

Stenographic Transcript
Before the
Subcommittee on Seapower

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

NAVY SHIPBUILDING PROGRAMS

Tuesday, April 17, 2018

Washington, D.C.

ALDERSON COURT REPORTING
1155 CONNECTICUT AVENUE, N.W.
SUITE 200
WASHINGTON, D.C. 20036
(202) 289-2260
www.aldersonreporting.com

1 NAVY SHIPBUILDING PROGRAMS

2
3 Tuesday, April 17, 2018

4
5 U.S. Senate
6 Subcommittee on Seapower
7 Committee on Armed Services
8 Washington, D.C.
9

10 The subcommittee met, pursuant to notice, at 2:32 p.m.
11 in Room SR-232A, Russell Senate Office Building, Hon. Roger
12 F. Wicker, chairman of the subcommittee, presiding.

13 Present: Senators Wicker [presiding], Cotton, Scott,
14 Hirono, Shaheen, Kaine, and King.
15
16
17
18
19
20
21
22
23
24
25

1 OPENING STATEMENT OF HON. ROGER F. WICKER, U.S.
2 SENATOR FROM MISSISSIPPI

3 Senator Wicker: Good afternoon. The Senate Armed
4 Services Subcommittee on Seapower convenes this afternoon to
5 examine Navy shipbuilding programs.

6 We welcome our three distinguished witnesses: the
7 Honorable James F. Geurts, Assistant Secretary of the Navy
8 for Research, Development, and Acquisition; Vice Admiral
9 William R. Merz, Deputy Chief of Naval Operations for
10 Warfare Systems; and Lieutenant General Robert S. Walsh,
11 Deputy Commandant of the Marine Corps for Combat Development
12 and Integration.

13 Gentlemen, thank you very much for being here. This is
14 the first appearance of Secretary Geurts and Admiral Merz
15 before this subcommittee, so let me extend a special welcome
16 and thanks for your decades of service to our Nation to all
17 three of you.

18 The Navy's fiscal year 2019 budget request includes 10
19 new construction ships, which is one more than the number
20 requested last year. The 2019 request also details plans to
21 build 11 additional ships over the next 5 years, as compared
22 to last year's request. The Navy battle fleet currently
23 stands at 282 ships.

24 In 2016, the Navy increased its minimum requirement to
25 355 ships. This subcommittee took that requirement

1 seriously. In fact, every member of this subcommittee
2 cosponsored legislation that I introduced last year, the
3 SHIPS Act, to make achieving 355 ships the official policy
4 of the United States. The SHIPS Act was included in the
5 fiscal year 2018 National Defense Authorization Act.

6 I want to give due credit to our colleagues at the
7 other end of Capitol Hill. Members of the House
8 subcommittee and committee were also entirely supportive.

9 This act was signed into law by President Donald Trump
10 in December.

11 A 355-ship fleet is not just a requirement. It is the
12 law. We take it seriously, and we believe the Navy should
13 take it seriously also.

14 The Navy's long-awaited 30-year shipbuilding plan
15 accompanied the fiscal year 2019 budget request. In its
16 current form, the shipbuilding plan does not reach the 355-
17 ship requirement in the next 30 years. In 2048, the last
18 year of the plan, the fleet would have just 335 ships. This
19 is unacceptable.

20 My phone is talking to me, so I am trying to turn it
21 off.

22 This is unacceptable. In this light, though, we have
23 good news. I am pleased that the Navy announced plans last
24 week to extend the service lives of the entire class of
25 Arleigh Burke class destroyers.

1 I understand that this move will accelerate the time to
2 reach 355 ships from the 2050s to the mid-2030s. This is
3 good news, and we look forward to seeing destroyer life
4 extensions included in future budgets and shipbuilding
5 plans.

6 The current shipbuilding plan, as I said, increases the
7 fleet size to 326. After the first 5 years, however,
8 according to the plan, we see a dip in fleet size, where it
9 declines before modestly increasing in the 2030s and 2040s.
10 As mentioned, the Navy's recently announced plan to extend
11 the Burke class destroyers should reduce or hopefully
12 eliminate the dip and keep the fleet on an upward
13 trajectory.

14 More can be done, and this subcommittee wants to be a
15 partner with you, gentlemen, to move this as quickly as
16 possible.

17 The shipbuilding plan contains three assumptions that
18 are central to the speed at which the Navy can reach 355
19 ships. Let's explore each of these assumptions.

20 Assumption A, limited ship service life extensions
21 planned after the first 5 years. Beyond the five Los
22 Angeles class submarines and the Burke class, the Navy
23 should identify future candidates for service life
24 extensions. Amphibious ships and Nimitz class aircraft
25 carriers should be reviewed in detail.

1 Assumption B, overall shipbuilding funding levels will
2 decline significantly after 2035. The plan includes a sharp
3 drop in projected shipbuilding funding from roughly \$24
4 billion in 2035 to \$16 billion in 2036, and it remains below
5 \$20 billion per year until the mid-2040s. The drop in
6 funding is related to the end of the Columbia class
7 procurement. However, the plan provides no justification
8 for why the shipbuilding account should decline so
9 significantly and never recover. How much faster could the
10 Navy achieve the 355-ship requirement for our Nation's
11 security if shipbuilding funding remained at roughly \$24
12 billion per year?

13 Assumption C, unspecified supplemental funding for
14 Columbia class submarines. The shipbuilding plan discusses
15 the general need for supplemental funding related to the
16 Columbia class but does not provide specific dollar amounts.
17 In 2013, the Navy told Congress it needed about \$4 billion
18 per year in supplemental funding over 15 years, totaling \$60
19 billion for Columbia. Absent supplemental funding, Navy
20 officials further stated that Columbia's pressure on the
21 shipbuilding account would cause the elimination of about 32
22 other ships from its 30-year shipbuilding plan. Congress
23 needs clear and specific estimates of the supplemental
24 funding needed to avoid drastic reductions to the rest of
25 the shipbuilding portfolio.

1 In addition to discussing A, B, and C of the
2 shipbuilding plan and the above assumptions, the
3 subcommittee would like to hear our witnesses' views on four
4 other key issues.

5 First, industrial base vitality. Reaching the Navy's
6 355-ship objective is not possible without the unique
7 skills, capabilities, and capacities inherent to our new
8 construction shipyards, repair facilities, and dedicated
9 suppliers. The witnesses should describe the budget
10 request's effects on the shipbuilding industrial base.

11 In this regard, I was pleased to see the Navy recently
12 released a request for proposal that would enable a block
13 buy or combined procurement of two aircraft carriers.

14 Second, best use of taxpayer resources. This
15 subcommittee will continue to conduct oversight of
16 shipbuilding programs to ensure the Navy is making the best
17 use of taxpayer dollars. Congress expects Navy shipbuilding
18 programs to deliver promised capability on time and on
19 budget. Schedule delays and cost growth put additional
20 strain on the legacy platforms that these new ships will
21 replace.

22 Third, building the future force. This subcommittee
23 also has a duty to shape the future of our Navy. Notably,
24 each of our surface combatant ships, cruisers, destroyers,
25 and littoral combat ships will begin retiring within the

1 next 20 years. Now is the time to determine the
2 requirements for our future surface combatants and their
3 associated munitions.

4 Fourth, amphibious ships. I am interested in the ways
5 we can address the demand from our combatant commanders for
6 amphibious ships. The combatant commanders need more than
7 50 amphibious ships on a day-to-day operational basis, but
8 the current inventory includes only 32 amphibious ships.
9 The witnesses should discuss the Navy's ability to
10 efficiently procure the next amphibious assault ship now
11 called a Flight II LPD. Given the Flight II LPD is a close
12 derivative of the Flight I LPD, I would like to know if the
13 Navy believes Flight II LPDs are ready for so-called block
14 buys or multiyear procurement.

15 We are also interested in options to accelerate the
16 next big deck amphibious ship, LHA-9.

17 So there is a myriad of things to discuss.

18 There is no time to waste. As the new National Defense
19 Strategy states, we are engaged in a great power
20 competition. This is serious business for the security of
21 our Nation and its citizens. If we do not take action, the
22 consequences will be dire. Our maritime warfighting edge is
23 eroding. If we fail, I fear General Dunford's assessment
24 will come to pass that, "Within 5 years, we will lose our
25 ability to project power, the basis for how we defend the

1 homeland, advance U.S. interests, and meet our alliance
2 commitments."

3 So thank you, gentlemen, for being here. I now turn to
4 my good friend and ranking member, Senator Hirono.

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATEMENT OF HON. MAZIE K. HIRONO, U.S. SENATOR FROM
2 HAWAII

3 Senator Hirono: Thank you, Mr. Chairman. You have
4 certainly kept a laser-beam focus on getting to a 355-ship
5 Navy.

6 He is very persuasive. That is how he got all of us to
7 sign on to the bill, which became law.

8 So I certainly join you, Mr. Chairman, in welcoming all
9 of our witnesses. We are grateful to each of you for your
10 service to our country. We are also grateful for your
11 families, because when you serve, your families also serve.

12 Our witnesses face significant challenges as you strive
13 to balance the need to support ongoing operations and
14 sustained readiness with the need to modernize and maintain
15 technological advantages that are critical to military
16 successes, especially as we know what the Chinese and
17 Russians are doing, particularly the Chinese, to modernize
18 their military.

19 These threats require us to consider how we can ensure
20 that the Navy and Marine Corps have the resources they need.
21 However, any increase in resources cannot come at the
22 expense of important domestic programs that families,
23 including our military families, rely on every day.

24 Navy shipbuilding programs play a critical role in
25 supporting and advancing our country's strategic interests

1 in the Indo-Asia-Pacific region, including, of course, from
2 bases in Hawaii. From where I sit, I think that America is
3 basically a naval power, and we understand that very well at
4 Pacific Command.

5 With that in mind, this subcommittee has focused on
6 improving acquisition stewardship and ensuring that we are
7 getting good value for every shipbuilding dollar that we
8 spend. Last year, we were pleased with the Chief of Naval
9 Operations' new force structure assessment, which
10 recommended that we move toward a 355-ship Navy.

11 While the new 30-year shipbuilding plan that the Navy
12 submitted with the fiscal year 2019 budget request would
13 lead to increasing the size of the fleet, it would not meet
14 that 355-ship goal, as noted by the chairman. This 30-year
15 plan would meet the attack submarine force goal of 66 boats
16 in 2048. However, in the same year, we would have a force
17 of nine aircraft carriers compared to the goal of 12
18 carriers, and 92 large surface combatants versus the goal of
19 104. We need to understand the steps that the Navy will be
20 taking to address these shortfalls.

21 A significant factor that bears on our discussions this
22 year is that Secretary Mattis has published a new defense
23 strategy that is intended to guide force structure
24 development and modernization programs to increase
25 capability. It is reasonable to speculate that the

1 implications of this new defense strategy of the Department
2 of the Navy could yield increased demand for naval forces
3 and complicate the Navy's plans to achieve its force
4 structure goal.

5 Whatever the case, I am very encouraged that the Navy
6 is focusing on a vital component of maintaining a ready and
7 capable fleet, and that would be the Navy shipyards.

8 The Navy is planning to establish a program of record
9 for modernizing the shipyards; will name a full-fledged
10 program manager to oversee the program; and, later this
11 year, will publish a master plan to guide this
12 modernization. For too long, the Navy has been ignoring the
13 vital contribution of the public shipyards and its highly
14 trained work force in places such as, of course, Pearl
15 Harbor Naval Shipyard.

16 I look forward to working with the Navy to ensure that
17 the shipyard modernization program stays on track and to
18 hearing your testimony this afternoon.

19 Thank you, Mr. Chairman.

20 Senator Wicker: Thank you very much, Senator Hirono.

21 Now I am told that, Secretary Geurts, you will make a
22 verbal statement, and that will stand for all three of our
23 witnesses. Is that correct?

24 Mr. Geurts: Yes, sir.

25 Senator Wicker: You are now recognized.

1 STATEMENT OF HON. JAMES F. GEURTS, ASSISTANT SECRETARY
2 OF THE NAVY FOR RESEARCH, DEVELOPMENT, AND ACQUISITION;
3 ACCOMPANIED BY VICE ADMIRAL WILLIAM R. MERZ, USN, DEPUTY
4 CHIEF OF NAVAL OPERATIONS FOR WARFARE SYSTEMS (OPNAV N9);
5 LIEUTENANT GENERAL ROBERT S. WALSH, USMC, DEPUTY COMMANDANT
6 FOR COMBAT DEVELOPMENT AND INTEGRATION, COMMANDING GENERAL,
7 MARINE CORPS COMBAT DEVELOPMENT COMMAND, AND COMMANDER,
8 UNITED STATES MARINE FORCES STRATEGIC COMMAND

9 Mr. Geurts: Thank you, sir. Chairman Wicker, Ranking
10 Member Hirono, distinguished members of the subcommittee,
11 thanks for the opportunity to appear before you today to
12 address the Department of the Navy's shipbuilding plans.

13 I am joined today by Vice Admiral Bill Merz, Deputy
14 Chief of Naval Operations for Warfare Systems, and
15 Lieutenant General Bob Walsh, Deputy Commandant for Combat
16 Development and Integration.

17 With your permission, I intend to provide brief opening
18 remarks for the three of us and submit our formal statement
19 for the record.

20 Senator Wicker: Without objection.

21 Mr. Geurts: As detailed in the 2018 National Security
22 Strategy and the 2018 National Defense Strategy, it is
23 imperative that we continuously adapt to the emerging
24 security environment in order to retain and expand our
25 competitive advantage, and to do so with a sense of urgency.

1 This requires the right balance of naval readiness,
2 capability, and capacity, as well as budget stability and
3 predictability. It requires a Navy of at least 355 ships.

4 The fiscal year 2018 Bipartisan Budget Act and the
5 fiscal year 2019 President's budget chart a course to begin
6 building this larger, more capable battle force the Navy and
7 the Nation need.

8 Strong congressional support in the 2018 Bipartisan
9 Budget Act funded 14 ships in fiscal year 2018, an increase
10 of five ships, including the lead Flight II LPD-17 class
11 amphibious ship. It also includes strong support for the
12 critical industrial base, a key element to our national
13 security.

14 Thank you for that unwavering support.

15 The 2019 budget further builds this larger and more
16 capable force and reflects the continued commitment to
17 produce a 355-ship Navy. When compared with the 2018
18 President's budget, the 2019 request adds 11 more battle
19 force ships over the FYDP for a total of 54 ships, with
20 three additional ships in 2019, as well as advanced
21 procurement for the Columbia SSBN.

22 As stated up front in the shipbuilding plan, the Navy
23 continues to aggressively pursue options to accelerate the
24 achievement of the 355-ship Navy. Executing ship
25 construction profiles in the FYDP coupled with extending the

1 service life of the DDG-51 class and targeted service
2 extensions of up to five SSNs provides an achievable
3 strategy to reaching our goal of 355 ships on the 2030s.

4 As this service life analysis work continues across all
5 classes of ships, you will see adjustments to our timelines
6 in subsequent shipbuilding plans. As we accelerate growing
7 our Navy to meet the 355-ship requirement, we will also be
8 working to ensure we deliver the best mix of our overall
9 naval capabilities to meet the National Defense Strategy,
10 including additional focus on the logistics fleet and
11 hospital ships.

12 We look forward to continuing to work closely with this
13 subcommittee on the options and opportunities to achieve the
14 Navy the Nation needs urgently and affordably. We thank you
15 for the strong support this subcommittee has provided to the
16 Department of the Navy and the opportunity to appear before
17 you today to discuss this important topic. We look forward
18 to answering your questions.

19 [The prepared statement of Mr. Geurts follows:]

20

21

22

23

24

25

1 Senator Wicker: Thank you very, very much, Secretary
2 Geurts. I will direct this question to you and Admiral
3 Merz.

4 Of course, you heard my opening statement expressing
5 concern about the shipbuilding plan, but very, very positive
6 about the recent announcement on the Burke class destroyers.
7 I believe we can go faster.

8 Can you address each of the points that I raised in my
9 opening statement? I noticed you nodding your head a lot.
10 So I will let you do that on the record. And how might
11 changing these assumptions get us to a 355-ship Navy faster,
12 specifically completing other ship service life extensions
13 for years 6 through 30 of the plan, maintaining overall
14 shipbuilding funding levels with inflation adjustments
15 through the year 2048, and being specific about supplemental
16 shipbuilding funding needed in fiscal years 2021 through
17 2035?

18 Mr. Geurts: Yes, sir. I will start out, and then I
19 will ask Admiral Merz to jump in with me.

20 So again, in the shipbuilding plan upfront, when we
21 built the first plan, we had some analysis complete and we
22 had a lot of analysis ongoing, in terms of service life
23 extensions and class extensions. In most interest to us, we
24 are extending the class of the ship, because that not only
25 benefits the ships you have but also the ships you build

1 will then be able to extend out.

2 So the DDG-51 was our first priority, and that is where
3 we spent the most effort and just kind of worked through
4 that analysis. As you heard last week, that has a profound
5 impact on filling that hole we have in the mid-years of the
6 2030s timeframe.

7 Senator Wicker: Very positive developments.

8 Mr. Geurts: Yes, sir.

9 On the submarines, it is not quite as easy. We have
10 five reactor cores, so we think we can extend the service
11 life of up to five submarines. That will still cause a dip,
12 so we will have to continue to work the submarine force
13 specifically.

14 And then, as Admiral Merz will address for you, we need
15 to look at the mix of ships to make sure not only do we have
16 the ship count we need, but do we have the right mix. And
17 for that, I look to him to help guide us in terms of what is
18 the highest priority there as we go through.

19 To your point on Columbia, we are going to be
20 challenged in the year when we are producing the Columbia
21 submarine. That will be our number one priority, so without
22 supplemental funding, that will take a hit to our current
23 shipbuilding plan. So we look forward to working closely
24 with you on the specific numbers and how we might mitigate
25 some of those impacts.

1 But the shipbuilding account, as currently funded, will
2 not be able to maintain pace with also producing Columbia
3 simultaneously at the current funding level we have in the
4 shipbuilding accounts.

5 Senator Wicker: On that, let's keep our thinking caps
6 and look for innovative approaches.

7 Mr. Geurts: Yes, sir. Part of it is, where do we have
8 opportunities to drive costs down? You mentioned block buys
9 of the LPD-17 Flight II. We are looking at two carrier
10 buys. How do we reduce or get more for the dollars we have
11 in the shipbuilding account? Because there will be
12 tremendous pressure as we go into the future with Columbia
13 being produced along with us growing the 355-ship Navy.

14 Senator Wicker: Admiral, he has tossed it to you.

15 Admiral Merz: Yes, sir.

16 So the 355, first, just to set the bar on 355, it is a
17 derived number. We start with the old plans. We work it
18 all the way down to the specific types of ships, the
19 capabilities on those ships, and then, of course, the
20 numbers of ships for each class, add those all up, and that
21 is how we got 355. So a very deliberate process to get to
22 that number.

23 I tee it up with that as I talk a little bit about the
24 DDG-51. As Secretary Geurts mentioned, extending an entire
25 class is, by far, the most beneficial way to approach a life

1 extension, because that allows us to plan the maintenance,
2 the modernization, really handle it within stride of what we
3 are already doing with that class, as opposed to the
4 alternative to taking individual ships, reviewing it,
5 figuring out what maintenance has to be done, and then going
6 ahead and completing that. So a much more efficient, much
7 more affordable option is to extend the class.

8 This is not without precedent. We did it with the Ohio
9 class. There probably are not any other classes right now.
10 They are all to new. Virginia may be a candidate, depending
11 on her fuel usage over her life. Then, of course, the small
12 surface combatants are all relatively new. That may be
13 another candidate later on in the shipbuilding plan, as we
14 get more data back on how the ship is performing.

15 Arleigh Burkes, a very solid ship, we are a big fan of
16 that ship. We went after that. We did not think this would
17 be a big technological challenge, and we were able to
18 complete it.

19 That said, going back to my opening remarks on the
20 correct mix, we do hit 355 much sooner, and we laid that out
21 in the shipbuilding plan as a candidate option. We just had
22 not finished the analysis yet. But it does not give us the
23 correct mix.

24 Senator Wicker: You had to read the footnotes.

25 Admiral Merz: Yes, sir. So it does get us to the mid-

1 2030s at 355, but not the correct mix, although not a bad
2 mix. If you have to have extra ships, DDGs are good ones to
3 have more than you need while you fill in the rest of the
4 requirement underneath it.

5 You mentioned the dip beyond the FYDP. We are
6 scrubbing that hard. Where we sit today is we cannot build
7 ships and deliver them in time to fill in that dip.
8 However, extending the class of the DDG-51 is the only lever
9 we pull so far. We are still looking at candidate years for
10 a third SSN. And then all the other ship lines that we
11 identified excess capacity, working with Congress, we may be
12 able to continue to bolster those lines more rapidly. It
13 will help recover from the dip, but there will still be a
14 dip outside the FYDP, to a degree.

15 Just the DDG-51s have accelerated the nadir of that dip
16 by 2 years, so that is already a good-news story. Then we
17 will continue to look at individual ships that we may be
18 able to extend as we go forward.

19 SSNs are very difficult. We only have five cores, so
20 that is how we capture the life extensions of those. We do
21 not really hold a lot of hope for doing a class-wide
22 extensions on the 688s. They are already pretty old. But
23 we are going class-by-class, ship-by-ship, and every ship
24 does get evaluated for a life extension.

25 Senator Wicker: Thank you. Before I recognize Senator

1 Hirono, thanks for pointing out that the requirement is not
2 just something that was arrived at by the seat-of-the-pants.
3 This came in as requirements from all of the admirals and
4 generals who have responsibilities around the globe, what is
5 the requirement for getting their mission done. So I
6 appreciate you once again helping us to emphasize that.

7 Senator Hirono?

8 Senator Hirono: Thank you.

9 Admiral Merz, the CNO's unfunded priority list for
10 fiscal year 2019 includes a request for an additional \$176
11 million to accelerate shipyard investment. This could
12 include modernization, other elements. This would be in
13 addition to \$197 million in the Navy's budget request,
14 indicating that shipyard investment is a significant
15 priority, since the CNO's list does not ask for additional
16 funding for any shipbuilding programs.

17 How would the Navy use the additional funds to
18 modernize our public shipyards?

19 Admiral Merz: Yes, ma'am. I will give the OPNAV view,
20 and then I will pass it over to Secretary Geurts. That
21 really is more in his lane.

22 So NAVSEA has put out a pretty detailed plan on the
23 recovering of the maintenance capacity within the shipyards.
24 It is a \$21 billion plan over 20 years. It is very
25 detailed. It includes dry docks, recapitalization, and

1 refacilitizing of the yards.

2 Regarding the unfunded priority list, coming out of the
3 last 10 years of our readiness deficit, we have become very
4 committed to a balanced budget of readiness capability and
5 capacity. So we think we have put us on a trajectory to 355
6 ships, particularly with the life extensions of the DDGs.
7 There are still readiness challenges that we are trying to
8 recover from, and there is also the capability focus where
9 we can turn capability much quicker than we can turn the
10 size of the fleet.

11 So we are trying to balance investments in advanced
12 development, hypersonics, directed energy, the unmanned
13 vehicle systems, as we kludge all that together to make sure
14 we have a balanced, capable Navy as we grow.

15 With that, I will turn it over to Secretary Geurts.

16 Senator Hirono: Mr. Secretary?

17 Mr. Geurts: Yes, ma'am. That is to help us accelerate
18 this \$21 billion ship optimization plan. So as we grow the
19 fleet, we have to be very cognizant that we are growing the
20 maintenance capability of the fleet, because naval power is
21 a combination of the number of ships you have, how capable
22 the ships are, and how ready those ships are to fight.

23 So the shipbuilding plan also helps us look very
24 specifically at that public shipyard infrastructure, to make
25 sure that we have that ready to work off backlog that we

1 have had previously. We are in pretty good shape of working
2 off existing backlog. Now we have to be ready for the
3 growing fleet.

4 Senator Hirono: I completely agree. As we look at
5 modernizing our four public shipyards, and I have met with
6 many of our workers in our shipyards, they want to have the
7 modern tools. They want to have the capability to maintain
8 the ships we already have, not to mention the new ones that
9 are coming online.

10 So they very much care about their own productivity.
11 It is not just the training that we provide to these people
12 but the equipment that they use.

13 So how do you determine which shipyards would get what
14 kind of modernization dollars?

15 Mr. Geurts: Yes, ma'am. You are absolutely right. I
16 mean, when you walk the yard, they are a very proud work
17 force. They are proud of what they are doing. They are
18 proud of their contribution. We owe it to make sure they
19 are in world-class facilities with world-class tools and
20 equipment, and we are not at world-class across our public
21 yards right now.

22 So what we look at is we look at all four yards, and we
23 look at this 20-year plan. So it is not just a year-by-year
24 plan, but how do we optimize the flow? How do we look at
25 what equipment we need? Are there new machines? How is the

1 status of the machine? And then, how do we leverage the
2 digital age to really allow us to not only give them modern
3 equipment, give them modern tools that will, I think, allow
4 them to do more and more?

5 So we look at that across all four yards. We have a
6 ship optimization plan that balances that for each yard, and
7 then works the priority.

8 So it is not going to be one yard and then another
9 yard. It is going to be all four kind of in parallel.

10 Senator Hirono: Right. I was going to ask whether you
11 are going to make sure that there is a kind of fair
12 distribution of the modernization dollars across all four
13 shipyards, because while they support each other, there is a
14 bit of competition going on.

15 Mr. Geurts: Absolutely. We need them all to be
16 productive and ready to roll.

17 Senator Hirono: So they are not unfavorably compared
18 to each other.

19 In my opening statement, I referred to the Navy's new
20 plan for modernizing the public shipyards, of course, after
21 years of neglect. There have been military construction
22 projects and various upgrades over the years, but the Navy
23 has pursued these without a comprehensive plan. That is
24 what we are moving toward with what we are talking about
25 today, a comprehensive plan.

1 Will the Navy be releasing additional details regarding
2 the implementation of the shipyard optimization plan? If
3 so, when can we expect to see them?

4 Mr. Geurts: Yes, ma'am. We will continue to refine
5 that plan, so the first plan we give a report to Congress
6 kind of lays the overall strategy out. Now we have to get
7 to year-by-year, facility-by-facility planning, because the
8 challenge will be, we cannot stop doing all the work we are
9 doing now, so we will have to get very detailed in planning
10 how we build a new facility as we are executing the existing
11 work. You will see that continue to get refined over the
12 coming year.

13 Senator Hirono: So when will we get the next report on
14 your shipyard optimization plan?

15 Mr. Geurts: Ma'am, I do not know if there is a
16 requirement for an annual report, but I am happy to give you
17 updates on an annual basis or whenever you need, to show you
18 where we have gone.

19 So the first one was the plan. Now we should lay out
20 how we are executing the plan, and then what the plan is
21 going forward. So we are happy to give that to you.

22 And we will give you an annual update or more often, as
23 required.

24 Senator Hirono: Thank you.

25 Senator Wicker: Thank you very much, Senator Hirono.

1 Senator Scott?

2 Senator Scott: Thank you, Mr. Chairman.

3 Thank you all for being here. Thank you for your
4 service to the country as well.

5 When I first got on the Armed Services Committee about
6 a month or 2 ago, I sat down with Secretary Spencer. We had
7 an interesting conversation about my time in business, which
8 I suggested that certainty and predictability are always
9 necessary tools. For any business to do what they do really
10 well, they need a long-term plan. He suggested and then
11 reinforced it with actual proof that continuing resolutions
12 over the many years has cost the Navy at least,
13 quantifiably, \$9 billion.

14 Would you talk about the importance of meeting our 355
15 goal as it relates to having certainty and predictability
16 with a long-term view, from your perspective?

17 Mr. Geurts: Absolutely, Senator. It goes back
18 somewhat to the conversation we just had.

19 It is hard to do facility planning when you have a plan
20 and then you get to re-plan it five times during the year on
21 the acquisition side. It is very challenging. We negotiate
22 contracts, but then we cannot award them because we do not
23 have all the money, so then we have to negotiate bridge
24 contracts.

25 So it just adds delay and nonvalue-added work in here.

1 So the Bipartisan Budget Act is very useful, because
2 now we can build a shipbuilding plan at least for the next 2
3 years. Getting certainty years out will really help us,
4 then, avoid what has kind of been characterized as boom or
5 bust cycles we have had in shipbuilding, which is both hard
6 on the business side and very hard on the public shipyards
7 side.

8 Senator Wicker: And it has everything to do with
9 national security.

10 Mr. Geurts: Absolutely, sir.

11 Senator Scott: \$9 billion, depending on the mix of
12 ships, and he was talking about since 2011, I believe it
13 was, helps us get to that goal a lot faster. Chairman
14 Wicker suggested that you should be creative and do some
15 things that will help us get there faster.

16 I wanted to ask you this question. Based on your
17 previous job as acquisition executive for Special Operations
18 Command, I understand you oversaw innovative programs that
19 brought unique, frequently off-the-shelf material solutions
20 to our special operations forces in record time. As I
21 understood it, your team had permission to fail in their
22 search for a particular material solution, as long as it did
23 it quickly and did not fail at the same task twice. The
24 result has been a superbly quick force that America depends
25 on every single day.

1 I also understand you did this without any special
2 exemption from the Federal Acquisition Regulations, the
3 dreaded FAR. But it is safe to say that the scale and cost
4 of programs like the Ford class aircraft carrier do not lend
5 themselves to that fail quickly mentality.

6 So my question for you, since you are now overseeing
7 acquisition programs with timeliness measured in years,
8 sometimes even decades, what lessons from your previous
9 position at Special Operations Command are you able to
10 leverage with the Navy? And are you finding the Navy
11 receptive to that approach?

12 Mr. Geurts: Yes, sir. Absolutely. I think a couple
13 different things.

14 One is, speed of decision-making and unity of command.
15 So in that command, we were focused on outcomes and made
16 rapid decisions. The 355-ship plan is a great outcome
17 focus. We all have a target. We can all move toward that.
18 That is a key.

19 I think as I approach the Navy, I am looking to do what
20 I call maybe the four Ds. One is decentralize, so empower
21 folks to get the job done at the lowest capable level.
22 Differentiate, so have lots of different ways -- so how we
23 acquire an aircraft carrier may not be the same way we
24 acquire a piece of software or an algorithm or a quick off-
25 the-shelf piece of equipment. So we have to be able to do

1 all of those well. Digitize, so you are seeing the power of
2 the digital age across the entire fleet, from shipbuilding
3 to how we are doing our daily job. And then develop people,
4 so how do we attract, recruit, train, and retain?

5 All of that is within the authorities that Congress has
6 given us. So I am actually very positive the way that the
7 Navy and the Marine Corps are responding to that. Each have
8 their own strengths and challenges, but with a portfolio
9 approach, we can really, I think, get acceleration and
10 innovation at scale.

11 Senator Scott: When you think about the goal of
12 getting the 355 ships, you said by extending the Burke class
13 destroyers, you can get there by mid-2030s. When you look
14 at the current portfolio, where do you see the greatest
15 risks?

16 I know that one of the things I read was the importance
17 of, by 2030, in the 2020s, having attack submarines that
18 will be available for use in the Pacific theater. If you
19 look at your current mix and where you think we are heading,
20 where do you see the greatest vulnerability for that mix?

21 Mr. Geurts: Sir, I will give you kind of a quick
22 perspective, and then Admiral Merz from the OPNAV
23 operational perspective.

24 Where I see the risk is, if we do not figure out how to
25 rapidly modernize this fleet and be able to rapidly put in

1 new technology quickly into these 50-year ships, then we are
2 going to be challenged, because then you are forced to try
3 to pick now what is going to last forever.

4 Where I think the Navy is doing an extraordinary job is
5 on submarines. We can roll in new technology consistently
6 into the submarines even though the design is pretty stable.
7 You are starting to see that in our surface fleet now where
8 we decouple the combat system from the ship. In that way,
9 we can rapidly evolve the combat system on the ship as new
10 needs or threats evolve, or technologies, but having a ship
11 that we have strengthened.

12 So, to me, the key is our ships with a lot of margin, a
13 lot of power, a lot of weight. Then we can go from there.

14 Bill, I do not know if you want to jump in?

15 Admiral Merz: Yes. Thank you, Secretary.

16 Senator Wicker: Please, go ahead.

17 Admiral Merz: Yes, sir.

18 So back to your certainty and predictability, I would
19 tell you that probably the greatest risk is funding and
20 continuing resolutions and the predictability of that
21 funding. The BBA was a huge relief for us. It certainly
22 gives us the opportunity, if nothing else, to roll over at a
23 level that we can continue to execute the program.

24 The 355 is not without risk. All plans have risk. The
25 longer we go without the correct mix of the ships at the

1 correct number, the longer we carry that risk as we push
2 that ahead.

3 The \$9 billion is a nice round number. That is three
4 submarines, and that is the class of ship that we are
5 furthest away from our requirement. That is the last one to
6 arrive on time, as far as the right mix of ships within that
7 355.

8 So a very deliberate pick up a number that has real
9 math behind it. It matters to us.

10 Senator Scott: Thank you.

11 Senator Wicker: Thank you, Senator Scott.

12 Senator King?

13 Senator King: Thank you, Mr. Chairman.

14 Secretary Geurts, in the National Defense Act of last
15 year, the committee report talked about the force structure
16 assessment of the 355 ships, and it included this language:
17 The committee believes that the Navy should maintain the two
18 proven shipbuilding sources of large surface combatants.
19 The committee emphasizes that the acquisition strategy for
20 the next multiyear procurement contract should help sustain
21 the dual-source large surface combatant shipbuilding base.

22 I think my question is, are you and Secretary Spencer
23 committed to the DDG-51 multiyear, which I understand the
24 bids have just been submitted, an outcome that will sustain
25 both yards and the large surface combatant?

1 Mr. Geurts: Yes, absolutely, sir. Our whole strategy
2 was built around securing enough base in both shipyards, yet
3 enabling competition, so that the taxpayer gets the most for
4 the dollar.

5 But I am convinced, in any outcome of that strategy,
6 there is plenty of work to keep all those shipyards
7 producing for the Navy.

8 Senator King: And in the long run, it is certainly in
9 the taxpayers' interests to have those two shipyards.

10 Mr. Geurts: Absolutely. Having two yards for that
11 fleet is critical.

12 Senator King: Admiral Merz, I was very interested in
13 the whole life extension issue. You probably saw the
14 article in SEAPOWER.

15 My question is, number one, what are we talking about
16 here in the way of work? Are we talking about repainting,
17 or are we talking about rebuilding? And how substantial?
18 For example, how long would a DDG-51 be in the yard for its
19 renovation?

20 Admiral Merz: Sir, that is another benefit of doing a
21 class-wide extension. So based on their performance and
22 their maintenance periods to date is what we base the class
23 life extension on. So there are no specific yard periods
24 required to extend these ships to their 45 year. Some are
25 extended 5 years. Some are extended 10 years, depending on

1 what flight they were built.

2 All the DDGs are already planning to be modernized. We
3 will see if that modernization is sufficient to get them to
4 their 45 years. We typically just pace the threat with our
5 modernizations.

6 Senator King: Where would the modernization be done?
7 At the two shipyards that we have been talking about or at
8 public yards? What is the thinking on that?

9 Admiral Merz: All the modernizations are already
10 planned. The modernizations for the DDGs are done in
11 private yards, not the public yards. Whether they require
12 an additional yard period, additional modernization, we will
13 have time to forecast that and to plan that.

14 Quite frankly, the current modernization schedule may
15 be sufficient. It really depends on how we pace the threat,
16 what we want these ships to do, and how we foresee them
17 holding up.

18 Senator King: And I take it that this life extension
19 program does not affect the schedule for new acquisitions?

20 Your colleague just shook his head rather vigorously.

21 Admiral Merz: That is because achieving and sustaining
22 355, it is absolutely fundamental that we sustain those
23 shipbuilding profiles underneath the life extensions, or,
24 when those ships go away, we will be worse off than when we
25 started.

1 Senator King: So, Mr. Geurts, you agree that this is a
2 separate issue. We are not talking about replacing the new
3 ships coming on?

4 Mr. Geurts: No, sir. Again, in my opening statement,
5 I want to be very frank, we have to both maintain the
6 production profiles we have as well as do this class
7 extension. Or as Admiral Merz says, we can delay the
8 problem a little bit, and then you are going to have a much
9 worse problem, because you will fall off a cliff. So it is
10 really have the production growth profile we have in the
11 shipbuilding plan, and then the service life extension helps
12 us draw that 355 in as well as lessen that dip.

13 Senator King: Turning to the frigate program, bearing
14 in mind the language that I read from the committee report,
15 do you anticipate the frigate program being a two yard
16 acquisition?

17 Mr. Geurts: Sir, our current plan for those 20 is to
18 be a single downselect.

19 Senator King: One yard for the new frigate. Would
20 that be a multiyear? How many ships are we talking?

21 Mr. Geurts: We are talking 20 ships, sir, right now in
22 the current plan. Right now, we have five competitors that
23 are in design study contracts. In 2019, we will do a
24 competitive downselect, right now planning to one yard, to
25 build those 20 ships under the current planning.

1 Senator King: Whichever one of those five competitors.
2 And they are all working -- this is not a clean ship. We
3 are working off existing design.

4 Mr. Geurts: Yes, sir. They have to have a parent
5 ship, a proven parent ship design.

6 Senator King: Admiral Merz, could you describe, in a
7 few seconds, or maybe we can get back to it -- my question
8 is too broad for 20 seconds, so I think I will hold it for
9 the next round, Mr. Chairman. Thank you.

10 It will be about the re-missioning of the Zumwalt, so
11 you can think about that.

12 Senator Wicker: So you can study ahead.

13 [Laughter.]

14 Senator Wicker: Thank you, Senator King.

15 Senator Cotton?

16 Senator Cotton: Thank you, gentlemen, for your
17 testimony today. I want to tie a couple bows on issues that
18 came up earlier.

19 Secretary Geurts, you said that our submarine programs
20 are better, are faster at integrating new technology right
21 now than our surface ships are. Our surface ships are
22 learning from that.

23 Can you explain why you see that difference?

24 Mr. Geurts: Sir, again, I am about 120 days now into
25 the Navy, but in looking back in time, from my analysis, 10,

1 15 years ago, there was a realization that the submarine
2 fleet was not modernizing its combat systems at the pace of
3 the threat. So it was a very deliberate action over a
4 number of years to create the acquisition strategy where you
5 can continually roll on new capabilities to the submarine
6 while holding the design of the ship itself constant and
7 improving.

8 So I think that is a good model for these long-lasting
9 structures. You want to have a good structure with a lot of
10 margin that you have confidence that is reliable, but then
11 have a way to roll on combat systems and new technologies
12 and new algorithms as quickly as you can to pace with the
13 threat.

14 Senator Cotton: Thank you.

15 Admiral Merz, you said that funding certainty is your
16 biggest risk. You are grateful for the 2-year budget
17 received earlier, but if you need funding certainty, I
18 assume that you need a DOD appropriations bill passed this
19 year.

20 Admiral Merz: Yes, sir, we do.

21 Senator Cotton: Not filibustered this summer.

22 Admiral Merz: No, sir.

23 Senator Cotton: And the Budget Control Act remains in
24 effect for fiscal year 2020 and 2021. So if either that law
25 is not repealed this year or the Congress does not pass a 2-

1 year budget next year, as we have each of the last three 2-
2 year cycles, you will once again face your biggest risk,
3 which is funding uncertainty.

4 Admiral Merz: Yes, sir.

5 Senator Cotton: Thank you for that.

6 Let's move on to a few other topics.

7 Admiral Merz, we have 11 littoral combat ships. A
8 story recently in Naval Institute said that zero of those
9 will deploy this year in 2018.

10 Could you talk about why that is the case?

11 Admiral Merz: Yes, sir. So the total number is 32.
12 We barely have a third of the class. The typical deployment
13 model is 3 to 5 ships to 1, to keep one deployed. So this
14 is really just math. There are going to be gaps that will
15 fill in over time. We are not concerned about it.

16 We are learning a lot about the maintenance of the
17 ship. We are going to a dual-crew model over the next
18 several years.

19 So we feel like it is on track. We are not concerned
20 about not deploying in 2018. That is going to catch up over
21 time as we fill in the rest of the class.

22 Senator Cotton: Was that anticipated for this year?

23 Admiral Merz: Yes, sir, absolutely.

24 Senator Cotton: Let's turn to fast attack submarines.

25 Admiral Harris of PAYCOM has testified that he gets half of

1 his fast attack submarine requirements met. Over the next
2 decade or so, we will reach the point where we are retiring
3 fast attack submarines faster than we are building them.

4 What is the Navy's plan to mitigate this issue?
5 Because if it affects him, it likely affects General
6 Scaparrotti in European Command as well.

7 Admiral Merz: Yes, sir. Every combatant commander is
8 at about that batting average for the attack submarines they
9 would like to have in theater. The unfortunate reality is
10 that there is not much we can do to recover that plan to get
11 to 66, other than adding a third maybe SSN in candidate
12 years. We are looking at that very hard, and we are working
13 very closely with the shipbuilders on their ability to fill
14 that in.

15 Even 66 is probably going to leave some gaps. I would
16 not be surprised to see that number go up over time as we do
17 assessments in the future. But that will just add to the
18 length of time it takes to get there.

19 So that is the ship today that is furthest away from
20 its requirement, and it is the last ship to achieve its
21 requirement in the 30-year shipbuilding plan.

22 Senator Cotton: Thank you. It is disappointing we
23 have reached this position.

24 Mr. Geurts: Sir, one thing we are going to add is we
25 do have five cores available. So we have funded one this

1 year. We have identified the ship. So we think we can
2 extend the life of five of those.

3 So that will not solve the problem. It will mitigate a
4 little bit the worst part of the dip. So that is something
5 we are studying closely, in addition to what Admiral Merz
6 had mentioned.

7 Senator Cotton: Okay. Thank you.

8 Senator Wicker: You are studying that, and you intend
9 to make a report at what point?

10 Mr. Geurts: Sir, we have the first one funded this
11 year. I would expect you will see those come in, in the
12 budget. I am fairly confident that we will add -- again,
13 given the criticality of that shortfall, that would be a
14 very attractive way to at least add some service life
15 through the worst part through that dip.

16 Senator Cotton: Thank you, gentlemen.

17 Senator Wicker: Thank you very much, Senator Cotton.

18 Senator Kaine?

19 Senator Kaine: Thank you, Mr. Chair.

20 Thank you to our witnesses today. I want to begin by
21 thanking both Mr. Geurts and Vice Admiral Merz for your
22 help. I am pulling together a session in Hampton Roads,
23 Virginia, on the 8th of June called the 355-Ship Navy. It
24 is a discussion about work force, so it is all with the
25 community colleges, the apprenticeship program, the local K-

1 12 systems. The Navy has indicated that they will have a
2 witness. It might be one of you. I am not sure yet that
3 there has been a designee.

4 But I appreciate your willingness to help on that,
5 because I think we talk about what 355 means for budget, and
6 there is a whole series of issues there, but there is a real
7 work force need. That need is, folks who are going to be
8 building these ships are in pre-K right now. We are going
9 to have to make sure that they are getting the skills as
10 they go through their educational lives that will equip them
11 to do the work in all the centers of shipbuilding around the
12 country.

13 So I appreciate the Navy working with me on that.

14 I wanted to ask you about a recent announcement. The
15 Navy recently expressed interest in block buy of aircraft
16 carriers -- you talked about that briefly -- made a request
17 to Huntington Ingalls to give information so that they could
18 potentially, I guess, decide on -- or that would inform the
19 potential decision.

20 The authority to do a block buy would need to be
21 included in an NDAA. We are working on the markup right now
22 this month and next.

23 When do you envision that the Navy will be making a
24 decision about this? Because I want to make sure that your
25 timetable and the committee's timetable, in terms of what we

1 are working on with respect to the NDAA this year, match up.

2 Mr. Geurts: Yes, sir. So we have issued a formal
3 request for proposal to the contractor, Huntington Ingalls.
4 We expect that back here in the next couple weeks. So I
5 would think by early summertime, we will have a good look at
6 the numbers. We will have a good understanding of those
7 numbers. We have asked the contractor to sharpen a pencil
8 and really look at how we can be aggressive in thinking our
9 way through this.

10 So I think that would position us well early this
11 summer to have that conversation, to look at the savings.
12 It will take congressional authority to support it. I am
13 happy to support that dialogue with you.

14 So early summer, I think, we will be ready for that,
15 and then we can make a decision on whether that is included
16 in the 2019 way ahead.

17 Senator Kaine: I would love to maintain the dialogue,
18 because it is likely, based on the timing, that you would
19 not be ready to make an ask until the committee work is
20 already done. The NDAA may not be done on the floor of the
21 Senate. The conference may not be done. There may be an
22 opportunity to reflect whatever your decision is in a later
23 document, but the timing may be a little bit off with
24 respect to at least the committee work on the NDAA.

25 Mr. Geurts: Yes, sir. And I think we will get an

1 early look by the early part of May. We will at least have
2 the initial look at it. We will have some follow-on
3 analysis.

4 So we will work closely with your staff on everything
5 we have and support your process.

6 Senator Wicker: Would the savings be in the nature of
7 \$1.7 billion?

8 Mr. Geurts: Sir, until I see the actual number back, I
9 would hesitate to put a specific number. But in previous
10 times when we have done this, we have seen large savings on
11 the order of 10 percent.

12 The other thing I would tell you is, we are in parallel
13 looking -- about a third of a carrier is government-
14 furnished equipment, or not through the shipyard. There is
15 also savings potential on that side. So we are completing
16 that analysis in parallel.

17 But there is large potential. We are a little late in
18 the process, because CVN-80 is already under construction.
19 But I think there is certainly a large potential of savings
20 that warrant this very close look.

21 Senator Wicker: It certainly has people's attention.

22 Senator Kaine: Yes. I think Secretary Spencer once
23 told us before the entire committee that: I will only do it
24 if I think it will save me a whole lot of money. I will not
25 do it if it just saves me a little bit of money.

1 So I think that we have certainly seen that magnitude
2 of savings in the past.

3 Mr. Geurts: I would expect it will be a lot of money.

4 Senator Kaine: Yes.

5 Mr. Geurts: I just do not want to put a number yet
6 until I have had a chance to work with the shipyard.

7 Senator Kaine: The other thing I just wanted to
8 mention, we have had a couple hearings about the shipyard
9 infrastructure modernization plan. I am the ranking member
10 on the Readiness Subcommittee. We talked about it in the
11 Readiness hearing we had last week.

12 But it was interesting that the material conditions of
13 the four shipyards were all poor or failing. That just
14 speaks to me of kind of long-deferred maintenance and a real
15 catch-up obligation we have.

16 So if we are going to get to 355, then we have to make
17 those capital investments in the shipyards to get them from
18 poor or failing to better. Then that will increase our
19 ability to do the 355 in a more efficient way.

20 I know you responded to Senator Hirono's question that
21 it is not like there is a next report regularly scheduled,
22 but I think all of the committee is going to be interested,
23 because absent that modernization to improve the current
24 status of the shipyards, we are not going to be able to hit
25 the 355 number in a way that any of us want. So we will

1 continue to dialogue about that as you are making the
2 capital investment.

3 Mr. Geurts: Yes, sir. Secretary Bayer on the
4 installation side and I are working hand-in-hand. So we
5 will bring that composite look to you of both the facility
6 and all the machines and the work force. All three of those
7 are critical components that we have to synchronize and
8 bring up to the modern age.

9 Senator Kaine: Great. Thank you so much.

10 Thanks, Mr. Chair.

11 Senator Wicker: Secretary Geurts, do you think the
12 yards have a clear concept of what needs to happen at those
13 yards?

14 Mr. Geurts: Yes, sir. I mean, again, as Senator
15 Hirono said, the yards know where there is opportunity.
16 They are motivated to get there. We just need to help
17 resource them and then, at the secretariat level, manage
18 that work.

19 So we are setting up a governance structure to make
20 sure we have the right senior oversight to keep that effort
21 on track. It is a collection of a multitude of small
22 things, but if we can enable the work force with modern
23 tools, put the development programs in there to have a
24 sustainable work force, then I think we can see great
25 improvement.

1 We are going to need that improvement, if we are going
2 to sustain this 355-ship Navy.

3 Senator Wicker: There is plenty of capacity there,
4 isn't there?

5 Mr. Geurts: Yes, sir, but it is aged infrastructure.
6 It is not the most modern tools. And we are growing the
7 work force. It is a relatively young work force, to some
8 degree. So we have to make sure we have the training
9 pipelines.

10 Again, back to the question, my biggest fear is boom or
11 bust budget cycles, that really rings out -- you cannot have
12 a growth plan when you were starting and stopping all the
13 time.

14 Senator Wicker: You cannot say that often enough.

15 Mr. Geurts: Yes, sir.

16 Senator Wicker: Senator Shaheen?

17 Senator Shaheen: Thank you, Mr. Chairman. I would
18 say, I agree, certainly, with Senator Hirono and with
19 Secretary Geurts. At least the Portsmouth Naval Shipyard is
20 very clear on what they need. Their question is whether
21 Congress and the Navy is as clear on what they need. So I
22 think saying it often is very important.

23 I want to follow up on the work force issue that
24 Senator Kaine raised, because as we add capacity, how is the
25 Navy going to ensure that the work force is there to address

1 what shipyards need? What we are seeing at least at the
2 Portsmouth Naval Shipyard that Senator King and I are both
3 interested in, where we have a very low unemployment rate in
4 New Hampshire, one of the lowest in the country, finding the
5 skilled STEM workers to fill those shipyard jobs is
6 challenging. So how do you ensure that we have the workers
7 that we need?

8 Mr. Geurts: Yes, ma'am. I think there is a whole
9 multitude of ways to get there. One of them is having some
10 certainty, or at least some confidence, that we have a long-
11 term plan and we are going to execute to it, so that the
12 work force does not feel like they are going to come, but
13 they are not sure if the job is going to be there 6 months
14 from now.

15 So I think that is the single biggest one. And then,
16 again, do we have a world-class facility that attracts
17 world-class talent that we value, and we train and retain
18 that world-class talent? So I think that is a challenge for
19 us all to execute to get there. Otherwise, we are going to
20 struggle with retention rates, with productivity, and with
21 all the pieces that will not allow us to maintain the
22 readiness.

23 Senator Shaheen: I had the opportunity last week to
24 visit something called the SeaPerch Challenge. Are you
25 familiar with that? That is a wonderful underwater robotics

1 competition. The Portsmouth Naval Shipyard sponsored it
2 with the University of New Hampshire and a lot of
3 volunteers.

4 It was very impressive to watch the middle school and
5 high school teams that were there manipulating the robots
6 through a very challenging course underwater. I was
7 interested to hear that, 2 years ago, the team that won was
8 a team that got special dispensation to be able to join the
9 competition. They were fourth-graders, and they beat not
10 only the middle school but Phillips Exeter, which, as you
11 know, is a prestigious private school, which came in third.

12 So the talent is there among young people. We need to
13 think about how we capture that, so that we get those kids
14 excited to fill into those jobs as they are looking at what
15 their futures might be.

16 So I would encourage the Navy to continue to support
17 those kinds of activities. I think they are really
18 important.

19 Mr. Geurts: Yes, ma'am. Absolutely. There are so
20 many tremendous jobs available to help defense out. We need
21 to continue to do a great job to connect the population to
22 those activities, and then leverage those ideas when we find
23 them, have an acquisition system that can capture them.

24 Senator Shaheen: Last year, Acting Secretary of the
25 Navy Stackley testified to the importance of small

1 businesses for the Department of the Navy. One of the
2 things he talked about was not only their importance in
3 providing innovation and being able to bring up, as he said,
4 a very friendly cost structure, but he also pointed out that
5 they have challenges working with the bureaucracy of our
6 military.

7 So can you talk about what more we can do to try to
8 encourage small businesses and help them get into doing work
9 for the Navy and for the military in general?

10 Mr. Geurts: Yes, ma'am. When I left SOCOM, I think we
11 had over a third of our work that went directly to small
12 business, so I am a huge fan of the agility and the
13 robustness they bring.

14 We have not talked much about supply base when we talk
15 shipbuilders. The supply base is really the enabler for us,
16 not just the shipyard, and most of that is driven by small
17 business.

18 Last week, I did a Facebook Live event with small
19 business to try to communicate that the Navy is open for
20 business with small business. We have assigned our deputy
21 program managers for all our programs as a small business
22 advocate to drive small business thinking even into larger
23 programs. So it is certainly a focus area for me.

24 I think the work to go is creating mechanisms where it
25 is easy, if they have ideas, to get them into the Navy. And

1 the bureaucratic friction to get them on contract and
2 whatnot, we have to reduce all that, because the really
3 capable ones are not going to stand for waiting. Their
4 business will not survive if they have to wait 2 years to
5 get on contract.

6 Senator Shaheen: Absolutely. Most of them cannot
7 afford it.

8 The fact is, I visited a small business last week also
9 that was doing work. One of the things that they complained
10 about was virtually every agency they deal with has a
11 different form that they have to fill out, and why can't we
12 at least in the Navy, or across DOD in certain areas, have
13 one form that, once they fill out and qualify, then they
14 qualify for everything?

15 Mr. Geurts: Yes, ma'am. So as those come up, feel
16 free to have them engage myself and the Navy small business.
17 I need to know where those friction points are, and then we
18 will tackle those friction points.

19 Senator Shaheen: We will certainly get that to you.
20 Thank you.

21 Admiral Merz: Ma'am, I would just add that the
22 discussion we had with Senator Cotton on that submarine
23 modernization program, that was a small business initiative.
24 It continues to be a small business melting pot, to get
25 those capabilities.

1 Senator Shaheen: Great. Thank you.

2 Senator Wicker: Thank you, Senator Shaheen.

3 I am guessing that third-place entry by Phillips Exeter
4 was not too shabby in and of itself.

5 We are going to take a second round.

6 Secretary Geurts, the Navy recently released a notice
7 stating that the amphibious replacement ship requirement
8 will be fulfilled by a San Antonio class Flight II with LPD-
9 30 as the lead ship. Congress authorized and appropriated
10 the Flight II lead ship in the fiscal year 2018 spending
11 bill.

12 Moving forward, Flight II will help remedy the
13 shortfall of amphibious ships while leveraging a hot
14 production line and supplier base.

15 First, what is the Navy's acquisition strategy for the
16 LPD Flight II program? And then, as you know, we use
17 multiyear procurement authorities to achieve significant
18 savings and predictability for the industrial base and
19 programs, such as the Virginia class submarines and DDG-51
20 destroyers.

21 With the design and requirements set, what is the most
22 affordable way to contract for the next several LPD Flight
23 II ships? Would it be helpful to procure long lead time
24 material in a block buy in fiscal year 2019? And if so, do
25 you believe the statutory requirements for a multiyear

1 procurement contract could be met for LPD Flight II ships
2 that would be procured beginning in fiscal year 2020?

3 Mr. Geurts: Thanks, sir. So thank you very much
4 Flight II ship in fiscal year 2018. That will be kind of
5 the lead ship for that Flight II. But again, it is a
6 derivative design, so that will be a high-confidence
7 acquisition.

8 Our current strategy is award that 2018 ship as quickly
9 as we can to ensure we support General Walsh and the Marine
10 Corps. Then I think we will look closely. It would appear
11 to me that the serial production opportunities for the
12 continuous production of that LPD-17 would be ripe for
13 either a multiyear or a block buy. Currently, our next buy
14 is in 2020. We did not request any money in 2019. At the
15 time, the 2018 ship was coming in.

16 If you were to add some economic order quantity or
17 long-lead funding in 2019, that could accelerate delivery of
18 those. If that is not available, we could do a block buy or
19 in multiyear in fiscal year 2020. Putting some money in
20 2019 would help schedule a little bit, but we can execute in
21 either manner.

22 Senator Wicker: Very good.

23 General Walsh, how important are training ranges for
24 testing and integrating unmanned platforms? We included a
25 provision in the fiscal year 2018 authorization act that

1 requires the Navy to examine its current test and training
2 range infrastructure. Can you give me an update on this
3 issue?

4 General Walsh: What I will say is that so much of what
5 we are doing on the surface, in the air, and under the
6 surface, so much is moving toward the unmanned. I mean,
7 that area, as everybody knows, is just a booming industry,
8 but certainly from a warfighting capacity. So our ranges
9 are one of those things, too.

10 I think one of the challenges we run into is manned
11 capabilities, it is one thing on our ranges, but when we
12 have to transition from, say, a base to a range with an
13 unmanned capability, it is a different problem that we have
14 not really had much in the past.

15 So I think it is something that we are looking at in
16 our ranges, but it is something we are going to have to
17 tackle, because so much of our warfighting area is moving
18 toward the unmanned area.

19 Senator Wicker: Okay. Take a moment to discuss ship-
20 to-shore connectors, General Walsh. There is a budget
21 request for five. How do they fit into the Marine Corps
22 concepts of amphibious operations?

23 General Walsh: We appreciate the support we are
24 getting on the ship-to-shore connector program, because our
25 LCACs are getting so old. But the first LCAC 100 just this

1 year, just recently in the last month or so, really just got
2 flying, as we call them. They are very much like aircraft
3 in a lot of ways, even though they go on the water. But it
4 is critical to get the landing force from those ships to
5 shore.

6 Getting the critical capability to be able to get these
7 new craft that can carry more weight and go longer distances
8 is so important to our concept of operations, to be able to
9 go ship to the objective. These are going to allow us to do
10 that and rapidly grow the capability to meet the
11 requirements we need in these new contested environments to
12 go longer and faster.

13 Senator Wicker: Thank you.

14 Senator Hirono?

15 Senator Hirono: Thank you.

16 I am very intrigued by what you just said, General
17 Walsh, that so much of our training is now in the unmanned
18 capability area. So what does that do in terms of the
19 number of people that you need to be in your service? What
20 kind of impact does going toward an unmanned capability have
21 on the Marine Corps, as well as on the Navy?

22 General Walsh: One of the things we are looking at,
23 working with Secretary Geurts' team, we learn a lot through
24 our experimentation process. We do something with the
25 Department of Navy called advanced naval technology

1 experiments.

2 Last year, we did one that was on ship-to-shore
3 maneuvers, so it was looking at the area of how we get to
4 shore differently. I think the thing that amazed us was,
5 when we did this project, we had probably more than 100
6 industry technologies that were demonstrated at this
7 weeklong event that we did at Camp Pendleton going from
8 ship-to-shore. The amazing thing was probably the first 15
9 minutes of that evolution was all unmanned. It just shocked
10 us with how technology is allowing us to operate completely
11 differently.

12 We just completed one 2 weeks ago where we did it in an
13 urban environment. It was not at sea, but it was urban. I
14 think if you are a Marine from Vietnam or World War II and
15 you went into watching what the Marines were doing, you
16 would have just been lost at what was going on with the
17 amount of unmanned ground systems, vehicles that were in the
18 air, and Marines now leveraging unmanned subsurface
19 capabilities that we were learning from the submarine
20 community to be able to allow us to do sensing,
21 surveillance, and some weapons in cases, to be able to
22 conduct unmanned operations.

23 Senator Hirono: So what does that do to the need for
24 training facilities? For example, on the Big Island, I
25 think the Marines use it, we have Pohakuloa, and for the

1 Army as well. What does that do, in terms of the kind of
2 training facilities we need and what takes place at these
3 facilities?

4 General Walsh: I think, in a lot of ways, we are a
5 little bit behind in trying to figure that out, because what
6 we are running into is a lot of the restrictions or orders
7 that we have are looking at how we would do it for manned
8 systems. So in a lot of ways, when we try to integrate into
9 with the unmanned systems, it is like you cannot do it
10 because there is a rule or a reason why you cannot. It is a
11 lot of the things you see today and why we are unable to
12 deal with unmanned air systems that would be operating over
13 our bases. How do you deal with that and try to protect our
14 bases in the same way?

15 So I think it is an area we are working through. It is
16 a challenge now. It works well in, as I was saying earlier,
17 our restricted training areas. But where you have to go
18 from a base to a training area is where it is more of a
19 problem.

20 Admiral Merz: Ma'am, I would add, from the Navy side,
21 getting back to Secretary Geurts' initial acquisition
22 strategy discussions about having many tools, that is one of
23 the things we ran into head on. We only manned system
24 acquisition requirements for unmanned systems. So we have
25 done a lot of work to relax some of those, taking advantage

1 of the fact that there is no danger to a human there, no
2 direct danger.

3 The training ranges, in general, they need some work.
4 Those fell on the category of hard decisions over the last
5 10 years. We are being very deliberate about recovering
6 those. We have done some structural things in the
7 resourcing world. We have a centralized resource sponsor to
8 cover all our unmanned vehicles. We are centralizing our
9 program elements.

10 So this is very much becoming mainstreamed. One of the
11 reasons is to get your larger question of manning,
12 maintaining. They do not come without cost. You think
13 unmanned, no people. Less people, but still people. And
14 they still need to have a total ownership cost-like approach
15 to how we man and field those.

16 Senator Hirono: And they need different skillsets.

17 I am aware that we need to move our Marines out of
18 Futenma, and that as they go through Guam, we need training
19 facilities for them.

20 General Walsh, you know that we are, as far as I know,
21 still negotiating to get a training area on CNMI,
22 Confederated Northern Mariana Islands. So I am probably
23 going to want to follow up with you as to how that is going,
24 in light of maybe you are going to change the kind of
25 configuration or the kind of training that you intend to do

1 there, because it is not as though the CNMI Government is
2 welcoming that kind of live-fire training facility with open
3 arms either.

4 General Walsh: What I can add to that, Senator, is the
5 Pacific Commander out there has looked at that training
6 range that the Marine Corps is responsible. He is the
7 executive agent for looking at that for the Joint Force,
8 ensuring that it is meeting all the Joint Force needs. We
9 stood up a working group now across the services to try to
10 decide what that training range needs to be able to meet all
11 the services' needs.

12 Senator Hirono: Thank you.

13 Thank you, Mr. Chairman.

14 Senator Wicker: Thank you, Senator Hirono.

15 Senator King?

16 Senator King: Thank you, Mr. Chairman.

17 Admiral Merz, to go back to the question I telegraphed,
18 describe, please, the thinking that went into the re-
19 missioning of the Zumwalt, where you see its functionality,
20 where it is headed.

21 Admiral Merz: Yes, sir. So the Zumwalt is a very
22 progressive ship virtually in every element of its
23 capability. So what we found was the advanced gun system
24 has become a particularly hard challenge to get through, not
25 so much the gun but the projectile.

1 Senator King: The projectiles were too expensive.

2 Wasn't that part of the problem?

3 Admiral Merz: Too expensive, and they were not meeting
4 the range. So even at the high cost, we still were not
5 really getting what we had asked for. So what we have
6 elected to do is to separate the gun effort from the ship
7 effort, because we really got to the point where now we are
8 holding back the ship. That ship is very capable with or
9 without the gun. The gun, of course, would make it more
10 capable.

11 So what we have elected to do is to proceed ahead with
12 the ship delivered to the fleet as a strike platform. It
13 does have 80 vertical launch cells. They are the larger
14 variety cells, so that opens up opportunities for advanced
15 development on our weapons side also.

16 Her combat system is very good, and her inherent ship
17 capability. I can certainly brief you on a more classified
18 level.

19 Senator King: And it is stealth capabilities are
20 important.

21 Admiral Merz: Yes, sir, very, very important.

22 So we think the ship is very well built and ready to
23 join the fleet. We are very excited to get her, and we will
24 continue to develop the rounds for the gun in parallel.

25 Senator King: We may have to go into a different

1 setting. What about directed energy, based upon the
2 enormous power that that platform generates?

3 Admiral Merz: Yes, sir. We are very committed to
4 directed energy. We have a family of lasers that we have
5 moved into the accelerated acquisition arena. They are
6 categorized by the power of the lasers. We are looking to
7 field a handful of these over the next year, both our low-
8 and medium-powered lasers, as we continued to develop --

9 Senator King: Is this a possible option for the
10 Zumwalt?

11 Admiral Merz: It is a possible option for all ships.
12 So whether or not that would eventually replace the ship,
13 right now, we have not given up on the projectile for the
14 advanced gun system.

15 Senator King: But you are not going to wait for it, I
16 think is what you are saying.

17 Admiral Merz: No, sir. The ship is going out.
18 Whether or not the directed energy is an ultimate
19 replacement for that, time will tell on how we deal with the
20 projectile. But it is a candidate option for all ships.

21 Senator King: Mr. Geurts, you are talking about
22 cruiser replacement. Is that also going to be an existing
23 hull form? Are you looking in that direction?

24 Mr. Geurts: Sir, I think as the CNO has described, and
25 I will pass over to Admiral Merz because it is in his lane,

1 we are going to look at those requirements closely. We are
2 going to look at what the requirements are, and then how
3 that matches up with the existing hull forms or new hull
4 forms.

5 But I would say, certainly, our experience as we are
6 working through frigate --

7 Senator King: That is what I was going to ask, if
8 there are lessons learned there.

9 Mr. Geurts: Yes. So seeing the speed, de-risking the
10 program, delivering with high confidence, having the
11 existing hull form provides a lot of benefits in those
12 areas.

13 So we will look at how the requirements process comes
14 together, what comes out of Admiral Merz's shop, and then we
15 will marry that with what that looks like in terms of
16 available platforms. That is a process we have planned for
17 the future.

18 Bill, if you want to add?

19 Admiral Merz: Yes, sir. Really quickly, we are
20 immersed in this future service combatant requirements
21 review. It is going from large to small, manned and
22 unmanned, to optionally unmanned. It is going to be a very
23 comprehensive plan on how we transition out of the cruiser,
24 for one, but, ultimately, the DDG, and what would follow the
25 frigate.

1 The shipbuilding plan lays out very steady shipbuilding
2 profiles. That is just to secure the commitment for these
3 types of ships over time. They just secure the capability
4 in those years. This plan will fill in those capabilities
5 and when we need to do a phased shift to those.

6 Senator King: You are talking about life extension on
7 the DDGs. That could be an upgrade of capabilities, could
8 it not?

9 Admiral Merz: Yes, sir. It certainly could be.

10 Senator King: This is a bit of an off-the-wall
11 question, but I spent yesterday morning with Joint Force in
12 Key West on drug interdiction.

13 The startling numbers are these. For every 100 drug
14 shipments they know about, they have the capacity to
15 interdict 25. In other words, 25 percent of what we know
16 about through our intelligence is being interdicted. The
17 rest is getting through. This is a gigantic detriment to
18 our country.

19 The short question is, got any spare ships?

20 [Laughter.]

21 Senator King: Are there mothballed frigates? Are
22 there other ships? Because this is national defense.
23 People are dying because we are not interdicting these
24 ships. If these were terrorists coming in, I daresay we
25 would figure out a way to stop them. And yet, people are

1 dying because of these illicit drugs.

2 Is there any possible conversation that could go on
3 between the Coast Guard and the Navy, in terms of assets,
4 training, those kinds of things?

5 Admiral Merz: Yes, sir. These conversations are
6 ongoing and endless. Rolling back to Senator Cotton's
7 question about the combatant commander demands, everybody is
8 stressed, so it becomes a priority sourcing on what we have.

9 I will tell you that we are in the middle of what we
10 call a requirements evaluation team look at intertheater
11 missions. That is one of them that we are evaluating. This
12 involves Expeditionary SURTASS, Expeditionary Medical, SOF
13 support, the lift, and drug interdiction.

14 So all these requirements we are putting on the table
15 to see if there is something out there for a future small
16 surface combatant that we can potentially start filling some
17 of these holes.

18 Senator King: I would urge you to think creatively,
19 because we are fielding a lot of capability, for example, in
20 the Western Pacific because of someone who may attack us,
21 and yet, we are not adequately responding to someone who is
22 attacking us.

23 Thank you very much, gentlemen.

24 Thank you, Mr. Chairman.

25 Senator Wicker: Thank you very much, Senator King.

1 Secretary Geurts, in February, I introduced a bill with
2 Chairman McCain called the Surface Warfare Enhancement Act.
3 This legislation expands the principal duties of your
4 position to include sustainment and maintenance of ships,
5 aircraft, and other weapons systems. The intent is to make
6 a single Senate-confirmed civilian official responsible for
7 sustainment, which has historically accounted for
8 approximately 70 percent of the total lifecycle cost of a
9 weapons system.

10 What is your view of such a change?

11 Mr. Geurts: Sir, I think there is an absolute link
12 between the acquisition and the sustainment piece of things.
13 As we build the 355-ship fleet, we are going to have to
14 really work hard on the sustainment because that is, again,
15 70 percent of the cost.

16 So if that is the view of Congress to put that all
17 under the RDA hat, I think there is opportunity to leverage
18 that all under one hat. Even short of that, I would tell
19 you --

20 Senator Wicker: Is it a good idea?

21 [Laughter.]

22 Senator Wicker: Or do you want to take issue with
23 Senator McCain and --

24 Mr. Geurts: I do not want to take any issue with
25 Senator McCain.

1 I think it is good to look at it holistically. I guess
2 what I was going to say is, we are doing that already,
3 Admiral Merz and I.

4 I think in the next version of the shipbuilding plan,
5 we are going to try to look at the sustainment piece, not
6 just the new build of that. So we are doing that. If that
7 gets codified in law, that just makes it clearer.

8 But I am committed to spending as much energy trying to
9 get our arms around the sustainment, whether it is the
10 shipbuilding yards or contracting strategies or our
11 programmatic approaches to sustainment as I am on the front
12 end of programs.

13 Senator Wicker: Thank you very much.

14 Senator King, I might point out that we had exactly
15 precisely the same testimony in the Commerce Committee today
16 about drug interdiction and the fact that so much of what we
17 know is out there is simply unenforceable, because we do not
18 have the assets. So I appreciate you mentioning that.

19 If there is nothing further, we thank the witnesses
20 very, very much for their testimony.

21 We will leave the record open for the customary 3 days
22 for questions for the record, and we ask our witnesses to
23 get their answers back to us as quickly as possible.

24 [The information referred to follows:]

25

1 Senator Wicker: If there is nothing else, this hearing
2 is adjourned. Thank you.

3 [Whereupon, at 3:50 p.m., the hearing was adjourned.]

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25