

NOT FOR PUBLICATION UNTIL RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE
SEAPOWER SUBCOMMITTEE

STATEMENT OF

THE HONORABLE JOHN J. YOUNG, JR.
ASSISTANT SECRETARY OF THE NAVY
(RESEARCH, DEVELOPMENT AND ACQUISITION)

AND

VADM JOHN B. NATHMAN
DEPUTY CHIEF OF NAVAL OPERATIONS
WARFARE REQUIREMENTS AND PROGRAMS

AND

VADM JAMES C. DAWSON
DEPUTY CHIEF OF NAVAL OPERATIONS
RESOURCES, REQUIREMENTS AND ASSESSMENTS

AND

LTGEN EDWARD HANLON JR.
DEPUTY COMMANDANT FOR COMBAT DEVELOPMENT

AND

LTGEN ROBERT MAGNUS
DEPUTY COMMANDANT FOR PROGRAMS AND RESOURCES

BEFORE THE

SEAPOWER SUBCOMMITTEE

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

FUTURE NAVY & MARINE CORPS CAPABILITIES AND REQUIREMENTS

MARCH 3, 2004

NOT FOR PUBLICATION UNTIL RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE
SEAPOWER SUBCOMMITTEE

Mr. Chairman, distinguished members of the Subcommittee, thank you for this opportunity to appear before you to discuss the Department of the Navy's Fiscal Year (FY) 2005 Shipbuilding programs.

Your Navy and Marine Corps Team's outstanding performance in the Global War on Terrorism (GWOT) and Operations ENDURING FREEDOM (OEF) and IRAQI FREEDOM (OIF) last year underscored the high return on your investment in our combat readiness, our people, and our unique maritime warfighting capabilities. Your return on investment included the lift for 94 percent of the nation's joint warfighting capability. It demonstrated the latest technology in surveillance, command and control and persistent attack operating from sovereign US territory and exploiting the vast maneuver space provided by the sea.

The GWOT, OEF and OIF demonstrated the enormous contributions Naval forces make to the effectiveness of joint and coalition forces. Analyses of these conflicts indicate that the war fighting concepts, capabilities development process, and advanced technologies we are pursuing in our Naval Power 21 vision are on the right vector. Experimentation with forward deployed Expeditionary Strike Groups has increased credible global combat capability with which to fight the war on terror and project power. We have leveraged OIF experience to implement the Fleet Response Plan – increasing the number of Carrier Strike Groups deployed or readily deployable. The Navy and Marine Corps Team now faces a rare inflection point in history with technological infusions and several new ship classes coming on line within the next few years. This year, we will pursue distributed and joint networked solutions that could revolutionize our capability. With the FY 2005 Budget request we intend to:

- **Shape the 21st Century workforce** and deepen the growth and development of our people, and
- **Accelerate our investment in Naval Power 21 to recapitalize and transform** our force and improve its ability to operate as an effective component of our joint war fighting team.

Developing Joint Seabasing Capabilities

As a means of accelerating our investment in Naval Power 21, we are employing the Naval Capability Development Process and Expeditionary Force Development System (EFDS). The Naval Capability Development Process and EFDS take a concepts-to-capabilities approach to direct investment to achieve future warfighting wholeness. The Naval Capability Development Process takes a sea-based, offensive approach that provides power projection and access with distributed and networked forces featuring unmanned and off board nodes with penetrating surveillance via pervasive sensing and displaying that rapidly deliver precision effects. The EFDS assesses, analyzes and integrates MAGTF warfighting concepts, and requirements in a Naval and joint context to support the overarching operational concept of Joint Seabasing. The FY 2005 Shipbuilding Budget request reflects the investments that will most improve our warfighting capability by investing in future sea-based and expeditionary capabilities for the Navy and Marine Corps.

SHIPBUILDING PROGRAMS

Our FY 2005 Budget request calls for construction of nine ships: three ARLEIGH BURKE (DDG 51) Class destroyers; one VIRGINIA (SSN 774) Class submarine; one SAN ANTONIO (LPD 17) Class Amphibious Transport Dock ship; two LEWIS & CLARK (T-AKE) Class Auxiliary Cargo & Ammunition ships; one DD(X); and one Littoral Combat Ship (LCS). If approved, this would increase to 38 the total number of ships authorized and under construction. The FY 2005 Budget request represents an increase of two ships over the seven ships in the FY 2004 program. In addition, we have requested funding for advance procurement of the eighth and ninth VIRGINIA Class submarines, Economic Order Quantity (EOQ) material procurement for the eighth, ninth, and tenth VIRGINIA Class submarines, advance procurement for CVN 21 construction and CVN 70 refueling complex overhaul (RCOH), continued funding for SSGN Engineered Refueling Overhaul (ERO) and conversion, continued funding for LHD 8, funding for TICONDEROGA Class cruiser modernization, and the service life extension for five Landing Craft Air Cushion (LCAC) craft.

These shipbuilding programs are the leading edge of our Naval transformation to the Seabasing concept, which is modularly constructed on four capability pillars. Those pillars are SEA SHIELD, SEA BASE, SEA STRIKE and ForceNet. SEA SHIELD is made up of those components that provide protection and assured access to our forces. SEA BASE is the pillar of capabilities that allows naval forces to exploit the maneuver space provided by U.S. control of the sea. SEA STRIKE includes all of the capabilities within the force that provide offensive fires and maneuver in a complementary synergistic fashion. This includes strike aircraft, missiles, surface fires, and expeditionary maneuver elements. ForceNet is the network that ties these disbursed platforms together through C4ISR nodes to provide robust battle space awareness, precise targeting, rapid and precise fires and maneuver and responsive logistics. We have grouped our shipbuilding programs into each of the four seabasing pillars based on their primary weapon systems however each platform has the ability to perform functions of other pillars as well.

SEA SHIELD

ARLEIGH BURKE (DDG 51) Class Destroyer

The FY 2005 Budget request includes \$3.445 billion for the procurement of the final three ARLEIGH BURKE (DDG 51) Class destroyers. These ships are part of a 10 ship, FY 2002 through FY 2005 Multi Year Procurement (MYP) contract awarded in 2002, which finalized the DDG procurement profile and sustains our industry partners until we transition to DD(X) production.

TICONDEROGA (CG 47) Cruiser Modernization Plan

The FY 2005 Budget request includes \$166 million for systems that will add new mission capabilities and extend the combat system service life of the TICONDEROGA (CG 47) Class. The upgrade of these ships will add new, and enhance existing, combat system capabilities to improve compatibility in joint and coalition warfare environments. Furthermore, these improvements will upgrade the quality of life for our Sailors and lower the operating costs for those ships.

Littoral Combat Ship (LCS)

The LCS will be a networked, agile, mission focused, stealthy surface combatant with capabilities optimized for responsiveness to threats in the littorals. LCS will utilize core onboard sensors and weapons combined with reconfigurable mission packages employing manned and unmanned vehicles and modular sensors and weapons to execute assigned tasks and operate as a node in a network centric battle force. Primary missions for the ship will include littoral Mine Warfare, littoral Surface Warfare and littoral Anti Submarine Warfare to ensure access of friendly forces in littoral regions. The LCS program awarded contracts to three industry teams in July 2003. The FY 2005 Budget request includes \$352 million of RDT&E funding for LCS platform and mission system development and initial ship procurement. The LCS spiral development acquisition strategy will support construction of multiple flights of focused mission ships and mission packages with progressive capability improvements. Flight 0 is comprised of four ships, with the first ship requested for authorization in FY 2005 using RDT&E, N funds with detail design and construction commencing in FY 2005. Mission modules will deliver in support of the Flight 0 seaframe delivery in FY 2007. Flight 0 will develop and demonstrate several new approaches to Naval warfare including suitability of large-scale modular mission technologies and new operational concepts in the littoral. The industry teams submitted their proposals for final system design and detail design and construction phase in January 2004. The down select to one or two teams for final system design and detail design and construction of Flight 0 is anticipated in late Spring 2004.

VIRGINIA (SSN 774) Class Attack Submarines

With current construction progressing on schedule, the FY 2005 Budget request includes \$2.5 billion for the seventh ship, advance procurement for the eight and ninth ships of the VIRGINIA Class, and Economic Order Quantity (EOQ) material procurement for the eighth, ninth, and tenth VIRGINIA Class submarines. There are a total of ten VIRGINIA Class submarines under contract. This year's ship will be the second ship in the five-ship MYP. This MYP contracting approach provides the Navy savings of \$80M per ship for a total savings of \$400M compared to "block buy" procurement. These ships will continue to be built under the teaming approach adopted by Congress in 1998, which maintains two capable nuclear submarine shipbuilders. In accordance with FY 2004 Congressional direction, procurement of two VIRGINIA Class submarines per year is delayed until FY 2009.

SEA STRIKE

DD(X) Destroyer

The FY 2005 Budget request includes \$1,432 million in RDT&E funds for DD(X) with \$221 million for lead ship detail design and construction. The Navy is two years into the competitively awarded DD(X) design and technology development effort. The winning contractor has organized a National Team of industry experts to achieve the most innovative and cost-effective solutions for development of the DD(X) through spiral development of technologies and engineering, with promising systems being employed on existing platforms and other future ship classes. DD(X) will dramatically improve naval surface fire support capabilities. Planned technologies, such as integrated power system and total ship computing environment in an open architecture, will provide more affordable future ship classes in terms of both construction and

operation. In a noteworthy partnership with industry, the Navy shifted the DD(X) volume search radar to S-band, providing increased capability and the future potential to support missile defense operations.

SSGN

The FY 2005 Budget requests \$517 million of procurement funding for the continued conversion of the third OHIO Class submarine, and the Engineered Refueling Overhaul of the fourth and final submarine to be converted to SSGN. When completed, these submarines will provide transformational warfighting capability carrying up to 154 Tomahawk cruise missiles and support deployed special operating forces. The four SSGN conversions will be executed utilizing a public-private partnership conducting the work in Naval Shipyards, and are scheduled for delivery in FY 2007.

SEA BASE

CVN 21 Class

The CVN 21 program is designing the aircraft carrier for the 21st Century, as the replacement for the NIMITZ Class nuclear aircraft carriers. CVN 21 will be the centerpiece of tomorrow's Carrier Strike Groups and a contribution to every capability pillar envisioned in Sea Power 21. CVN 21 will be a primary force in Sea Strike with enhancements such as a future air wing which will include the Joint Strike Fighter and Joint Unmanned Combat Air Systems. CVN 21's transformational command centers will combine the power of FORCENet and a flexible open system architecture to support multiple simultaneous missions, including integrated strike planning, joint/coalition operations and Special Warfare missions. The CVN 21 based strike group will play a major role in Sea Shield protecting United States interests, while deterring enemies and reassuring allies. CVN 21 will provide the United States the capability to quickly project combat power anywhere in the world, independent of land based support.

Overall, CVN 21 will increase sortie generation rate by nearly 20 percent, increase survivability to better handle future threats and have depot maintenance requirements that could support an increase of up to 25 percent in operational availability. The new design nuclear propulsion plant and improved electric plant together provide three times the electrical generation capacity of a NIMITZ Class carrier. This capacity allows 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 island arrangement allowing for future technology insertion. The FY 2005 Budget request includes \$626 million for continued development of CVN 21. The Construction Preparation Contract, planned for 3rd quarter FY 2004, will be for design, advance planning, advance construction, non-nuclear advance procurement, and continuation of research studies to further reduce CVN 21 manpower requirements and total ownership costs. The construction contract is scheduled for award in 1st quarter FY 2007, with ship delivery in 2014. The program is currently working toward a Milestone B review in 3rd quarter FY 2004.

NIMITZ Class

Refueling and Complex Overhauls (RCOH) provide a bridge between maintaining current readiness requirements and preparing the platform for future readiness initiatives in support of Sea Power 21 by leveraging developing technologies from other programs and platforms that support RCOH planning and production schedules for advantageous insertion during this major recapitalization effort.

The Navy negotiated a modification to the RCOH contract for USS DWIGHT D. EISENHOWER (CVN 69) in December 2003. The renegotiated contract provides incentives for Northrop Grumman Newport News (NGNN) and the Navy team to work together to manage the completion of this complex availability. The Navy and NGNN created a better incentive contract structure to contain cost risk and maintain schedule. It is expected that this improved acquisition model will be used in future contracts for aircraft carrier construction and overhaul. USS DWIGHT D. EISENHOWER overhaul is scheduled to complete by November 2004.

The USS CARL VINSON (CVN 70) RCOH start was delayed one year to November 2005. USS CARL VINSON will remain available for operations until Summer 2005. This added availability enables the Navy to maintain a flexible defense posture and at the same time bring increased capability to project credible, persistent Naval combat power globally. Other advantages for the move included maintaining a balanced and stabilized industrial base for Navy ship maintenance in both public and private yards and providing additional near-term funding for ongoing recapitalization efforts. The FY 2005 Budget request includes \$333 million in advance procurement funding for the USS CARL VINSON overhaul.

Lastly, the Navy commissioned USS RONALD REAGAN (CVN 76) in July 2003, and laid the keel for GEORGE H. W. BUSH (CVN 77) in September 2003.

MPF(F)

Most prominent in highlighting the value and power of the nation's naval expeditionary capability was the Marine Corps' participation in Operation IRAQI FREEDOM. Success in this operation was due to our naval dominance, our expeditionary nature, and our flexibility and adaptability to defeat the challenges posed by enemy threats. Among other naval assets, eleven strategically located Maritime Prepositioning Force (MPF) ships were unloaded in 16 days to provide the equipment and sustainment required for two Marine Expeditionary Brigades. Exploiting the operational speed, reach, and inherent flexibility of seapower, the Navy-Marine Corps team achieved a rapid buildup of sustained warfighting power that was combat ready to support US Central Command.

We continue to revolutionize this invaluable capability. We are currently in the process of analyzing potential platform replacements. The Analysis of Alternatives for MPF(F) is complete. Current guidance requires MPF(F) to provide the combatant commander highly flexible operational and logistics support for missions projecting power ashore from a sea base, or during independent operations. Unlike current pre-positioning ships, MPF(F) will greatly improve our forces' flexibility by allowing operations that are fully interoperable with Naval and joint forces. MPF(F) represents the link between forward deployed forces and their reach-back bases both in CONUS and overseas, and will be a crucial element to Enhanced Networked Seabasing both for

Naval and joint forces. Unlike any other prepositioning ship, the MPF(F) will not be reliant on a port facility, greatly reducing our dependence on international support. The ability to rapidly close and employ a large force dramatically increase the flexibility and utility of the seabased force and present the Combatant Commander with more response options than ever before. A formal report of the results is expected in Spring 2004.

Landing Craft Air Cushion (LCAC)

Our fleet LCACs saw dramatically increased operational tempo supporting worldwide operations during the past year, underscoring the need for the LCAC Service Life Extension Program (SLEP). The program, designed to extend the service life of LCACs to 30 years, had several notable accomplishments during the past year: LCAC 25 delivered on time in November 2003, and LCAC 2 delivered on time in February 2004. We awarded a contract to Textron Marine and Land Systems New Orleans for the FY 2002 and 2003 SLEPs (six craft total) in December 2002 and all craft are currently on schedule. The award of the FY 2004 contract for four craft is anticipated in the second quarter of FY 2004. The FY 2005 Budget request includes \$90 million for SLEP of five craft. We are continuing with our revised acquisition strategy to refurbish vice replace the buoyancy boxes and will competitively select the FY 2005 SLEP work. The revised acquisition strategy will deliver the required LCAC capability and service life while providing a cost savings of \$104 million through the FYDP for the program.

LPD 17

The SAN ANTONIO (LPD 17) Class of amphibious transport dock ships represents a critical element of the Navy and Marine Corps future in expeditionary warfare. The FY 2005 Budget request includes \$966 million to fully fund the construction of the seventh ship. Four additional LPD 17s are included in the Future Years Defense Program (FYDP), with the final ship of the 12-ship Class planned beyond the FYDP. The FY 2005 Budget request reflects rephasing of one ship from FY 2006 to FY 2005 that will result in a more efficient workload profile as well as a total FYDP savings of approximately \$40M. Lead ship detail design is complete, lead ship fabrication is approximately 85% complete, and the lead ship was launched and christened in July 2003. Current efforts are focused on managing schedule and cost. LPD 18 construction began in February 2002. LPD 19/20 construction commenced in July 2001 and October 2002, respectively. We awarded the contract for LPD 21 in November 2003, named NEW YORK to honor the victims of the World Trade Center attack, and plan to award the contract for LPD 22 in 3Q FY 2004.

LHD 8

In accordance with Congressional direction to incrementally fund LHD 8, the FY 2005 Budget requests \$236M for continued construction. LHD 8 will be the first big deck amphibious ship that will be powered by gas turbine propulsion, and all of its auxiliary systems will rely on electrical power rather than steam. This change is expected to realize significant lifecycle cost savings. The ship, recently named MAKIN ISLAND, had its keel laying ceremony on February 14, 2004.

LHA(R)

The FY 2005 Budget requests \$44.2 million in R&D for LHA(R). LHA(R) concept designs are being evaluated within the context of Joint Seabasing and power projection. This ship will be the centerpiece of the Expeditionary Strike Group, a contributor to the Expeditionary Strike Force, and will carry expeditionary warfare through the middle of this century. The ship will leverage the future Sea Based environment and greatly enhance command and control capabilities and at sea training for embarked forces. The resulting design is planned to provide a transformational capability that is interoperable with future amphibious and Maritime Prepositioning Force ships, high-speed vessels, and advanced rotorcraft like the MV-22 and CH-53X, and the Joint Strike Fighter. This funding supports design development leading to a planned ship construction award in FY 2008.

Auxiliary Dry Cargo Ammunition Ship (T-AKE)

The FY 2005 Budget request includes \$768 million for the seventh and eighth ships. The first four ships have been authorized and appropriated and are under contract with NASSCO for construction. Exercise of the option for the fifth and sixth ships occurred in January 2004. Lead ship construction commenced in September 2003, with a projected delivery date of October 2005. The second ship is projected to deliver in FY 2006, while the third and fourth ship deliveries are projected for FY 2007.

Cobra Judy

The Navy successfully contracted with industry to develop and build a replacement for the aging Cobra Judy surveillance platform. Working in partnership with industry and leveraging Missile Defense Agency investments in radar technology, the Navy developed an innovative strategy which accelerated the acquisition of this essential capability while also creating the possibility to leverage the Cobra Judy program to create a competition for the radar for the Navy's future cruiser, CG(X).

COMPLETION OF PRIOR YEAR SHIPBUILDING CONTRACTS

I am pleased to report that the Navy experienced zero growth on ship construction contracts over the last year. The management actions instituted to address shipbuilding contract shortfalls have been effective. Elimination of the prior year shipbuilding budget line is within our grasp. We are continuously working to review the scope and cost of ships under construction to avoid new bills. We are also working diligently to set valid cost targets for new ships and combining this with contract terms and conditions that reward good performance. The Congress provided \$636 million in FY 2004 to address cost growth for ships contracted in 1999 and 2000. The FY 2005 Budget request reflects \$484 million to address similar shortfalls, resulting in a Prior Year Cost to Complete remaining balance of \$46 million dollars. However, we are still reviewing the projected completion cost for CVN-77, a ship that was budgeted and contracted for under previous procedures. To avoid future prior year completion bills, it is essential that ships be budgeted at targets which reflect the material and labor cost escalation experienced by U.S. industry.

SUMMARY

Our Naval forces are unique in their contribution to the Nation's defense. Versatile Naval expeditionary forces are the nation's first responders, relied upon to establish the tempo of action, control the early phases of hostilities, and set conditions for decisive resolution. America's ability to protect its homeland, assure our friends and allies, deter potential adversaries, and project decisive combat power depends on maritime superiority. The transformation of Naval forces is dedicated to greatly expanding the sovereign options available worldwide to the President across the full spectrum of warfare by exploiting one of our Nation's asymmetric advantages – control of the sea. The transformation of our Naval forces leverages enduring capabilities for projecting sustainable, immediately employable joint combat power by facilitating the accelerated deployment and flexible employment of additional joint capabilities through a family of systems and assets afloat. Our FY 2005 Shipbuilding Budget request seeks to accelerate our investment in Naval Power 21 to transform our force and its ability to operate as an effective component of the joint war fighting team. Congressional support of this shipbuilding plan is essential to achieving this vision – I thank you for your consideration.