NOT FOR PUBLICATION UNTIL RELEASED BY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

STATEMENT

OF

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BEFORE THE

SUBCOMMITTEE ON SEAPOWER

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

NAVY FORCE STRUCTURE AND SHIPBUILDING

June 16, 2009

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Mr. Chairman, Senator Martinez, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to address Navy shipbuilding. The Department is committed to the effort to build an affordable fleet tailored to support the National Defense Strategy, the Maritime Strategy, and the 2006 Quadrennial Defense Review. The Department's FY 2010 budget will provide platforms that are multi-capable, agile, and able to respond to the dynamic nature of current and future threats. The FY 2010 shipbuilding budget funds eight ships, including the twelfth Virginia class fast attack submarine, three Littoral Combat Ships (LCS), two T-AKE Dry Cargo and Ammunition Ships, and the second Joint High Speed Vessel (JHSV) for the Navy. The eighth ship, a DDG 51 class, restarts the DDG 51 program. The budget also funds the balance of LPD 26 and DDG 1002.

Since the 1800s, the United States Navy has been permanently deployed far from American shores, and our nation's first responder to crisis and upheaval throughout the world. The Navy's continuous presence assures our friends and allies that the United States remains ready to help deter aggression, maintain access to the seas, and assist in the event of humanitarian crisis or natural disaster. Forward presence uniquely provides our country's leadership the ability to act with understanding, speed, and flexibility to contain issues or conflicts before they escalate. The Navy's forward presence has been called upon for more than 75-percent of our nation's combat operations and shows of force, and 90-percent of long duration humanitarian assistance or disaster response missions since 1970. The cost of perpetual presence requires us to continually maintain, upgrade and recapitalize our ships and submarines.

Inherent to the Navy's ability to perform these critical National Security missions are our ships and our ship force structure. Ships define the Navy and underpin virtually all of our naval warfighting capabilities. Today, we have a balanced fleet capable of meeting most Combatant Commander critical demands, from presence to counter-piracy to ballistic missile defense. However, as we look ahead, in the balance of capability and capacity, we see emerging warfighting requirements not only in the littorals, but in open ocean Anti-Submarine Warfare, Anti-Ship Cruise Missile, and Theater Ballistic Missile Defense. Gaps in these warfare areas pose increased risk to our forces. These factors drive our future force structure requirements for 313 ships.

Beyond addressing capability requirements, the Navy needs to have the right capacity to meet Combatant Commander warfighting requirements and remain a global deterrent. Combatant Commanders continue to request more surface ships and increased naval presence to expand cooperation with new partners in Africa, the Black Sea, the Baltic Region, and the Indian Ocean. This is in addition to the presence required to maintain our relationships with current allies and partners. Therefore, the Navy must increase surface combatant capacity to meet Combatant Commander demands today for ballistic missile defense, theater security cooperation, and steady state security posture; simultaneously developing our fleet to meet future demands.

Your Navy remains committed to building the fleet of the future and modernizing our current fleet to meet increasingly complex threats. The continual challenge the Navy faces is the availability of resources to fully populate the necessary force structure. As a result, the Navy will

assume risk in some capability areas in order to achieve a balance across all of its mission sets. While there will be some areas that have risks, the aggregate force will retain its basic warfighting capability to ensure the Nation does not lose its ability to deter, dissuade and win in armed conflict, while at the same time provide security and stability through Theater Security Cooperation. In the past decade, the average age of the Navy's ships has risen from about 15 to over 20 years old as platforms built in the 1980s approach the end of their service lives. Replacement ships have been delayed, are more expensive, and are fewer in number than planned, shrinking the Fleet from 344 total active ships in 1998 to 284 today. The shipbuilding industrial base has followed suit, downsizing aggressively in response to the Navy's reductions in ship procurement, leaving just two major shipbuilding companies operating across six locations. These individual shipyards are substantially smaller than they were just a decade ago. We are at a minimum sustaining rate for affordable shipbuilding; further reductions in ship procurements will exacerbate existing shortages, and we risk losing the core talent and industrial tools necessary to build future naval platforms. Mindful of this, Navy force structure planners are increasingly constrained by, and consequently focused on, the ability of the private shipbuilding industry to respond to our production requirements. With the advent of the Littoral Combat Ship and the Joint High Speed Vessel, the Navy is also dealing with second tier shipyards (In the case of the LCS program these yards are subcontractors.) The advantages of dealing with second tier shipyards are typically reduced labor rates and their reliance on commercial shipbuilding. The concerns with second tier shipyards are their ability to construct complex warships and the concern of dependency on Navy contracts in future workload projections.

The Navy has examined the rising cost of ship acquisition. Per-ship costs are rising due to such factors as reduced competition, increased system complexity, build rate volatility, low rate production, instability in ship class size, and challenges with introducing new technologies into new platforms. All of these factors lead to inefficient ship production. The Department is working aggressively to control costs. We are ensuring that new ship designs are mature enough to commence production. We are working to fully leverage competition at every level of our shipbuilding programs, at the first and second tier vendors if not with prime contractors. Lack of competition adds costs throughout the shipbuilding supply chain. In addition, within our shipbuilding contracts, we are continuing to implement proven cost-reduction tools and methods like multi-year procurements, cost reduction incentives, affordability programs, re-use of existing designs, and incentives for selected industrial capital improvement projects (CAPEX). Open Architecture, both for hardware and software, promises to be a powerful cost avoidance tool as well as a process for improving warfighting capability.

In 2008, the Navy instituted a more stringent acquisition governance process which improves reporting, reviewing, and oversight processes that provide specific criteria for areas such as requirements, funding, and technical performance. This process ensures that stakeholders from the resources, requirements, acquisition, and operational communities are apprised of, address, and revisit at defined intervals, issues associated with technical maturity, affordability and program health. In addition to the review process, every major defense acquisition program conducts an annual Configuration Steering Board, which provides a means to identify further opportunities to reduce costs. In response to issues regarding shortcomings in cost estimating, the Navy has a new, highly-focused Cost Estimating Tiger Team as a result of insights accumulated through our initial experience with the Acquisition Governance Process.

The team is investigating the factors that contribute to improved cost estimates and developing plans of action which will then be implemented by the Navy cost estimating organizations.

Working with the Office of the Secretary of Defense (Acquisition, Technology, and Logistics), the Department of the Navy (DoN) is taking specific measures to grow its Acquisition Workforce, which will ensure our ability to properly staff and manage programs. These measures include assigning a Principal Civilian Deputy (Senior Executive) to the Assistant Secretary of the Navy (Research, Development and Acquisition) with responsibilities for all DoN Acquisition Workforce; rebalancing the workforce by reversing the over-reliance on contractor-support executing core Navy acquisition functions (e.g., Systems Engineering, Cost Estimating, and Earned Value); more deliberate management of the Program Manager pipeline (experience and training); and leveraging the recent National Defense Authorization Act Sections 219 and 852 to restore capability and capacity in the DoN Acquisition Workforce. Specific to shipbuilding, the Navy focused on strengthening our Supervisor of Shipbuilding workforce to provide on-site presence in the private shipyards executing shipbuilding contracts.

Further, we are working regularly with our international allies to exchange best practices and lessons learned on shipbuilding efforts. A Shipbuilding Quadrilateral forum, comprised of government officials from the United States, United Kingdom, Canada and Australia, meets quarterly to discuss systematic trends that are emerging in shipbuilding programs. In May, the United States hosted the forum, which focused on cross-country system commonality and cost estimating challenges and opportunities.

The FY 2010 Navy shipbuilding plan provides stability for our industry partners. Over the past decade we have introduced eleven new designs or significantly modified ship classes. The President's budget for FY 2010 shipbuilding plan does not introduce any new design ships. Instead, the President's budget for FY 2010 requests ships which are currently in serial production. Stability in the Navy's plan is reflected in controlling requirements, minimizing changes in design, and providing predictable cost for a follow-on ship. Risk of the shipyards' ability to execute follow-on vessels is reduced, and the Navy can enter into fixed price type contracts, or exercise existing fixed price type contract options.

Serial production should benefit the shipyards and suppliers. Continuation of ship classes allows the shipbuilders to optimize their shipyard(s) for that particular product line. In the case of the VIRGINIA Class Block III Multi-Year Procurement, the shipbuilder can enter into long term relationships with suppliers for the next eight submarines. The Navy will continue to explore use of block buys and multi-year procurements for other ship classes as programs mature.

The Navy has learned a great deal from a protracted period of lead ships. These lessons will be applied as we move forward on any future new designs:

- Ship designs must be appreciably complete before start of fabrication to avoid concurrency and rework. Through the acquisition governance process, the Navy reviews a program's ability to enter into construction based on design completion. These results are documented in reports to Congress.

- Adequate staffing is key to lead ship design and production success. Staffing includes government (including on-site) and industry. Skill sets required must be carefully considered.

- Competitive prototyping of high risk components is valuable in the identification of technical challenges and helps to retire this risk.

- The private sector shipbuilding design base must be carefully managed. Too many new designs/significant modifications can stress the industry.

- The flow down of requirements can drive unintended costs. Technical authority must be carefully weighed against overarching requirements (key performance parameters). Development and review of system design specifications is now required as part of the acquisition governance process.

- Capital investment in shipyards needs to be considered during a ship's design phase so investments for efficient production can be made in advance of construction. This only applies in sole source arrangements, but once a competitive downselect is made, opportunity for facilities investments can be considered.

- Life cycle costs must be understood early in a ship's development. Reduced manning may transfer maintenance to shoreside, so end-to-end costs must be understood. Use of common parts should be considered for life cycle savings.

The Navy is procuring capability and modernizing current ships to create our future fleet. A discussion regarding the requirement for each element of our force structure and the status of construction and modernization for the platforms that comprise the Navy's Fleet follow.

Aircraft Carriers

Aircraft carriers are the foundation of our Carrier Strike Groups and continue to ensure dominance of and presence from the sea. The Navy remains committed to an 11-carrier force for the next several decades, which is necessary to ensure that we can respond to national crises within the current prescribed timeframe. Our carrier force provides the Nation the unique ability to overcome political and geographic barriers to access critical areas and project power ashore without the need for host nation ports and airfields.

The 11-carrier requirement is based on a combination of world-wide presence requirements, surge availability, training and exercises, and maintenance. During the 33-month period between the planned 2012 decommissioning of USS ENTERPRISE (CVN 65) and the 2015 delivery of GERALD R. FORD (CVN 78), however, legislative relief is requested to temporarily reduce the carrier force to 10. Extending USS ENTERPRISE to 2015 involves significant technical risk, challenges manpower and industrial bases, and requires expenditures in excess of two billion dollars. Extending USS ENTERPRISE would result in only a minor gain in carrier operational availability and adversely impact carrier maintenance periods and operational availability in future years. The temporary reduction to 10 carriers is possible during a limited

time period, mitigated by careful preplanning of personnel rotations and capacity and maintenance availabilities prior to and following the window.

CVN 21 Program

GERALD R. FORD (CVN 78), the lead ship of the CVN 78 Class is the designated numerical replacement for CVN 65. CVN 78 warfighting capability improvements include: 25-percent increase in sortie generation rate; a significant reduction in ship's force, as well as the air wing and embarked staff manning level; nearly three-fold increase in electrical generating capacity; restoration of service life allowances; and enhanced Integrated Warfare System to pace future threats. These improvements will ensure that CVNs remain the centerpiece of our Carrier Strike Groups, and will continue to lead the Navy throughout their 50-year expected service lives. The detail design and construction contract between the Navy and Northrop Grumman Shipbuilding – Newport News (NGSB-NN) was signed in September 2008. Keel laying is planned for this fall. The CVN 79 Construction Preparation (CP) contract covering FY 09 and FY 10 was awarded in January 2009. The President's Budget request for FY 2010 includes $740 million in full funding for the CVN 78 and $484 million in Advance Procurement for CVN 79.

CVN 68 Class

USS GEORGE H.W. BUSH (CVN 77), the tenth and final Nimitz Class carrier, is the numerical replacement for USS KITTY HAWK (CV 63). CVN 77 was commissioned in January 2009 and delivered in May; she will soon enter a Post Shakedown Availability. Delivery of CVN 77 maintains the force structure at the required 11-carrier level.

CVN 68 Class Refueling Complex Overhaul (RCOH)

For each CVN 68 RCOH, 35-percent of a carrier's total service life maintenance plan is performed, as well as depot level mid-life recapitalization which extends the service life of the ship to approximately 50 years. Nuclear reactor refueling, warfighting modernization, and ship systems and infrastructure repair will help meet future missions. These combined upgrades support a reduction in operating costs, achieve expected service life, and allow the Nimitz Class to retain combat relevance to deter projected threats well into the 21st century. This program is critical for the class to achieve its service life and retain combat relevance. USS CARL VINSON (CVN70) is currently in the final months of her RCOH and will complete this summer. USS THEODORE ROOSEVELT (CVN 71) is scheduled to begin her RCOH in September 2009. The President's Budget request for FY 2010 includes $1.8 billion for the CVN 68 Class RCOH program.

The Submarine Fleet

It is our intent that the Navy's submarine force remains the world's preeminent submarine force. We are aggressively incorporating new and innovative technologies to maintain dominance throughout the maritime battle space. We are promoting the multiple capabilities of submarines and developing tactics to support national objectives through battle space preparation, sea control, supporting the land battle and strategic deterrence. To these goals, the Department has continued a pattern of timely delivery of VIRGINIA Class submarines while

ensuring the overhaul of the OHIO Class submarines supports their continued ability throughout their full anticipated lifetime. The Department has also begun looking at alternatives to replace the OHIO Class submarines when they reach the end of their service life in 2027.

VIRGINIA CLASS

The VIRGINIA Class submarine is a multi-mission platform that fully supports the Maritime Strategy. VIRGINIA was designed and constructed to dominate the undersea domain in the littorals as well as open ocean in today's challenging international environment and is replacing our aging LOS ANGELES Class submarines as they reach over 30 year service lives. Now in its 10th year of construction, the VIRGINIA program is demonstrating that this critical undersea capability can be delivered affordably and on time.

Five VIRGINIA Class submarines have delivered and six more are under construction. In 2008, the Navy commissioned USS NORTH CAROLINA (SSN 777) in May and USS NEW HAMPSHIRE (SSN 778) in October. The sixth ship, NEW MEXICO (SSN 779), will be commissioned in November 2009.

General Dynamics Electric Boat and NGSB-NN continue to jointly produce VIRGINIA CLASS submarines and are working with the program office to reduce the construction time and cost of these ships. An eight-ship, multi-year procurement contract for the FY 2009-2013 ships was signed in December 2008. The contract achieves the cost reduction goal of $2 billion (FY 2005 dollars) with the FY 2012 ships as well as the two per year build rate starting in FY 2011. The FY 2010 President's budget request includes $3.970 billion for construction of the FY 2010 ship as well as advance procurement and economic order quantity funds for materials for the FY 2011-2013 ships contained in the multi-year contract.

SSBN Engineered Refueling Overhauls (EROs)

The OHIO Class SSBN Engineered Refueling Overhaul Program continues. USS ALASKA (SSBN 732) completed her overhaul in March 2009; USS NEVADA (SSBN 733) will complete her overhaul in 2010; and USS TENNESSEE (SSBN 734) will complete her overhaul in 2011. These EROs are a one-time depot maintenance period, near the mid-point of the SSBN service life, during which the nuclear reactor is refueled, major equipment is refurbished, class alterations are installed, and SUBSAFE unrestricted operations maintenance is accomplished. In the FY 2010 President's Budget, the Department has budgeted for SSBN EROs in O&MN and OPN appropriations vice SCN. ERO work is repair and maintenance work needed to fulfill the ship's design service life. Funding the overhaul with O&MN and OPN better aligns work and budget responsibilities to the fleet, the primary Navy Shipyard customer. The FY 2010 President's Budget requests $201 million for ERO of USS PENNSYLVANIA (SSBN 735).

Sea Based Strategic Deterrent (SBSD)

The Ohio Class ballistic missile submarine, originally designed for a 30-year service life, will start retiring in 2027 after over 40 years of service life. The DoD initiated an Analysis of Alternatives in FY 2008 for a replacement SSBN. Early research and development will set the stage for the first ship authorized in FY 2019. As long as our potential adversaries possess

nuclear weapons, the United States will need a reliable and survivable sea-based strategic deterrent. To ensure there is no gap in our Nation's sea-based strategic nuclear forces, the FY 2010 President's Budget request includes $495 million. These funds will ensure that design and technology development can begin to support technology readiness levels, prototyping and design maturity when the lead ship is authorized. The United States will achieve significant program benefits by aligning our efforts with those of the United Kingdom as they move forward with their VANGUARD SSBN replacement program. The US and UK are working towards finalizing a cost sharing agreement.

Surface Combatants

Today's Navy is operating in an increasingly complex and challenging environment. Demand from Combatant Commanders for traditional Navy core capabilities, forward presence, deterrence, sea control, and power projection by surface combatants operating both independently and with strike groups is increasing. The new Maritime Strategy also calls for expanding capabilities in Integrated Air and Missile Defense to include ballistic missile defense, maritime security, disaster relief and humanitarian assistance.

The Navy, after extensive discussions with General Dynamics Corporation Bath Iron Works (BIW) and Northrop Grumman Shipbuilding, Inc. (NGSB) arrived at a plan that most affordably meets the requirements for Navy surface combatants, commences the transition to improved missile defense capability in new construction DDG 51, and provides significant stability for the industrial base. Under a memorandum of agreement (MOA) signed in April 2009, BIW will be responsible for design, construction, integration, testing and delivery of DDG 1000, DDG 1001 and DDG 1002. NGSB will retain responsibility for design, engineering and fabrication of the composite Superstructure and composite hangar, and fabrication of aft Peripheral Vertical Launch System for DDG 1000 ships. In addition, the Navy will award contracts for construction of the first two ships of the DDG 51 restart program (DDG 113 and DDG 114) to NGSB, and will award a contract for construction of the third ship of the DDG 51 restart program (DDG 115) to BIW.

CG 47 Modernization

Twenty-two Aegis Cruisers remain in service and are planned to receive modernization upgrades. A comprehensive Mission Life Extension is critical to achieving the ship's expected service life and includes the All Electric Modification; SMARTSHIP; hull, mechanical, and electrical (HM&E) system upgrades; and a series of alterations designed to restore displacement and stability margins, correct hull and deck house cracking, and improve quality of life and service onboard. Cruiser Modernization bridges the gap to future surface combatants and facilitates a more rapid and affordable combat capability insertion process. The first full modernization availability was completed on USS BUNKER HILL (CG 52) in February 2009 and included Advanced Capability Build 08 (ACB08). ACB08 brings upgraded warfighting capability to CG 52-CG 58 including Cooperative Engagement Capability (CEC) and upgraded weapon systems. The President's Budget request for FY 2010 includes $495 million which will modernize two cruisers.

DDG 51 Modernization

The DDG 51 modernization program is a comprehensive effort to modernize the Arleigh Burke class ships' combat and HM&E systems. As ships are modernized halfway through their 35-year estimated service life, each ship will be enabled to achieve an additional 10-15 years of life that historically has been reduced by early decommission due to both the inability to pace the threat and to high operating costs. This program is modeled on the successful CG Modernization program and will occur in two phases. The first phase is the HM&E phase. These upgrades support workload reduction, operating costs minimization, expected service life achievement, and projected threat pacing well into the 21st century. The second phase, expected to commence in FY 2012, will consist of a full combat systems computing plant and Combat Information Center replacement, known as Advanced Capability Build 12 (ACB-12). ACB-12 will allow the class to field substantial capability against ballistic missiles, new generation advanced anti-ship cruise missiles and new, quieter submarines now in the hands of potential adversaries.

The first DDG to be modernized will be USS ARLEIGH BURKE (DDG 51), planned for FY 2010. The President's Budget request for FY 2010 includes $329 million which supports two ship modernizations in FY 2010.

DDG 1000 and DDG 51 Destroyers

DDG 1000, with its Dual Band Radar and sonar suite design, is optimized for the littoral environment. DDG 1000's advanced gun system provides enhanced naval fires support capability in the littorals with increased survivability.

The Navy began construction of DDG 1000 in February 2009. A rigorous systems engineering approach has been employed to mitigate the risk involved with building a complex lead ship surface combatant. This approach included successful building and testing of the ten critical technologies via engineering development models. Naval Vessel Rules were fully accommodated in detail design. Mission systems design is nearly complete. Detail design was also near completion prior to the start of fabrication – more complete than any other previous surface warship.

However, in the current program of record, the DDG 1000 is incapable of conducting Ballistic Missile Defense, and less capable than the DDG 51 Class for providing Air Defense. As well, although superior in littoral ASW, the DDG 1000's lower power active sonar design is less effective in the blue water than DDG 51 capability. In view of increasing demand by Combatant Commanders for air and missile defense capability, the budget request truncates the DDG 1000 program at three ships and restarts construction of DDG 51 Class ships.

The FY 2010 President's Budget request of $ 1.084 billion provides the balance of split funding for the third ship of the class authorized in 2009. In addition, $2.241 billion is requested to re-start the DDG 51 program.

The research, development, test and evaluation efforts for the DDG 1000 program ($539 million in FY 2010), which include software development and other critical efforts, must

continue in order to deliver the necessary technology to complete DDG 1000 class ships and support the CVN 78 Class.

The April 2009 MOA will align construction responsibilities for FY09 and prior DDG 1000 Class ships and selected DDG 51 Class ships between BIW and NGSB through the order of the next three planned DDG 51s in order to ensure shipyard workload stability at both yards, leverage learning, stabilize and minimize cost risk for the DDG 1000 Program, efficiently re-start DDG 51 construction, facilitate performance improvement opportunities at both shipyards, and maintain two sources of supply for future surface combatants.

Next Generation Cruiser CG(X)

CG(X) is envisioned to be a Joint Air and Missile Defense and Joint Air Control Operations Battle Space dominance ship. CG(X) will provide air and missile defense to Joint forces ashore and afloat. The Maritime Air and Missile Defense of Joint Forces (MAMDJF) Initial Capabilities Document (ICD) was validated by the Joint Requirements Oversight Council (JROC) in May 2006.

The results of the Navy's Analysis of Alternatives (AoA) for the Maritime Air and Missile Defense of Joint Forces capability are currently within the Navy staffing process. Resulting requirements definition and acquisition plans, including schedule options and associated risks, are being evaluated in preparation for CG(X) Milestone A. This process includes recognition of the requirement of the FY 2008 National Defense Authorization Act, that all major combatant vessels of the United States Navy strike forces be constructed with an integrated nuclear power plant, unless the Secretary of Defense determines this not to be in the best interest of the United States.

Vital research and development efforts are in progress for the Air and Missile Defense Radar which paces the ship platform development. Engineering development and integration efforts include systems engineering, analysis, computer program development, interface design, engineering development models, technical documentation, and system testing are in process to ensure a fully functional CG(X) system design. The FY 2010 President's Budget requests $190 million for the Air and Missile Defense Radar development and $150 million to continue maturation of the CG(X) design based on the preferred alternative selected.

Littoral Combat Ship (LCS)

The Navy remains committed to procuring 55 LCSs. LCS expands the battle space by complementing our inherent blue water capability. LCS fills warfighting gaps in support of maintaining dominance in the littorals and strategic choke points around the world. The LCS program capabilities address specific and validated capability gaps in Mine Countermeasures, Surface Warfare, and Anti-Submarine Warfare. The concept of operations and design specifications for LCS were developed to meet these gaps with focused mission packages that deploy manned and unmanned vehicles to execute a variety of missions. LCS' design characteristics (speed, agility, shallow draft, payload capacity, reconfigurable mission spaces, air/water craft capabilities) combined with its core Command, Control, Communications,

Computers and Intelligence, sensors, and weapons systems, make it an ideal platform for engaging in Irregular Warfare and Maritime Security Operations.

The Navy is aggressively pursuing cost reduction measures to ensure delivery of future ships on a schedule that affordably paces evolving threats. This will be accomplished by matching required capabilities, to a recurring review of warfighting requirements through applying lessons learned from the construction and test and evaluation periods of sea frames and mission packages. USS FREEDOM (LCS 1) was delivered to the Fleet in September 2008 and was commissioned in November 2008. INDEPENDENCE (LCS 2) was christened in Mobile, Alabama on October 4, 2008. In 2009, the Navy will accept delivery of the second ship, which is a completely different design.

In October 2008, the Undersecretary of Defense for Acquisition, Technology and Logistics approved a revised acquisition strategy for procurement of the FY 2009 and FY 2010 LCS. The updated strategy combines the FY 2009 procurement and FY 2010 options to maximize competitive pressure on pricing as a key element of cost control. Increasing the quantity solicited by adding the FY 2010 ships to the FY 2009 solicitation as options enables industry to better establish longer term supplier relationships and offer the potential for discounting to the prime contractors and subcontractors. The FY 2009 ships and FY 2010 ship options are fixed price type contracts.

The FY 2010 President's Budget request includes $1.38 billion for three additional LCS seaframes.

Acquisition strategies for FY 2011 and outyear ships are under development. OSD will conduct a Milestone B prior to FY 2011 procurement. The Navy's strategy will be guided by cost and performance of the respective designs, as well as options for sustaining competition throughout the life of the program. Combat systems and HM&E design will be evaluated throughout the test and trial periods and we are already looking for opportunities to reduce total ownership costs.

Amphibious Ships

These ships provide distributed forward presence to support a wide range of missions from forcible entry to conventional deterrence, Theater Security Cooperation, and humanitarian assistance. In major combat operation, DON requires sufficient amphibious ships to support two Marine Expeditionary Brigades (MEB). As an organization principle, this requires the Navy to maintain a minimum of 38 amphibious ships. Understanding this requirement and in light of the fiscal challenges with which the Navy is faced, the DoN plans to sustain a minimum of 33 amphibious ships in the assault echelon.

WASP (LHD 1) Class Amphibious Assault Ship

The WASP (LHD 1) Class comprises multi-purpose amphibious assault ships whose primary mission is to provide embarked commanders with command and control capabilities for sea-based maneuver and assault operations as well as employing elements of a landing force through a combination of helicopters and amphibious vehicles. MAKIN ISLAND (LHD 8), the

last of the Wasp Class, completed successful Acceptance Trials in March 2009 and was delivered in April 2009. Although a modified repeat of the previous seven ships, this ship introduced a gas turbine propulsion system with all electric auxiliary systems and eliminated the steam plant and steam systems.

LHA (R) General Purpose Amphibious Assault Ship (Replacement)

The LHA(R) Assault Echelon (AE) ships will provide flexible, multi-mission platforms with capabilities that span the range of military operations--from forward deployed crisis response to forcible entry operations. LHA(R) is a modified LHD 8 design with increased aviation capacity in lieu of a well deck to better accommodate aircraft in the future USMC Air Combat Element (ACE) including JSF/MV-22. LHA (R) is the functional replacement for the aging TARAWA (LHA 1) Class ships that will reach the end of their extended service life in 2011-2015. The Navy's study to assess the impact of MPF(F) without LHA(R) ships has determined that this change is feasible but may result in slightly longer time to complete mission and may require modifications to remaining MPF(F) ships.

LPD 17 Class Amphibious Warfare Ship

The LPD 17 Class of amphibious warfare ships represents the Navy's commitment to a modern expeditionary power projection fleet that will enable our naval force to operate across the spectrum of warfare. SAN ANTONIO Class ships will play a key role in supporting the ongoing Overseas Contingency Operations by forward deploying Marines and their equipment to respond to crises abroad. USS GREEN BAY (LPD 20) was commissioned in January 2009 and USS NEW ORLEANS (LPD 18) deployed the same month. New York (LPD 21) is planned to deliver this summer. LPDs 21-25 are in various stages of construction phase. The FY 2010 President's Budget requests $872 million for the balance of the funding for LPD 26 which was authorized in 2009. Further, $185 million of advance procurement is requested for LPD 27, in accordance with the April 2009 MOA, to leverage production efficiencies of the existing LPD 17 class production line.

Auxiliary and Intra-Theater Lift Platforms

Combat logistics force ships are critical for forward deployed forces. The vital role of underway replenishment of such items as fuel, food, repair parts, and ammunition enable Navy ships to operate for extended periods at sea. The extended operating demands for vessels such as Joint High Speed Vessels (JHSV) and LCS for intra-theater lift, Theater Security Cooperation, or engagement missions will place a high demand for support on existing logistics shipping and increase the operating tempo of the Combat Logistics Force ships. Intra-theater lift is key to enabling the United States to rapidly project, maneuver, and sustain military forces in distant, anti-access or area-denial environments.

Maritime Prepositioning Force (Future)

Maritime Prepositioning Force (Future) or MPF(F) provides a scalable joint sea-based capability for the closure, arrival, assembly and employment, sustainment and reconstitution of up to a baseline MEB-sized force in support of the Assault Echelon of the amphibious assault

force. MPF(F) will provide the nation a rapid reinforcing capability and significant utility in response to Humanitarian Assistance/Disaster Relief (HA/DR), Non-Combatant Evacuation Operations (NEO), and Theater Security Cooperation Program. The MPF(F) Squadron composition will be acquired in three increments, with the first increment consisting of the Lewis and Clark Class Dry Cargo/Ammunition Ship (T-AKE) and the Mobile Landing Platform (MLP).

Mobile Landing Platform (MLP)

The Navy awarded a preliminary design contract to General Dynamics NASSCO for the Mobile Landing Platform – one of the MPF(F) vessels in February 2009. The FY 2010 President's Budget request includes $120 million of advance procurement funding for the MLP and $52 million of RDT&E for the MPF(F) program, including MLP risk reduction and technology development.

Lewis and Clark Class Dry Cargo/Ammunition Ship (T-AKE)

T-AKE replaced the Navy's combat stores (T-AFS) and ammunition (T-AE) shuttle ships. Working with an oiler (T-AO), the team can perform a "substitute" station ship mission which will provide necessary depth in combat logistics. Fourteen T-AKE ships are covered under a fixed-price incentive contract with NASSCO. Three of the T-AKEs are to support MPF(F) program requirements. Major accomplishments for 2008 include delivery of USNS ROBERT E. PEARY (T-AKE 5) in June 2008 and USNS AMELIA EARHART (T-AKE 6) in October 2008. USNS CARL BRASHEAR (T-AKE 7) delivered in March 2009 and WALLY SCHIRRA (T-AKE 8) will deliver later this year. The construction contract option for the T-AKE 11 and 12 and long lead time material for the T-AKE 13 and 14 were exercised in December 2008. The FY 2010 President's Budget requests $940 million for construction of two T-AKEs (T-AKE 13 and 14) in the National Defense Sealift Fund in support of MPF(F) requirements.

Joint High Speed Vessel (JHSV)

The Joint High Speed Vessel (JHSV) program is for the acquisition of high-speed vessels for the Army and the Navy. JHSV will be a high-speed, shallow draft surface vessel able to rapidly transport medium payloads of cargo and personnel over intra-theater distances to austere ports, and load/offload without reliance on port infrastructure. The detail design and lead ship construction contract was awarded to AUSTAL, USA in November 2008, and includes contract options for nine additional ships for the Army and Navy. Delivery of the first vessel will be to the Army and is expected in 2011. The FY 2010 President's Budget request includes $178 million for the construction of the Navy's second JHSV and $178 million for the second Army funded vessel.

Summary

The Navy has come through many difficulties associated with lead ships and sustained production is proceeding. The FY 2010 budget request, which focuses on improving performance in the production of follow ships of each class, reflects the Navy's emphasis on stabilizing the shipbuilding plan. We understand the impact long term attrition and downsizing

has had on the acquisition workforce, and are taking necessary steps to restore our core competencies. We have instituted the acquisition governance process to improve requirements/acquisition decision making. We are committed to meeting the force structure required to meet the Maritime Strategy.