given time. Furthermore, the shipbuilding industrial base employs about 120,000 skilled workers at shipyards. It is necessary to ensure that the appropriate institutional framework exists to guide the development and deployment of our nation's naval assets. Consequently, the shipbuilding plan is critical to establishing priorities and identifying short- and long-term issues.

Understanding the basis of these programs is essential. The subcommittee gathered considerable evidence suggesting that the 30-year plans have played an integral role in programmatic improvements and cost savings. They have also served as important congressional oversight tools, but challenges exist. Forecasting threats and security needs three decades into the future is not easy. Calibrating the 30-year plan with the nation's current and prospective national security strategy is also a persistent problem. Finally, balancing the plan's other objectives while accommodating the important factors related to the industrial base and workforce increases complexity.

The subcommittee collected significant data on this topic, and the following document provides the highlights of the subcommittee's activities. All quotations are drawn from official hearing transcripts in the committee's possession.

Hearing I

June 1, 2011

“Efficacy of the DOD’s 30-Year Shipbuilding and Aviation Plans”

Witnesses:

Panel 1

LtGen George Flynn, USMC, Deputy Commandant for Combat Development and Integration

VADM John T. “Terry” Blake, USN, Deputy Chief of Naval Operations, Integration of Capabilities and Resources

VADM P. Stephen Stanley, USN, Principal Deputy Director of Cost Assessment and Program Evaluation, Office of the Secretary of Defense

Maj Gen Richard C. Johnston, USAF, Deputy Chief of Staff for Strategic Plans and Programs, U.S. Air Force

This hearing consisted of two panels. The first focused on clarifying the scope, usefulness and practicability of the 30-year plans from the perspectives of the Navy, Air Force, and Marines Corps.

Witnesses explained how the plans are developed, noting that they are a relatively new oversight tool.

The first shipbuilding review was submitted to Congress in 2000. Each plan builds on the strategic guidance issued by the administration. It aims to project the “platforms the Navy will need to accomplish its assigned missions over the three decades,” Admiral Blake explained. It is meant to balance “needs against expected resources,” and “assesses the risk” associated with the choices made. Preserving the “shipbuilding design and industrial base necessary to build and maintain tomorrow's Navy” also factors into the plan.

Witnesses also noted that the 30-year plan can be considered as being composed of three 10-year periods. Each period presents its own peculiar assessment difficulties. “For example,” testified Admiral Blake, “in the first period, cost estimates are judged to be most accurate due to the known ship capability and quantity requirements.” However, “as the threat becomes less clear, industrial base issues become more uncertain and technologies continue to evolve and change requirements.” “[I]n the last 10-year period, cost estimates are the most notional, since these estimates are largely based on the recapitalization of today's legacy ships and ships procured at the beginning of the near term of reporting,” Admiral Blake concluded. The farther into the future the prognostication, the more speculative the annual document becomes.

Furthermore, witnesses suggested that it is difficult to predict future threats or theaters of

operation, especially ten or more years into the future.¹ In summary, Admiral Stanley argued that “[t]he speculative nature of projecting beyond the 5-year window of the Future Years Defense Plan does not stem from any process and organizational failures. It is caused by the inherent uncertainty of the future.”

Witnesses provided alternative oversight requirements that they believe are more realistic and therefore more reliable. Admiral Stanley stated that he believed a plan spanning 20 years “is about right.” In order to make the reporting and submission process more reliable, effective, and ultimately realistic, he suggested limiting the scope of the report to 20 years; requiring it every 4 years, rather than annually, so that it would be tied to the Quadrennial Defense Review and administration doctrine and views. “My instinct is,” he said, “the near-years provide the most significant input; the longer the projections, [the] less important they become.”

Key points:

- Developing this plan requires problematic speculation about the future security environment, technological development, operational concepts, coupled with and fiscal constraints.
- Limiting the annual plan to a 20-year period might be preferable.

Witnesses:

Panel 2

Mr. Ronald O’Rourke, Specialist in Naval Affairs, Congressional Research Service

Dr. Eric Labs, National Security Division, Congressional Budget Office

Ms. Mackenzie Eaglen, Research Fellow for National Security Studies, The Heritage Foundation

The second panel, comprised of civilian experts, focused on the advantages of the 30-year shipbuilding plan for the purpose of congressional oversight and strategic planning. Witnesses disagreed with criticisms advanced by the first panel about the utility of the 30-year plan and the supposition that the last 10 years of the plan are “notional.”

Although the last 10 years of the plan rely on speculation, Mr. O’Rourke believes that the Navy can nonetheless project the “broad and enduring roles” it will “likely need” and therefore the general capabilities required for the future. Predicting these capabilities, although necessarily speculative, is both possible and useful.

Moreover, though notional, the last 10 years provide additional oversight advantages not available in comparable documents. Since the average life of a ship is 35 years, “those last 10 years [of the plan] will capture most of the retirements that aren’t projected for the first 10 or 20,” he said. This helps clarify “the assumptions that the Navy is making about expected service lives for its ships,” and has proven useful for robust congressional oversight efforts.

¹ The first aviation plan was completed in 2010. Commenting on the 30-year aviation plan, General Johnston similarly observed that projecting into the first 10-year period is effective, but going beyond is difficult. For instance, he argued, an aircraft’s life-cycle is determined by its operational tempo, which in turn depends on its theater of operation.

Moreover, shortfalls for cruisers and destroyers and for attack submarines are “revealed in the final 10 years of the [current] 30-year plan.” The plan allowed analysts to discern that the “shortfalls are open-ended.” Identifying whether a shortfall is temporary or open-ended is important, Mr. O’Rourke argues, because mitigating a temporary shortfall of certain types of ships in the fleet might only require undertaking a Service Life Extension Program on some existing vessels. Addressing an open-ended shortfall, on the other hand, might “involve putting additional ships into the shipbuilding plan.” He suggested gaining this understanding may incentivize Congress to increase the shipbuilding budget earlier in the planning cycle.

Understanding the nature and timing of certain future shortfalls gives Congress sufficient time to act. This can “inform congressional consideration of options for procuring additional destroyers and attack submarines . . . or for funding research and development work on new ship technologies or new shipbuilding methods that might alter the shipbuilding affordability equation for those final 10 years,” testified Mr. O’Rourke. Accordingly, the 30-year plan enables “effective congressional oversight of Navy shipbuilding.” It helps “Congress to assess whether the Navy intends to procure enough ships to achieve and maintain its stated force level goals,” Mr. O’Rourke declared.

Dr. Labs agreed with Mr. O’Rourke. He argued that the 30-year plan provides three important benefits. First, it enables Congress “to assess the long-term effects of the incremental decisions that are made each year in the annual authorization and appropriation process.” “In the absence of a 30-year plan,” he said, “the cumulative effects of those annual decisions may not be well understood.” Second, these plans assist in identifying whether imbalances exist “between the inventory goals for ships or aircraft and the resources the military services are projected to receive.” According to Dr. Labs, this helps Congress and the Navy to focus early attention on projected budget shortfalls, and to plan accordingly. Third, the 30-year plan also “provides Congress with information about the relationship between the Department of Defense’s long-term inventory objectives and its assumptions about service lives of ships and aircraft.” “For example,” he said, “the Navy’s plan assumes 40 years for new destroyers, but the Navy has virtually no experience in keeping surface combatants longer than 30 years.”

Ms. Eaglen also endorsed the usefulness of the 30-year plan. She described it as “a long-range technology road map.” Ideally, she said, it “would include a science and technology plan and an R&D...plan.” She advocated for a document that would outline with “greater clarity...the need for next-generation surface combatants for the Navy.” “This road map would look at what our global allies and partners are doing and the potential emergence of new players,” she said. “It would also consider capabilities and [all] domains, including undersea, cyber, and space.”

Hearing II

April 18, 2012

“The Navy’s 30-Year Shipbuilding Plan: Assumptions and Associated Risks to National Security”

Witnesses:

Mr. Ronald O’Rourke, Specialist in Naval Affairs, Congressional Research Service

Dr. Seth Cropsey, Senior Fellow, Hudson Institute

Ms. Mackenzie Eaglen, Resident Fellow at the Marilyn Ware Center for Security Studies, American Enterprise Institute

The subcommittee held its second hearing in this series 10 months after the first. By again receiving testimony from outside experts on the assumptions behind the Navy’s 30-year shipbuilding plan, Members were able to assess changes that may have occurred in the interim.

All witnesses agreed, assuming that the 2013 shipbuilding plan is fully executed, that:

- The Navy will face periods of time when it will have fewer submarines, surface combatants, and amphibious ships than its missions require.
- There is an imbalance between the Navy’s mission and the projected number of ships. This is especially true given the administration’s declared “pivot” to the Asia-Pacific.
- The plan is unrealistic given recent security trends and the threat sequestration poses to the Navy’s budget.

The Navy’s current inventory of 286 ships is shrinking. As one witness testified, this trend is expected to continue. In 2006, the Chief of Naval Operations set the goal of attaining a 313-ship fleet, considered the minimum number for meeting the Navy’s missions. Similarly, the 2010 bipartisan Quadrennial Defense Review concluded it was necessary to refocus resources on the Asia-Pacific region, and consequently recommended a Navy of approximately 346 ships. Witnesses also remarked that Navy officials testified at least twice this year that more than 500 ships would be needed to fully meet combatant commander requests.

All witnesses expressed doubt regarding the service life estimates for vessels on which the plan is built. According to Ms. Eaglen, the 30-year shipbuilding plan assumes a too “rosy and optimistic service life.” On the other hand, she testified that the Navy this year is retiring seven cruisers 15 years early because budgetary limits preclude their modification for the ballistic missile defense mission. Therefore, she argues that even the “298-ship Navy may never become a reality.” Instead, the United States will have a smaller and older fleet beset with increasing maintenance costs.

From a strategic perspective, witnesses offered further critiques of the 30-year plan. Mr. O’Rourke testified that although the 30-year plan is based on assumptions about ship service lives, procurement costs, and shipbuilding funding, uncertainty surrounding these variables means the Navy will likely have fewer ships than projected. This may, he said, “reduce the Navy’s ability to deter

regional aggression . . . which in turn could increase the likelihood of a conflict that could require Navy combat operations.” Similarly, Ms. Eaglen noted the 30-year plan erroneously assumes that “limited conflict is the only type of operations that the military will be involved in over the next 10 years.” The plan “presupposes . . . a more stable world,” she said. She believes this is a dubious supposition.

In addition, according to Dr. Cropsey, it is problematic for the United States to rely on partnerships for maritime security in potentially unstable or hostile regions. This is because most allies have “small coastal forces that lack the sea-going and sea-keeping ability of the U.S. fleet.” Even the Western European fleets “are a shadow of their former selves,” he said, and they continue to shrink. “There is no good reason to expect” that U.S. partners will assume “the slack left by a shrinking U.S. Navy.” Dr. Cropsey further added that Members should remain skeptical of the promise of new technologies: Even the best force multipliers cannot compensate for an insufficient number of vessels distributed across the globe.

Indeed, all witnesses testified that the Navy requires more ships. Suggestions to cover the cost of additional construction included:

- Adhere more closely to good business practices, including fixed-price shipbuilding contracts and dual sourcing.
- Consider public-private partnerships for system and platform maintenance.
- Limit procurement timelines. (Procurements distributed across many years increase costs.)
- Distribute resources strategically, not necessarily equally, across the military departments.

Hearing III

September 11, 2012

“Navy Shipbuilding and Impacts on the Defense Industrial Base in a Time of Fiscal Uncertainty”

Witnesses:

The Honorable Sean Stackley, Assistant Secretary of the Navy (Research, Development and Acquisition)

RADM Thomas J. Eccles, Chief Engineer and Deputy Commander for Naval Systems Engineering, Naval Sea Systems Command

This hearing focused on how the 30-shipbuilding plan affects the U.S. industrial base and shipyard operations. The intention was to illustrate significant issues related to the need to maintain robust and sustainable industrial capacity, especially in a time of fiscal uncertainty.

U.S. shipyards directly employ around 120,000 skilled workers. Many other industries and suppliers are dependent upon the industry. Most importantly, the shipbuilding industrial base is a strategic and irreplaceable national asset.

According to witnesses, the Navy carefully considers the industrial base in producing its 30-year plan. The “health of the shipbuilders and major suppliers” is monitored, Mr. Stackley testified. “[T]he Navy examines not only production labor employment,” he said, “but also engineering capabilities, facility capabilities and efficiency, overall skill and experiences of the workforce, and, as warranted, financial strength.” Mr. Stackley said an important consideration in producing the 30-year plan is ensuring that “our nation maintains the skills, capabilities, and capacities critical to meeting the needs of our national security now and for the future.”

The Navy strives for “a plan which provides stability for the industrial base” while “meeting the Navy’s prioritized shipbuilding requirements.” A stable shipbuilding program “translates into retention of skilled labor, improved material purchasing and workforce planning, strong learning curve performance, and the ability for industry to invest in facility improvements,” Mr. Stackley explained. These factors yield “more efficient ship construction and a more affordable shipbuilding program.”

Congressional Delegations

To supplement the testimony received in hearings, Chairman Wittman led four congressional delegations to examine shipbuilding practices first-hand. Industry representatives, Navy officials, and others conveyed their concerns about the 30-year plan and its effective development and implementation.

New England

February 14, 2012

Other participating Member:

Mr. Joe Courtney

Visited:

Electric Boat Shipbuilding, Groton, Connecticut and Quonset Point, Rhode Island

Bath, Maine

March 2, 2012

Other participating Member:

Ms. Chellie Pingree

Visited:

General Dynamics, Bath Iron Works

San Diego, California

April 2-4, 2012

Visited:

USS *Higgins* (DDG 76)

USS *Freedom* (LCS-1)

Naval Mine and Anti-Submarine Warfare Command

Naval Special Warfare Command

General Dynamics NASSCO-San Diego

Northrop Grumman Aerospace Systems Firescout Program

General Atomics, Naval Systems

Mississippi

July 26-28, 2012

Other participating Member:

Mr. Steven Palazzo

Visited:

Ingalls Shipbuilding, Pascagoula

Huntington Ingalls Industries Composite Facility, Gulfport

US Marine, Inc.