

Stenographic Transcript
Before the

Subcommittee on Seapower

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON NAVY SHIPBUILDING
PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION
REQUEST FOR FISCAL YEAR 2016 AND THE FUTURE YEARS
DEFENSE PROGRAM

Wednesday, March 18, 2015

Washington, D.C.

ALDERSON REPORTING COMPANY
1155 CONNECTICUT AVENUE, N.W.
SUITE 200
WASHINGTON, D.C. 20036
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8 U.S. Senate
9 Subcommittee on Seapower
10 Committee on Armed Services
11 Washington, D.C.
12

13 The subcommittee met, pursuant to notice, at 9:31 a.m.
14 in Room SR-222, Russell Senate Office Building, Hon. Roger
15 Wicker, chairman of the subcommittee, presiding.

16 Subcommittee Members Present: Senators Wicker
17 [presiding], Sessions, Ayotte, Rounds, Tillis, McCain,
18 Shaheen, Hirono, Kaine, and King.
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1 OPENING STATEMENT OF HON. ROGER F. WICKER, U.S.
2 SENATOR FROM MISSISSIPPI

3 Senator Wicker: This hearing will come to order.

4 The Senate Armed Services Subcommittee on Seapower
5 convenes this morning to examine Navy shipbuilding programs.

6 And we are delighted to welcome three distinguished
7 witnesses today: The Honorable Sean Stackley, Assistant
8 Secretary of the Navy for Research, Development, and
9 Acquisition; Vice Admiral William H. Hilarides, Commander of
10 Navy Sea Systems Command; and Vice Admiral Joseph P. Mulloy,
11 Deputy Chief for Naval Operations for Integration of
12 Capabilities and Resources, quite a title.

13 Gentlemen, our subcommittee is grateful to you for your
14 decades of service, and we are also grateful for the
15 sacrifice of our sailors and marines serving around the
16 globe. With nearly than 100 ships deployed today, standing
17 the watch, our Navy continues to provide a front line of
18 defense for our country.

19 Now, more than ever, a strong Navy is central to our
20 Nation's ability to deter adversaries, assure allies, and
21 defend our national interests. Our sailors and marines are
22 at the forefront of our rebalance to Asia, our ongoing
23 operations against the Islamic state, and our efforts to
24 deter rogue states such as Iran and North Korea. However,
25 our current fleet of 275 ships is insufficient to address

1 these critical security challenges. The Navy's stated force
2 structure requirement is 306 ships. The Bipartisan National
3 Defense Panel calls for a fleet of 323 to 346 ships. And
4 our combatant commanders say they require 450 ships.
5 Despite these publicly stated requirements by our military
6 leaders, the Navy says acquisition -- says that
7 sequestration could shrink our fleet to 260 ships.

8 Not only is our Navy too small, it is also not as ready
9 as it should be. Sequestration in 2013 and a high
10 operational tempo in Asia and the Middle East have led our
11 naval fleet to endure major readiness shortfalls, including
12 longer deployments, reduced training time, and reduced surge
13 capability. I am concerned about the potential impact these
14 factors will have on our ability to deter and confront
15 future adversaries. These factors could also endanger the
16 long-term vitality of the Navy's highly skilled and all-
17 volunteer force of sailors and marines.

18 This morning, I would like to hear from our witnesses
19 on what I consider five key issues that our subcommittee
20 will review this year:

21 First, the viability of the 30-year shipbuilding plan
22 is essential to the strength of our shipbuilding industrial
23 base. The unique strength of the skills, capabilities, and
24 capacities inherent to new construction shipyards and weapon
25 system developers can reinforce the Navy's dominant maritime

1 position. I would like our witnesses to relate how they
2 carefully weigh the effects on the shipbuilding industrial
3 base when they balance resources and requirements in the
4 shipbuilding plan.

5 Second, it is critical this subcommittee conduct
6 rigorous oversight of shipbuilding programs to ensure the
7 Navy is making the best use of limited taxpayer dollars.
8 The Congress expects the Ford-class Nuclear Aircraft Carrier
9 Program and Littoral Combat Ship, LCS, to deliver promised
10 capability on time and on budget. Delays or unsatisfactory
11 test results could result in cost growth and challenges for
12 the legacy platforms these ships will replace. With regard
13 to the Navy's decision on the upgraded LCS, known as the
14 small surface combatant, this subcommittee needs clarity on
15 the specific combatant commander gaps these upgraded ships
16 may fill. Our subcommittee would also like to know what
17 threat benchmarks these ships should be measured against.

18 Third, this subcommittee also has a duty to shape the
19 future of our Navy. Each of our classes of surface
20 combatant ships -- cruisers, destroyers, and littoral combat
21 ships -- will begin retiring within the next 20 years. Now
22 is the time to establish the analytical framework to replace
23 them. I am also deeply concerned about the extraordinary
24 cost of the Ohio-class Submarine Replacement Program, or
25 ORP, could place tremendous stress on our already

1 constrained shipbuilding budget. Undoubtedly, we'll talk
2 about that today. This committee looks forward to working
3 with DOD and the Department of the Navy on innovative
4 approaches to fund the ORP, which is a vital leg in our
5 nuclear triad.

6 Fourth, I am interested in learning the views of our
7 witnesses on ways we can ensure the Navy's shipbuilding plan
8 meets the demand from our combatant commanders for
9 amphibious ships. This demand is greater than 50 amphibious
10 ships at any given time. I am pleased to note that the Navy
11 has funded LPD-28, the 12th San Antonio-class amphibious
12 ship. As we continue to pivot toward Asia Pacific, the Navy
13 and Marine Corps will serve as the lynchpin of American
14 force projection abroad. Our subcommittee would like to
15 know more about the acquisition strategy or the LHA-8s, big-
16 deck amphibious ship, the first six ships of the new fleet
17 oiler, and our next-generation amphibious assault ship,
18 known as the LX(R).

19 And finally, funding and budget challenges. The Navy
20 continues to face significant budget challenges. Navy
21 funding has already been reduced 25 billion compared to the
22 budget request over the last 3 years. Admiral Greenert
23 testified before the Senate Armed Services Committee in
24 January that maintenance and training backlogs on budget
25 cuts have reduced the Navy's ability to maintain required

1 forces for contingency response to meet combatant command
2 operational plan requirements.

3 As a member of both the Armed Services Committee and
4 the Budget Committee, I know that tough decision must be
5 made across the Federal Government, but I would remind
6 everyone that national defense is solely a Federal
7 responsibility. Defense spending is also known as a twofer,
8 as I have stated repeatedly over the years, supporting both
9 our national security and our high-tech manufacturing
10 workforce. As such, I hope our witnesses today will
11 elaborate on the impact that sequestration would have on a
12 shipbuilding plan, the ability to execute our country's
13 national security strategy, and the vitality of our defense
14 industrial base.

15 With that in mind, I'd turn to my distinguished Ranking
16 Member, Senator Hirono, for whatever opening remarks she
17 would like to make.

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

3 Senator Hirono: Thank you, Mr. Chairman.

4 And I share the Chair's focus on the rebalance to the
5 Asia-Pacific. Even as there are so many areas of the world
6 where there is instability -- the Middle East, Africa,
7 Ukraine -- we want to make sure that this area of the world,
8 the Asia-Pacific area, remains as stable as possible. And
9 that is really part of what the rebalance looks to.

10 So, I certainly welcome all of our witnesses, and thank
11 you for your service to the Nation.

12 And I also want to extend my aloha and thanks to the
13 professional service of the men and women under your
14 command, and to their families, because, without their
15 families supporting them, I think that it would make things
16 a lot more difficult for our servicemembers to provide the
17 kind of service that they do provide to our Nation.

18 So, today our witnesses face huge challenges as you
19 strive to balance the need to support ongoing operations and
20 sustain readiness with the need to modernize and keep the
21 technological advantage that is so critical to military
22 success. These challenges have been made particularly
23 difficult by the spending caps imposed in the Budget Control
24 Act, caps that were modestly relieved in 2015 in the
25 Bipartisan Budget Act. However, as we all know, these caps

1 are scheduled to resume in 2016 and beyond. These caps
2 already seriously challenge our ability to meet our national
3 security needs, and have already forced all of the military
4 departments to make painful tradeoffs. Unless modified for
5 the years after fiscal year 2016 and beyond, I believe that
6 they will threaten our long-term national security
7 interests.

8 With that in mind, the continuing focus of this
9 committee has been to see that we improve our acquisition
10 stewardship and thereby ensure that we are getting good
11 value for every shipbuilding dollar that we spend. We are
12 very pleased to see continued stability and performance in
13 the Virginia-class attack submarine production at a level of
14 two per year. And we have seen that stability helps drive
15 down costs and improve productivity. We also support the
16 Navy's continuing effort to drive costs out of the Ohio
17 replacement SSBN program. SSBNs will remain a vital link on
18 the nuclear triad for the foreseeable future. Establishing
19 and achieving cost-reduction goals in these Virginia-class
20 and Ohio replacement programs will yield significant
21 stability to our Nation's submarine industrial base, which
22 will ensure the Navy has a modern, capable submarine fleet
23 for years to come.

24 Aircraft carrier programs are another important area
25 for discussion of the subcommittee. We need to hear about

1 the progress that the Navy and the contractors are making to
2 deliver CVN-78 within the cost cap and what progress is
3 being made on reducing the production costs for CVN-79 and
4 later carriers.

5 Another topic that we should address is the discussion
6 within DOD of changes to the Littoral Combat Ship, LCS,
7 Program. The Navy, responding to direction from former
8 Secretary Hagel, analyzed numerous upgrades to the current
9 LCS designs, and has identified some upgrades to the ships
10 that the Navy hopes to include in the 33rd ships -- ship and
11 beyond. And we need to ensure that the Navy has validated
12 requirements for making these changes.

13 This year, the Navy wants to implement an engineering
14 change proposal for the DDG-51 destroyer program to include
15 the Air and Missile Defense Radar, or AMDR, on the second
16 DDG-51 in the fiscal year '16 budget request. We need to
17 assess whether the Navy and contractors have made
18 significant progress on the AMDR program to merit including
19 this new radar in the DDG-51 during the middle of the
20 multiyear procurement program. In our country's current
21 fiscal environment, it's very unlikely that we will have as
22 much money to spend as the 30-year shipbuilding plans and
23 goals assumed. And, fundamentally, that is why these
24 hearings are so important. We need to focus on managing
25 these important programs in ways that are efficient and

1 effective in delivering the capability the country needs
2 from its Navy. We need to improve quality and efficiency in
3 all our shipbuilding programs, and not only -- not only
4 because of the direct savings, but also because we need to
5 demonstrate to the taxpayer that we are using every defense
6 dollar wisely.

7 Gentlemen, I look forward to your testimony this
8 morning.

9 Thank you, Mr. Chairman.

10 Senator Wicker: Thank you, Senator Hirono.

11 Secretary Stackley.

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1 STATEMENT OF HON. SEAN J. STACKLEY, ASSISTANT
2 SECRETARY OF THE NAVY, RESEARCH, DEVELOPMENT, AND
3 ACQUISITION

4 Mr. Stackley: Yes, sir. Chairman Wicker, Ranking
5 Member Hirono, distinguished members of subcommittee, thank
6 you for the opportunity to appear before you today to
7 discuss the Department of the Navy's shipbuilding programs.

8 With the permission of the subcommittee, I propose to
9 provide brief opening remarks and submit a separate formal
10 statement for the record.

11 Senator Wicker: Without objection.

12 Mr. Stackley: Thank you, sir.

13 The timely passage of the 2015 national defense
14 authorization and appropriations bills has provided much
15 needed budget stability, relative to recent prior years,
16 enabling the Department to carry out its mission with far
17 greater efficiency and effectiveness. In fact, the
18 Department of the Navy fared extremely well in this year's
19 bills. We greatly appreciate the subcommittee's efforts,
20 for not only has Congress fully supported our request, but
21 it has increased procurement in our most critical programs,
22 sending a strong signal of support for our Navy and Marine
23 Corps mission.

24 However, as you have noted, we cannot lose sight of the
25 fact that, as a result of sequestration in 2013 and the

1 Bipartisan Budget Act across 2014 and '15, the Department of
2 the Navy's budget has been reduced by \$25 billion, compared
3 to the funding that we had determined was necessary to meet
4 the Defense Strategic Guidance, or the DSG. As a result,
5 quantities of ships, aircraft, and weapons has been
6 impacted, development programs have been stretched,
7 modernization has been slowed, deployments have been
8 canceled, deployments have been stretched, and depot and
9 facilities maintenance has been deferred, all placing
10 greater strain on the force. And, with a significant
11 portion of the reductions levied against procurement, the
12 resultant quantity reductions had the perverse impact of
13 driving up unit cost for weapon systems at a time when cost
14 is one of the great threats before us.

15 In building the 2016 budget request, we've been
16 faithful to our fiscal responsibilities, leveraging every
17 tool available to drive down cost. We've tightened
18 requirements, maximized competition, increased the use of
19 fixed-price contracts, and capitalized on multiyear
20 procurements, and we've attacked our cost of doing business
21 so that more of our resources can be dedicated to
22 warfighting capability. Alongside range and speed and power
23 and payload, affordability has become a requirement.

24 All the while, independent of the fiscal environment,
25 the demand for naval presence is on a steady rise. As

1 you've noted, near half of our fleet is routinely at sea,
2 and, of that number, about 100 ships and more than 75,000
3 sailors and marines are deployed. On the ground in
4 Afghanistan, in the air over Syria, on the waters of the
5 Black Sea, from the Sea of Japan to the eastern
6 Mediterranean, they are the providers of maritime security.
7 They are our first responders to crisis. They are our
8 surest defense against a threat of ballistic missiles. And
9 they are our Nation's surest deterrent against the use of
10 strategic weapons. Therefore, we've placed a priority on
11 forward presence, near-term readiness, investment in those
12 future capabilities critical to our technical superiority
13 and stability in our shipbuilding program.

14 Our shipbuilding program is, in fact, very stable. The
15 fleet under construction is 65 ships strong, 44 ships of ten
16 different classes in fabrication and assembly at eight
17 shipyards, and another 21 ships recently contracted, with
18 material on order at factories across the country. We are
19 on track to a 300-ship Navy by 2019.

20 Highlights. We commissioned U.S.S. America, LHA-6, the
21 first new-designed big-deck amphib in over 30 years, and
22 laid the keel of her sister ship, Tripoli, LHA-7, this past
23 year. We're completing construction and testing of CVN-78,
24 Gerald Ford, our first new-designed aircraft carrier in more
25 than 40 years, and we have started construction of her

1 sister ship, John F. Kennedy, CVN-79. Likewise, DDG-1000,
2 the first new-design destroyer in 30 years, is ramping up
3 its shipboard system activation and testing, preparing for
4 sea trials later this year. On each of these programs, we
5 are heavily engaged with industry to control cost on the
6 lead ship and to leverage learning and make the necessary
7 investments to reduce costs on follow ships. Meanwhile,
8 DDG-51 construction is proceeding steadily, with the first
9 restart ship, DDG-113, on track to deliver in 2016.

10 Equally important, we're on track with the first
11 Flight-3 destroyer upgrade. The backbone of Flight 3, the
12 Air and Missile Defense Radar, completed its critical design
13 review and is meeting or exceeding all performance
14 requirements. The Navy relies on your continued support for
15 this capability, which is so critical to countering the
16 increasing crews and ballistic missile threat.

17 The Littoral Combat Ship continues to demonstrate
18 strong learning-curve performance at both building yards,
19 and the first surface warfare mission package completed
20 operational testing and is today deployed on U.S.S. Fort
21 Worth in the western Pacific. And, as was announced, the
22 Navy will commence a new frigate-class design, based on
23 modifications to the current LCS, to provide multimission
24 capability and enhanced survivability that will
25 significantly expand this ship's range of operations.

1 In submarines, we continue to leverage learning on the
2 Virginia program and are proceeding with the design of the
3 next major upgrade, Virginia payload modules, to augment our
4 undersea strike capacity as our guided-missile submarines,
5 the SSGNs, retire in the next decade. And we're ramping up
6 design activities on the Ohio replacement program to support
7 her critical schedule.

8 In other shipbuilding programs, we have requested the
9 balance of funding for the 12th LPD class to leverage the
10 benefits brought by that ship to our amphibious force.
11 We're building our first afloat forward staging base, and
12 continue to enjoy strong learning-curve performance on joint
13 high-speed vessel. And we're proceeding with three new
14 major programs: the fleet oiler TAO(X), the next big-deck
15 amphib, LHA-8, and the replacement for the LSD-41/49 class
16 LX(R). Each is critical to our force. Each is critical to
17 the industrial base. And affordability is critical to each.
18 And so, we've constructed an acquisition strategy to meet
19 these objectives.

20 And, of interest to this subcommittee, we have awarded
21 the planning contract and are proceeding with the refueling
22 overhaul of CVN-73, the George Washington. Likewise, we are
23 proceeding with the planning and material procurement for
24 our cruiser and LSD modernization programs, in accordance
25 with Congress's approval in the 2015 bills.

1 As a final note, in response to sequestration in 2013,
2 the BBA level funding in 2014 and 2015, and the reductions
3 across 2016 through 2020, the Department has been judicious
4 in controlling costs, reducing procurements, and delaying
5 modernization. However, these actions necessarily add cost
6 to our programs, add risk to our industrial base, and add
7 risk to our ability to meet defense strategic guidance.

8 All the while, we have been asking our sailors and
9 marines to endure extended deployments while responding to
10 new challenges in an incredibly complex security
11 environment. If we are forced to execute at BCA levels in
12 fiscal year 2016 and beyond, these cuts will go deeper, and
13 we fundamentally change the Navy and Marine Corps and the
14 industrial base the Nation relies on for our national
15 defense and economic security.

16 Mr. Chairman, thank you for the opportunity to appear
17 before you today. We look forward to answering your
18 questions.

19 [The prepared joint statement of Mr. Stackley, Admiral
20 Hilarides, and Admiral Mulloy follows:]

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1 Senator Wicker: Thank you, Secretary Stackley.
2 Vice Admiral Hilarides.
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1 STATEMENT OF VICE ADMIRAL WILLIAM H. HILARIDES, USN,
2 COMMANDER, NAVAL SEA SYSTEMS COMMAND

3 Admiral Hilarides: Thank you, Chairman Wicker, Senator
4 Hirono, distinguished members of the committee. Thank you
5 for inviting me to take part in this hearing. I am honored
6 to be here.

7 I would like to just echo one thing that Secretary
8 Mabus said during his -- one of his hearings last month. We
9 would not have the fleet to put to sea without our Navy
10 civilians. They are the scientists, engineers, designers,
11 contract officers, and acquisition professionals who oversee
12 the construction of our newest ships and do so much of the
13 repair work on our in-service ships.

14 As you might remember, the NAVSEA family lost 12
15 shipmates during the shooting at our headquarters on
16 September 16th, 2013. We are just now getting back to
17 normal, with the last of our people returning to their
18 permanent offices in the Navy yard this week. Over the last
19 18 months, I have been a first -- have seen firsthand the
20 absolute dedication of these Navy civilians to our Nation
21 and our Navy. Despite the tragedy, they remained focused on
22 supporting the fleet, and we didn't miss a beat. I owe it
23 to my people to recognize them in this forum.

24 Thank you for the opportunity, and I look forward to
25 answering your questions.

1 Senator Wicker: Thank you. And I'm sure those
2 individuals appreciate that recognition.

3 Vice Admiral Mulloy.

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1 STATEMENT OF VICE ADMIRAL JOSEPH P. MULLOY, USN,
2 DEPUTY CHIEF OF NAVAL OPERATIONS, INTEGRATION OF
3 CAPABILITIES AND RESOURCES (N8)

4 Admiral Mulloy: Sir. Chairman Wicker, Ranking Member
5 Hirono, and distinguished members of the subcommittee, I'm
6 honored to be here today to testify on your Navy's seapower
7 power-projection forces. I look forward to working with you
8 all this year.

9 In developing our 2016 President's budget, we carefully
10 analyzed what our Nation needs in order to meet the missions
11 of the defense strategic guidance in the most recent
12 Quadrennial Defense Review. This analysis looked at ends,
13 ways, and means necessary to, one, fight and win today's
14 wars while building the ability to win tomorrow's; to
15 operate forward to deter aggression; and be ready to fight
16 and responsibly employ our diverse force. We remain
17 committed to rebalancing the majority of our naval forces to
18 the Asia-Pacific, with approximately 60 percent of our ships
19 and aircraft in that region by 2020. However, with the
20 reality of current budget -- Federal budget limitations and
21 our commitment to do our part in bringing our Nation's
22 fiscal house in order, we have made many difficult choices
23 to best balance capacity, capability, readiness, and the
24 industrial base, and still meet the missions of the defense
25 strategic -- pardon me -- defense strategy, albeit with some

1 risk.

2 Our 2016 budget represents what we feel is the minimum
3 needed for your Navy to continue to be where it matters,
4 when it matters. It reflects the difficult choices and
5 actions we had to take due to shortfalls over the last 3
6 years. We are down \$25 billion due to sequestration in 2013
7 and the Bipartisan Budget Act in '14-'15. It has to stop.
8 We hang on and make do. But, the threats we face don't have
9 to make do. Thus, any reduction in 2016, whether it's from
10 sequestration or action by Congress to set some level in
11 between, will be extremely challenging. If limited to
12 sequestration-level funding, the Nation would need to think
13 about what kind of military we can afford, how we would need
14 to reprioritize our missions in that situation. This
15 analysis would need to factor in the global environment, the
16 Nation's defense priorities, America's role in the
17 international security environment, and the capabilities and
18 threats of our adversaries, as well as the timing of
19 sequestration and method of implementation. That analysis
20 will dictate what kind of cuts would be required.

21 We have to do the analysis first, revise the defense
22 strategy before taking specific impacts. We fight as a
23 joint force, we must adjust as a joint force.

24 We ask you for your support in providing the strategy-
25 based naval force that our 2016 budget would sustain, and

1 avoid the budget-based military that sequestration would
2 bring.

3 I look forward to answering your questions.

4 Senator Wicker: Thank you very much, gentlemen. We
5 appreciate your testimony.

6 I'm going to defer my questions until later on, and
7 recognize Senator Ayotte to begin the questioning.

8 Senator Ayotte: I want to thank the Chairman and
9 Ranking Member.

10 And I want to thank all of you for what you do for the
11 country, and especially the sailors and marines and the
12 civilian workforce that work underneath you to keep our
13 country safe.

14 And I wanted to follow up with what you said, Admiral
15 Hilarides, about the civilian workforce. You know, as you
16 know, as we look at the great work done at the Portsmouth
17 Naval Shipyard, which I know that Senator King shares in the
18 pride we have, of course, in the shipyard, this is a very
19 important component of the shipyard. So, can you tell me
20 how the shipyard's doing and -- from your impression?

21 Admiral Hilarides: Yes, ma'am. Happy to report that
22 Portsmouth Naval Shipyard is currently delivering its
23 availabilities on time. They are meeting all their
24 benchmarks and are performing at a very high level. They
25 support additional detachments out in San Diego. They're

1 doing in-service submarine work there, as well. We do have
2 a bump in hiring at Portsmouth that'll help bring them to
3 their full capacity. But, I'm pleased to report that
4 Portsmouth's doing very well, ma'am.

5 Senator Ayotte: Well, that's great. And we're also
6 really proud -- I understand, on the Topeka, the California,
7 and the Springfield, they were able to perform ahead of
8 schedule. So, we hope to do more of that.

9 Admiral Hilarides: Yes, ma'am.

10 Senator Ayotte: Very proud of them. So, thank you.

11 And I wanted to follow up in that regard on the
12 importance of our attack submarine fleet. I know that the
13 Chairman, in his opening statement -- and, I believe, the
14 Ranking member, as well, may have referenced -- when it
15 comes to the Virginia-class submarines, as we look at the
16 retirement of the Los Angeles class, which is happening more
17 quickly, we're going to be in a position where the current
18 number of attack submarines will drop, in the next decade,
19 from about 54 now to about 41, yet -- what's been the
20 request, in terms of the need by our combatant commanders,
21 for attack submarines? As I understand it, we're only
22 meeting about half of their requests, at this point.

23 Admiral Hilarides: Yes, ma'am. We're meeting
24 approximately 54 percent of their request for our forces out
25 there right now, with the submarine force we have.

1 Senator Ayotte: So, one of the things, as we look at
2 going forward, it seems to me very important that we stay on
3 track to continue building the two Virginia-class submarines
4 a year. Otherwise, we're going to have a pretty significant
5 gap, in terms of our capability that we need to defend the
6 Nation and the need for the attack submarine fleet. Would
7 you all agree with me on that?

8 Mr. Stackley: Yes, ma'am.

9 Senator Ayotte: And how important is it that Congress
10 provide reliable and sufficient funding so the Navy can
11 fully implement the Block-4 multiyear procurement contract,
12 going forward?

13 Mr. Stackley: Well, the basis of the savings that
14 we're achieving in the Block-4 contract are all tied to
15 stability of funding. So --

16 Senator Ayotte: Right.

17 Mr. Stackley: -- when we came forward with a
18 certification on multiyear and basically took credit for the
19 savings, that was all predicated on future budgets being
20 supported in a timely manner.

21 Senator Ayotte: I also wanted to follow up -- as we
22 look at the reduction in the capacity for -- the undersea
23 strike capacity that all of us are worried about -- I know
24 recently, before the full committee, the Chief of Naval
25 Operations said that they're studying -- that you are all

1 studying whether the Virginia payload module program could
2 be accelerated. Could you comment on that?

3 Mr. Stackley: Yes, ma'am. The -- what's referred to
4 as VPM is an upgrade that's targeted for the first boat of
5 the follow-on Block-5 multiyear in FY-19. And we cannot
6 restore the capacity of the SSGNs fast enough, because
7 they're going to go out in a 3-year period, in the mid-'20s.

8 And with each SSGN -- they carry 154 -- the capacity for
9 154 Tomahawks. So, with VPM, we add 28 Tomahawk capacity
10 per Virginia. So, as you can see, you know, just doing the
11 math, we have to, basically, include VPM for a long period
12 of time. It's about 22 boats, in total, that make up the
13 capacity that you lose. And the earlier we can get started
14 on that, the better.

15 So, what we have done is -- working with industry, is,
16 rather than settle for the first boat in '19, we've asked to
17 take a look at: Is it feasible to accelerate that to FY-18?
18 That analysis is just started, frankly, and we'll get a
19 first look at that, at the end of this month, with more
20 details later on this summer.

21 If we are able to do that, that will help to just buy
22 down some of that risk associated with the SSGNs retiring.
23 But, at the same time, we have to be very mindful of the
24 amount of work that's coming our way, in terms of
25 submarines, because we'll have Virginia, we'll have the

1 introduction of VPM, and we'll have the Ohio replacement all
2 in that period of time. So, the ability to accelerate VPM
3 cannot be done at the expense of stability across the rest
4 of our submarine programs.

5 Senator Ayotte: Well, I'm really appreciative that
6 you're looking at this acceleration, given the need that we
7 know is very apparent. And so, I appreciate the need,
8 obviously, to look across the whole Navy to be able to
9 perform what you need to do with the Ohio class, as well.
10 But, I'm -- this acceleration, I think, would be very
11 important, in terms of our undersea strike capability.

12 And do you -- you were saying, Mr. Secretary, that you
13 expect that the study on this may be -- when can we expect
14 to hear your results?

15 Mr. Stackley: I'm going to get a quick look. What
16 I've asked is, first, Is it feasible? Second, is it
17 sensible? It might be feasible, but, given everything else
18 we have going on in submarines, it might not make sense to
19 do, it might add more risk than it's going to resolve.
20 Third, if it is feasible and sensible, what do we need to
21 do, in FY-16 specifically, to ensure we retain the option of
22 going forward?

23 Senator Ayotte: Well, that's excellent, because,
24 obviously, I think that's something that this committee
25 would be very interested in working with you in the upcoming

1 authorization.

2 So, thank you all for what you do for the country.

3 Senator Wicker: Thank you, Senator Ayotte

4 Our Ranking Member is also willing to defer questions

5 to a later time in the hearing. The order of questioning

6 will be Senator Kaine, followed by Tillis, King, Rounds, and

7 Sessions.

8 Senator Kaine.

9 Senator Kaine: Thank you, Mr. Chair.

10 And I've never been in a hearing where the Chair and

11 Ranking have deferred. It's the-last-shall-come-first day.

12 So, that's a good thing.

13 The comments that you made about the civilian workforce

14 at the Navy yard, here, is an important one, and I want to

15 pick up to begin on what Senator Ayotte indicated. Your

16 written testimony is eloquent tribute to the combined nature

17 of -- there are sailors, but also the civilian workforce;

18 and the contractors, who are part of the broader mission,

19 are critical; and the stability of that workforce is

20 critical; and sequester and other budgetary actions over the

21 last few years have jeopardized that. I was recently at one

22 of our ship repair facilities in our Portsmouth --

23 Portsmouth, Virginia, and ships that were in dock undergoing

24 repair, the commanding officers of the ships were standing

25 there, pointing out the workers, and they -- saying, you

1 know, "They are like sailors, to me. You know, the work
2 that they do is every bit as important as the folks who are
3 onboard the ship." And that sense of teamwork is a powerful
4 feature of what you do. So, I commend you for recognizing
5 that in your testimony.

6 I want to get into some specifics on the shipbuilding.
7 We've had testimony from CNO Greenert, and, Secretary
8 Stackley, I know you have followed this, as well. Secretary
9 Mabus recently said he wants to protect shipbuilding at all
10 costs. But, if we do not receive sequester relief, there --
11 I think it's -- Secretary Mabus indicated that up to nine
12 ships will not be completed during the FYDP if the sequester
13 occurs. If we do not get sequester relief, how would the
14 Navy approach this issue of which platforms don't get done?

15 Mr. Stackley: Yes, sir. Let me first by -- I'm just
16 going to reiterate and reemphasize exactly what Secretary
17 Mabus said.

18 Senator Kaine: Great.

19 Mr. Stackley: Our first priority is going to be placed
20 on shipbuilding, because it takes 30 years to build a Navy.
21 It does take 30 years to build a Navy. Senator Ayotte
22 referred to the gap that we've -- that we're staring at in
23 the out years associated with Virginia. That gap is based
24 on decisions that were made 10 to 15 years ago about going
25 down -- you know, our ability to get up to two per year.

1 So, that -- those decisions, 10 to 15 years ago, impact the
2 fleet's ability in the late '20s and '30s. We cannot do
3 that lightly. So, regardless of what happens in the budget,
4 our first priority will be to take care of shipbuilding, in
5 accordance with the force structure assessment that the CNO
6 submitted in the 2012 timeframe.

7 The impact of sequestration, the magnitude of it, what
8 the Secretary was referring to was our ability to protect
9 it, to the extent that we have submitted our -- you know,
10 the plan inside the FYDP in the 30-year report. That's at
11 great risk. And so, while it will be a top priority, we are
12 going to have to go back and defend, line by line, ship by
13 ship, what stays and what is placed at risk, in the event of
14 sequestration. I can tell you that, today, we have not done
15 that. We have not gone down the path of making reductions
16 to our shipbuilding plan, because, one, we believe that is
17 the size and shape of fleet that we need to meet our
18 security requirements. And so, we're not going to be the
19 first one to go down that path. In all cases, what we do
20 is, we look to balance our force.

21 So, across the spectrum, from carriers to submarines to
22 surface escorts to amphibians to auxiliary ships, we need a
23 balanced force to meet the full range of missions and to,
24 basically, support the degree of presence that's called for
25 upon our Navy to keep about a hundred ships deployed

1 constantly across the globe.

2 So, if you're looking for specifics, in terms of what
3 we would cut in our shipbuilding program in the event of
4 sequestration, my first response is, that's the last thing
5 we would cut. And then, if we are handed the bill, if, in
6 the end, Congress's decision is that we are going to drop
7 the defense budget, then we're going to have to take a hard
8 look at that balanced force and how much of it we've got to
9 retain to minimize the risk to our national security.

10 Senator Kaine: That gives me a sense for how you'd
11 approach the challenge, which I hope we don't have to
12 approach. Together with others who serve both on the Budget
13 and Armed Services Committee, I'm very committed to working
14 to try to minimize the sequester impact.

15 Mr. Stackley: Not to interrupt you or belabor the
16 point, but, just last year, before this subcommittee and the
17 full committee, the discussion and debate was over the CVN-
18 73 George Washington, where that did not come forward in the
19 2015 budget request, and the basis for that not coming
20 forward was the concerns regarding the impact of
21 sequestration and whether or not we would start something
22 that we could not complete under that reduced budget. And
23 so, that's an example of the significance of the impact of
24 sequestration on our force.

25 Senator Kaine: And I appreciate my colleagues working

1 together last year to make sure that we were able to avoid
2 that.

3 I commend you, Secretary Stackley, and your team. You
4 kept -- the Ford-class carrier obviously is a huge issue
5 every year in this committee, but, for the last 3 years,
6 you've held that project within cost caps. I know some of
7 the challenge with the cost of that has been the new systems
8 that have been installed, the propulsion and other systems.
9 But, I gather that, just from your last comment, that
10 carrier refueling is one of the things that would be in
11 jeopardy if you were forced to change the budget downward to
12 the sequester cap level.

13 Mr. Stackley: I am not offering that, sir, but if you
14 just replay the tape from last year, that's where the debate
15 was.

16 Senator Kaine: Last question I want to ask deals with
17 the Ohio-class replacement. I guess there's a current cost-
18 shift estimate of -- 4.9 to 5.3 billion is the current
19 estimate. And how confident are you -- is the Navy with
20 that current estimate for the Ohio class?

21 Mr. Stackley: We have a pretty intense cost-reduction
22 effort in place with the Ohio as it's being designed. So,
23 we're not -- we did not take the requirements, pass them
24 over to the design community, tell them to design the boat,
25 then estimate the cost and figure out -- then figure out how

1 to get the cost down. We are -- we set the cost targets and
2 caps on this boat from the -- on the front end. In fact, we
3 adjusted the requirements on the front end to get the cost
4 estimates down. And then, as we go, as we mature that
5 design, we are continually updating the cost while inserting
6 good cost-reduction initiatives to keep it in the context or
7 framework of the targets that we've set.

8 So, actually, the initial cost estimate for the follow
9 boats -- boats 2 through 12, on average, was about \$5.8
10 billion, in 2010 dollars. We base-date it. And, through
11 this cost-reduction program, we're -- today's estimate,
12 using our cost-estimating community's standards, is about
13 \$5.2 billion a boat. So, we're not at the 4.9 target that
14 we set for ourselves yet, but we're continuing to attack
15 opportunities.

16 In terms of degree of confidence, I can only say that
17 affordability has been a touchstone for this program from
18 day one. We have certain requirements that we've got to
19 drive home in order to ensure that the Ohio replacement
20 meets the degree of performance that we count on for our
21 strategic deterrent force. But, at the same time, we are
22 finding opportunities to leverage mature technologies, we're
23 porting over systems from Virginia, from the strategic
24 weapons systems, so we're avoiding development and risk in
25 that regard. And so, the focus of new development or new

1 design is really on some unique aspects of the Ohio
2 replacement, where we've got our arms wrapped around it.

3 I'd say today our confidence -- you know, I would never
4 go much above moderate confidence at this stage, but the
5 entire enterprise has an eye on affordability each step
6 along the way. And that includes the CNO. The CNO is the
7 requirements officer on this program. And, as we track,
8 jointly, cost -- as we go through the development, he has
9 his hand on the helm to ensure that, if we need to go
10 further, in terms of adjusting requirements, where it makes
11 sense to keep cost under control, we'll do that.

12 Senator Kaine: Great. Thank you, Mr. Secretary.

13 And thank you both.

14 Mr. Chairman.

15 Senator Wicker: Senator Tillis.

16 Senator Tillis: Thank you, Mr. Chair.

17 And I want to talk a little bit about the Marine Corps
18 mission. The Commandant of the Marine Corps has frequently
19 stated that the combatant command requirement for amphibious
20 ships would exceed 50. The absolute minimum number to meet
21 the demands of the Marine Corps, I think, is somewhere
22 around 38. Yet, we have 30 operating today, and we'll never
23 attain an amphibious fleet of more than 34 across the 30-
24 year shipbuilding plan. I'm kind of curious. I know that
25 Senator Wicker was first among other Senators who worked to

1 provide funding, I think, for the 12th landing platform
2 dock, and -- the authorization, and then, I think, some
3 partial funding in 2014. What more do we need to do to
4 address this gap?

5 Mr. Stackley: Sir, let me start with the 50, if I can,
6 and walk you through. I would say 50 amphibs reflects
7 combatant commanders' demand because of the flexibility that
8 the amphibs provide to the operating forces. It is an
9 extremely flexible platform for operations against a full
10 range of scenarios. So, they're in high demand, but at no
11 point in time do we have a plan to build that many amphibs.
12 The -- our requirement for amphibs is --

13 Senator Tillis: I'm thinking more along the minimum
14 requirement of the 38.

15 Mr. Stackley: Yes, sir. So, our requirement for
16 amphibs is driven by major combat operations, and
17 specifically it's the ability to provide amphibious lift for
18 two marine expeditionary brigades. The number of ships
19 required to do that is 30. And that's a 30 mix of big-deck
20 amphibs, LPDs, and LSD-41 class or their replacements.

21 So, in order to provide 30 for major combat operations,
22 notionally you require 38 amphibs, recognizing that some
23 number will be in depot maintenance and otherwise
24 unavailable for the operations. Five years ago --

25 Senator Tillis: And what is the trajectory for 34 over

1 the next 30 years?

2 Mr. Stackley: I'm sorry, sir?

3 Senator Tillis: Am I correct that we're talking about
4 attaining somewhere around 34 --

5 Mr. Stackley: Yes, sir.

6 Senator Tillis: -- across a 30-year period? How does
7 that fit with the needs?

8 Mr. Stackley: Yes, sir. So, 34 was an agreement
9 between the CNO and the Commandant, approximately 5 years
10 ago, that recognized a couple of things. First and
11 foremost, it recognized just the fiscal environment that
12 we're in. And so, the decision was that there will be some
13 risk accepted, in terms of the ability to provide the full
14 capacity of lift for two marine expeditionary brigades. In
15 other words, some elements of the two MEB would come in a
16 follow-on echelon if we could not produce 30 amphibious
17 ships of the right mix for the major combat operations.

18 Senator Tillis: Over the time horizon, I think your 5-
19 year budget has the first LX amphibious dock landing ship
20 scheduled for procurement in FY-20. In talking about the
21 long-term shipbuilding plan, there are always risks of other
22 costs and surprises, going forward. So, should we consider
23 accelerating the procurement of this ship, in view of the
24 looming pricetag for the Ohio replacement plan, beginning, I
25 think, in FY-19?

1 Mr. Stackley: Yes, sir. So, today we have advanced
2 procurement for LX(R) in FY-19. The timing of the LX(R) is
3 directly coupled to the retirement of the ship class that
4 it's replacing, the LSD-41/49 class. Over the course of the
5 past year, in terms of our budget profile, what we have done
6 is, we've brought the follow ships of the LX(R) program to
7 the left to mitigate that risk. We have not been able to
8 bring LX(R), the lead ship, to the left, simply because of
9 all the competing priorities in the budget.

10 And to specifically answer your question, "Would it
11 help, in terms of risk?" -- it would help, in terms of risk,
12 but then it becomes a matter of, Where have we shifted that
13 risk?

14 Senator Tillis: By the way, any of -- at any point, if
15 the other gentlemen want to weigh in, I'd be happy to hear
16 your thoughts.

17 Admiral Mulloy: Yes, sir. I'd like to comment.

18 In terms of -- you're right for the time of being not
19 above 34 during this 5-year defense plan. But, when you
20 look at the 30-year shipbuilding plan, of which it's still
21 under review in the Pentagon, but the tables have been
22 provided to the committee, we achieve 38 amphibs in 2028,
23 and actually have -- we start getting above 34, grow to that
24 point, and then we stabilize at 36 or 37. That year that we
25 hit 38 is the year before the submarine force hits the

1 bottom, so that's the tradeoff we talked about in
2 shipbuilding, is that I -- at the same time I am building
3 amphibs, I am coming down on submarines, then there's
4 nothing we could do, because, 15 years ago, we went a number
5 of years with no SSNs, and then we went one a year for 7
6 years. So, we have to make a tradeoff of what we accelerate
7 to build.

8 But, we will build in the 30s, and stay in the mid-30s
9 throughout the period of this 30-year shipbuilding plan.
10 And we actually get to 38 in '28 and stay at 36 or 37 after
11 that if we get the funding of PB-16 and the full FYDP.

12 And the one other question about sequester funding is,
13 it requires stability. Because the Budget Control Act law
14 is written 1 year at a time, we submit a budget of 1 year at
15 a time. We have to have some expectation from the Hill that
16 the other years will come when you sign multiyears for 10
17 submarines. When I sign up to be a large-deck amphib that
18 builds over 2 years, the commitment for LHA-8 is that, in
19 '17/'18, the money arrives. The commitment for LX(R) is
20 that the money arrives in '21. So, as the Navy's chief
21 financial officer, I've got to look at those projections.
22 And the shipbuilding tables I give you are only based upon
23 the strength of what we get back from the Budget Committee
24 and the Armed Services Committee.

25 Senator Tillis: And I'd add -- this would be a general

1 question for all of y'all so I can stay within my time. We
2 heard a testimony in Senate Armed Services Committee from a
3 general who said that we want an Armed Services who would
4 never allow our men and women to enter into a fair fight.
5 In other words, we always want to have overwhelming
6 capacity, regardless of the category. You all have been
7 very good at just stating that you're working within the
8 confines of the money you're provided. But, with respect to
9 the Navy, where there seems to be a diminishing level of
10 capacity, and then you look at other countries which seem to
11 have an increasing level of capacity, at what point in time
12 do we actually enter a fight with our fleet that is a fair
13 fight? In other words, we're matched up pretty well. Is
14 that a time that's ahead of us in the near future with some
15 of the countries that are clearly building an increasing
16 capacity?

17 Thank you.

18 Admiral Mulloy: There is no time in the immediate
19 future. But, I will tell you, if we don't provide some kind
20 of economic stability, that that point would be -- you know,
21 we get closer. I think right now we've laid out what we
22 think is a coherent plan and a strategy. And we recently
23 rolled out the maritime strategy that talks about how we
24 engage around the world. The risk of the unknown is, there
25 are competitors on the Eurasian landmass that are rapidly

1 developing high-tech weapons that target us and target our
2 assets around the world. And then we're also engaged with a
3 number of other lower-tech countries. The proliferation of
4 weapons is a real threat. Therefore, I think we've laid out
5 -- as the PB-16 plan for that 5 years and the 30-year plan
6 after that are important to us.

7 I can't give you a year when that would pass, sir. We
8 have a preponderance of events. We have phenomenal sailors
9 and marines out there on our ships, and phenomenal pilots;
10 and everyone's engaged to be ahead. But, the importance is
11 to do the RDT&E and the construction through every asset of
12 our industrial base to build the overwhelming capability, as
13 well as the capacity, to take on the threats to national
14 security, sir.

15 Senator Wicker: Thank you, Senator Tillis.

16 Senator Tillis: Thank you, Mr. Chair.

17 Senator Wicker: Senator King.

18 Senator King: Thank you, Mr. Chairman.

19 Mr. Stackley, one -- Secretary Stackley, one specific
20 question. Last May, in response to a request, the Navy
21 stated the Navy position is that the 2002 memorandum of
22 understanding, the so-called Swap-1 agreement, remains in
23 full force and effect and requires the Navy to award a DDG-
24 51 or equivalent workload to BIW if the Navy awards the LPD-
25 28 on a sole-source basis. And now, I understand, in this

1 budget, that's happening -- the LPD-28 funds are going to be
2 completed. Does that -- what I just read from the response
3 we got from the Navy, is that still the Navy's position?
4 Because we got a response recently, just this week, that
5 indicated you're considering options. I trust that means
6 you're considering how to fulfill that, not whether or not
7 it still exists.

8 Mr. Stackley: Yes, sir. Let me, first, describe that
9 the opening statement of that swap agreement talks about,
10 "In order to provide stability for a shipbuilding industrial
11 base" --

12 Senator King: Right.

13 Mr. Stackley: -- "and affordability for our ship
14 programs, then the following." And in 2002, both shipyards
15 were in peril in -- that were involved in the swap. And so,
16 what that swap did was help stabilize both shipyards.

17 At the time, the LPD-17 program, the ultimate quantity,
18 of 10 versus 11 versus 12 ships, was undecided, so what was
19 left open was that, in the future, if further LPDs are
20 awarded, then a commensurate DDG-51 or equivalent would be
21 awarded to Bath Iron Works to balance out the swap
22 agreement.

23 In the past 13 years, it's been a very dynamic
24 shipbuilding program back and forth between the two
25 shipyards. So, if we were to simply reassess, "Are we today

1 stable -- relatively stable across the two shipyards, across
2 the shipbuilding program?" -- you might get a different
3 answer from, "Are we, or are we not, one-for-one, in terms
4 of parity regarding the swap agreement?"

5 What we are doing is, we're taking a look at, first,
6 the state of the two shipyards, what it would infer, in
7 terms of an LPD-17 -- further LPD-17 being awarded to
8 Ingalls, in accordance with our budget request, and then
9 what would be commensurate at BIW to balance that out. We
10 have had very preliminary discussions with industry. The
11 award of that LPD- -- the LPD-28 would be late in 2016. So,
12 we believe we have time and tools available to balance out
13 that agreement with both shipyards.

14 Senator King: But, it is your intent to follow through
15 on the phrase you're using as "balance out."

16 Mr. Stackley: I think "balance out," because what
17 we're down to looking at is workload and timing of that
18 workload. The timing for the LPD-28 award might not be the
19 right time for a balance -- the balancing of workload at
20 Bath Iron Works.

21 Senator King: Fine.

22 On the larger question, I really appreciate the report
23 that was submitted a couple of weeks ago -- I would commend
24 it to my colleagues -- on the Navy shipbuilding industrial
25 base. It's sobering reading, particularly a chart on --

1 let's see, trying to find the page number -- well, it's
2 Figure 4.5, which indicates that shipbuilding employment,
3 which averaged about 60,000 throughout the country for the
4 last almost 20 years, is now down by a third.

5 Mr. Stackley: Sir.

6 Senator King: And that's a -- employment is part of
7 the picture. Also, investment and the web of suppliers
8 that's at risk. I -- my concern is that decisions we make
9 today -- if we don't replace sequestration, decisions we
10 make today to defer shipbuilding programs will have 30-year
11 consequences that we can't foresee. Is that your view?

12 Mr. Stackley: Yes, sir. The -- we have several
13 shipyards in our industrial base that are in a very fragile
14 position, and --

15 Senator King: We don't have that many shipyards to --
16 it's not like we have 50 shipyards out there.

17 Mr. Stackley: We have -- as I described in my opening
18 statement, we have eight shipyards currently building U.S.
19 Navy ships. And of those eight shipyards, about half of
20 them are a single contract away from being what I would call
21 "not viable." In other words, the workload drops below the
22 point at which the shipyard can sustain the investment that
23 it needs to be competitive and the loss of skilled labor
24 that comes with the breakage of a contract. They'd be
25 challenged to be able to recover that skilled labor. And

1 so, they would quickly find themselves outside of the
2 market.

3 Senator King: And what that results in is a lack of
4 capacity to meet the country's needs, both now and certainly
5 in the future.

6 Mr. Stackley: You lose capacity, and you also lose
7 competition.

8 Senator King: And losing competition means that you
9 don't -- the Navy doesn't get the best price.

10 Mr. Stackley: Yes, sir.

11 Senator King: And the other problem, as I understand
12 it, is that it makes it very difficult, the current
13 budgetary situation, to do multiyear contracts, which is
14 another way the taxpayers can save money on these projects.

15 Mr. Stackley: I think that Congress has been very
16 helpful with regards to multiyear. As we are able to bring
17 forward the business case that argues for a multiyear
18 contract, where the savings are achieved, Congress has been
19 supportive of those cases. So, today the Virginia multiyear
20 has been successful. We're hitting the targets on that
21 contract. The DDG-51 multiyear, likewise. So, as we're
22 able to bring the business case forward, Congress has been
23 supportive.

24 Senator King: But, the -- if the -- if we reimpose
25 sequestration this year, as you've testified, that would be

1 a severe impact across the board.

2 Mr. Stackley: What that undercuts is our business
3 case, because it destabilizes the shipbuilding program, and
4 it makes it harder for us to be able to certify that we're
5 going to be -- that we have enough stability in order to
6 come forward with that multiyear request.

7 Senator King: Well, most of us have been in hearings
8 in recent weeks with regard to what our potential
9 adversaries are doing, particularly China and Russia. And
10 they are on a very aggressive --

11 Mr. Stackley: Yes, sir.

12 Senator King: -- buildup in both areas. It would be
13 ironic and dangerous, it seems to me, to be following the
14 opposite course.

15 Mr. Stackley: Concur.

16 Senator King: Thank you.

17 Thank you, Mr. Chairman.

18 Senator Wicker: Thank you, Senator King.

19 Let me -- before I recognize the distinguished Chairman
20 of the committee, let me just follow up.

21 I think Senator King has engaged in a very important
22 line of questioning about the importance of all of our
23 yards. Would it be fair to say, Mr. Stackley, with regard
24 to the MOU, that you've been in constant conversation and
25 contact with both Ingalls and BIW on this issue and on your

1 thoughts about fulfilling this, as Senator Kaine was --
2 Senator King was asking?

3 Mr. Stackley: Sir, I've been in dialogue with the CEOs
4 of both Huntington Ingalls industries and General Dynamics
5 since the Navy's budget came together requesting the balance
6 of funding for the LPD-28.

7 Senator Wicker: Okay. Thank you.

8 Senator McCain.

9 Senator McCain: Thank you, Mr. Chairman.

10 Secretary Stackley, what -- on the issue of the Gerald
11 R. Ford, the Director of Operational Test and Evaluation
12 annual report says, "The reliability of four systems -- the
13 electromagnetic aircraft launching system, advanced
14 arresting gear, dual-band radar, and advanced weapons
15 elevators -- are most significant risk to the U.S.S. Gerald
16 R. Ford initial operation, test, and evaluation." What's
17 the status?

18 Mr. Stackley: Yes, sir. Let me take them one by one.

19 The electromagnetic aircraft launching system and the
20 advanced arresting gear were both land-based tested at our
21 facility at Lakehurst, in New Jersey. So, what we have is a
22 --

23 Senator McCain: You might just summarize. I've only
24 got 5 minutes.

25 Mr. Stackley: Yes, sir.

1 Today, the land-based testing associated with EMALS,
2 advanced arresting gear, dual-band radar, and the weapons
3 elevators has all been satisfactory, but each of those
4 programs is on what's referred to as a reliability growth
5 curve. And so, what we have to do is get deeper and deeper
6 into the test program, get the ship operational to climb
7 that curve to ensure that we meet the reliability
8 requirements that we've established for the program.

9 Each of those is on the curve, with one exception: the
10 advanced arresting gear. We've had to make some changes to
11 that design of a key component called the "water twister,"
12 and had to go back into testing at Lakehurst. So, we're
13 completing that additional testing to ensure that we have
14 that correct.

15 Senator McCain: Of course, I've been intensely curious
16 why we needed to change things like arresting gear and
17 aircraft launching that have been tested and proven over
18 many years to be reliable, as far as information I have.

19 On the LCS, the mine countermeasure mission package is
20 more than 4 years behind, won't achieve full capability
21 until 2019. Again, Director of Operational Testing and
22 Evaluation, "The MCM package has not yet demonstrated
23 sufficient performance to achieve the Navy's minimal
24 increment-1 requirements."

25 Mr. Stackley: Yes, sir. We conducted developmental

1 testing for the mine countermeasure mission package last
2 year. We conduct what's referred to as a "technical
3 evaluation," starting in April. The U.S.S. Independence is
4 today at Panama City, gearing up for that tech-eval. We
5 than proceed into operational testing for that increment at
6 the end of this year.

7 So, today there remain risks associated with completing
8 that testing, but we are executing in accordance with the
9 plan that I presented to this committee a year ago.

10 The final increment -- the mine countermeasure
11 capability, is delivered in increments -- the final
12 increment is an unmanned surface sweep system. That, in
13 fact, is scheduled for completion in 2019. That has been
14 delayed and stretched, largely because of budget reductions
15 over a number of years. So, today that is the last piece
16 that completes the MCM capability.

17 Senator McCain: By 2019.

18 Mr. Stackley: Yes, sir. We'll have a system out and
19 testing in the 2017 timeframe. Today we have developmental
20 models for that capability. But, it's -- it replaces -- it
21 will replace the 53s, in terms of their sweep system. The
22 capability that we have with the early increments replaced
23 the capability that we've got for the MCMs that are
24 currently forward deployed.

25 Senator McCain: Admiral Mulloy, if you want to replace

1 the Tomahawk, the next-generation land-attack weapons, is it
2 true it's not due to enter service until 2024 at the
3 earliest?

4 Admiral Mulloy: Yes, sir, that's true. That's our
5 best estimation.

6 Senator McCain: Then does it make sense to stop
7 procurement of the existing Tomahawk missile?

8 Admiral Mulloy: Sir, we've been studying this now for
9 the last year or so, and, as we looked at -- developed the
10 '16 budget, we believe the 100 weapons in '16, along with
11 the funding provided by Congress for the ones that were
12 actually fired against the beginning of the contact against
13 ISIL, the 47, when merged with 15 procurement, will provide
14 weapons on the floor of the factory through -- into '18
15 being produced. We started the recertification line, which
16 will recertify and also upgrade the existing 3,700 Tomahawks
17 we have. Starting in '17, they start the recert line. In
18 '19, we are full recert. So, we see actual production into
19 '18, recertification of those weapons, providing significant
20 firepower that greatly exceed -- that would be 37 years
21 worth of our average use of that weapon, sir.

22 Senator McCain: Did I understand you correctly? You
23 say that you would have a replacement -- by when?

24 Admiral Mulloy: No, this would be a recertification
25 upgraded of the Block-4 weapons. In '19, we'd actually

1 start rolling out weapons that came due for maintenance,
2 rather than being decommissioned, would be then taken
3 through the factory floor, recertified, new radios put in.
4 And we're also looking at follow-on items that could be
5 further upgraded on that weapon while we still continue the
6 path of OASUW and NGLAW.

7 Mr. Stackley: Sir, can I add?

8 Senator McCain: Yeah.

9 Mr. Stackley: What Admiral Mulloy is referring to is
10 the factory floor's view. Separate -- I've discussed this
11 with the CNO -- there is risk associated with the next-
12 generation mine attack weapon, that we're very early on, in
13 terms of justifying its requirements and that development
14 program. We are one of one mind that what we've got to do
15 is ensure that is stable before we simply truncate
16 production of our cruise missiles. So, we -- this will be
17 revisited -- excuse me -- this will be revisited, in
18 conjunction with our POM-17 review.

19 Senator McCain: Are you concerned about the effects of
20 a production gap on the second- and third-tier Tomahawk
21 suppliers in their ability to provide an efficient
22 transition from production to the beginning of the
23 recertification of the Block-4 missiles in 2019?

24 Mr. Stackley: Sir, the answer is yes. We've had our
25 Defense Contracts Management Agency do a complete review of

1 Tomahawk suppliers -- and I'll provide this report to the
2 Hill, interested committees, members, to get a look at how
3 detailed that is -- to highlight which suppliers are placed
4 in jeopardy by a break in production versus which suppliers
5 carry through in the recertification program. So, there are
6 a handful of suppliers that are of particular concern.
7 We're working with Raytheon as we take a look at this.

8 Senator McCain: You are totally confident that the
9 next-generation, next-production aircraft carrier, that the
10 cost will be under control.

11 Mr. Stackley: I think you're referring to CVN-79, the
12 John F. Kennedy.

13 Senator McCain: Yes.

14 Mr. Stackley: Today, it's \$11.5 billion cost cap, and
15 that's our budget that we've submitted. Separately, we --

16 Senator McCain: You submitted a \$10 billion cost cap
17 for the Gerald R. Ford. I'm asking --

18 Mr. Stackley: Yes, sir.

19 Senator McCain: -- are you confident that the next
20 aircraft carrier will be at the cost as you just -- 11.4, or
21 whatever it is?

22 Mr. Stackley: Yes, sir. Let me simply state that
23 we're driving our -- what we call our allocated costs well
24 below the 11-and-a-half-billion dollars so that we have a
25 margin and our contracts are being contained within fixed-

1 price vehicles. So, today, for all that we know, all that
2 we understand, we are confident.

3 Senator McCain: I hope you are correct.

4 I thank you, Mr. Chairman.

5 Senator Wicker: What could go wrong there, Secretary
6 Stackley, to disappoint Senator McCain and the rest of this
7 subcommittee?

8 Mr. Stackley: A couple of things. First, CVN-79
9 delivers in the 2023 timeframe. And so, between now and
10 2023, new threats could emerge, one; or, two, we'll get
11 through our operational testing associated with the CVN-78,
12 and we might discover issues that we have not flagged
13 earlier, in terms of those systems, that would drive change
14 in. The key here is design stability and technical
15 maturity. And so, that's what we're going after on CVN-79
16 so that we do not have surprises in discovery as we build
17 the ship.

18 Senator McCain: And you are looking at additional
19 options to the large aircraft carrier, as we know it.

20 Mr. Stackley: We've initiated a study. And I think
21 you have discussed this with the CNO. And that's -- we're
22 at the front end of that study. Yes, sir.

23 Senator McCain: I think -- Mr. Chairman, I think it's
24 pretty obvious that, when there's no competition, there's no
25 cost control. Certainly has been the case with the Gerald

1 R. Ford.

2 Senator Wicker: Thank you, Senator McCain.

3 We're now going to continue, based on order of
4 appearance -- Senator Rounds, Senator Sessions, and Senator
5 Shaheen.

6 Senator Rounds, thank you for --

7 Senator Rounds: Thank you, Mr. Chairman.

8 Senator Wicker: -- deferring to the Chair.

9 Senator Rounds: Yes, sir.

10 I'd like to follow up -- and, gentlemen, thank you for
11 your service -- I'd like to follow up just a little bit on
12 what the Chairman has suggested.

13 Can you provide an update on the congressionally
14 directed report on the Navy's next-generation land-attack
15 developments efforts that were originally due in Congress on
16 February 2nd? I believe you've been operating under an
17 extension right now. But, just in terms of the update and
18 the replacement for the Tomahawk, can you give us an update
19 on that, please? And I think there was one due here --
20 what, February 2nd?

21 Mr. Stackley: Yes, sir. The -- frankly, the delay to
22 that report is because we're trying to get the requirements
23 right. And so, we're looking at a -- two different things.
24 We have two different missile programs are on the front end
25 of development. One is land attack, and the other is

1 maritime. And so, before we launch down two separate
2 development programs, what we're trying to determine is, Can
3 we combine these, at least for certain technologies that
4 would be common to both, as much as possible, into a single
5 program, to reduce cost and reduce risk? So, we have
6 delayed the submission of that report as we go through this
7 front-end requirements analysis.

8 Senator Rounds: When do you expect that report to be
9 available?

10 Mr. Stackley: Let me first offer, before the report is
11 available, that we come over and give a briefing to the
12 members, if desired. But, I will tell you right now, within
13 30 days. I put out the end of March as a date for that
14 report, so you would have it in your hands to support your
15 congressional action.

16 Senator Rounds: Okay, thank you.

17 For Admiral Mulloy, in your judgment, are your ship-
18 launched munitions inventory sufficient to support current
19 operations and the defense strategic guidelines? Are there
20 individual ship-launched munitions whose inventories, either
21 present or projected, which are insufficient to meet the
22 requirements? And, if so, what are they, and what is being
23 done to address the shortfalls?

24 Admiral Mulloy: Sir, in terms of the number of
25 munitions to meet the defense strategic guidance, I believe

1 right now what we currently have planned, funded, and
2 executed in the fleet meets that defense guidance.
3 Otherwise -- that's part of this whole -- the budget
4 submission. As I think you've heard the CNO testify -- and
5 I talked last year, was -- unfortunately, munitions are one
6 of the areas, when you get either sequestered or get a
7 Budget Balance Act, we challenged areas of aircraft,
8 modernization of ships and aircraft, weapons, and our base
9 infrastructure. So, once again, on the chopping block
10 people talked about earlier today, sir, was, If we don't get
11 all the money, what happens? That's the real risk we have,
12 going ahead.

13 As to individual weapon systems, we are currently
14 ramping up for production of SM-6. So, the demand of the
15 combatant commanders for the SM-6 weapon, because of its
16 advanced capabilities and speed, we are filling those ships,
17 as we can, when they go to sea. We're producing them --
18 what we can. We look forward to more of those. But, we
19 have large numbers of SM-2 weapons. So, we're in the middle
20 of change-out on that. SM-3 for ballistic missile defense,
21 those are produced by the Maritime -- the Missile Defense
22 Agency. Once again, in many cases we have enough to supply
23 the ships that deploy, but we don't fill every hole back at
24 the United States. We are building those as we go.

25 Those are the two that immediately come to mind, sir.

1 Senator Rounds: Following along the same line --
2 interesting how things work at -- on my way in, we had a
3 brief discussion with people coming in to visit with us from
4 South Dakota. And a gentlemen who I've known for years just
5 made the comment how proud he was of his son, who was
6 piloting an F/A-18. And he just mentioned in passing, and
7 it caught my attention as I walked in here, how -- not only
8 how proud he was of the fact that he -- his son was doing
9 this, but he commented on the fact that it had taken an
10 extended period of time in which to complete the training
11 because the F/A-18s that were available to them were down
12 for extended periods of time because of the lack of parts to
13 repair them. And I got thinking about it a little bit, and
14 I'm -- you just happen to be in the line of fire, just after
15 having that conversation.

16 Talk to me a little bit about the F/A-18. I know, when
17 we talk about the B-1Bs out of Ellsworth Air Force Base,
18 there's been several occasions in which literally they've
19 been in the bone pile looking for their spare parts to
20 maintain that fleet. Where are we at on the F/A-18? Do you
21 have a shortage of parts? And is there a delay? And what
22 is the operation status for your F/A-18s that are in the
23 fleet today?

24 Mr. Stackley: Yeah, I'll start and have -- Admiral
25 Mulloy will add.

1 I don't think it's as simple as parts. What we have
2 is, the F-18 program, the earlier versions, A through Ds,
3 they're designed and built as a 6,000-hour aircraft, and
4 we're striving to get them out to 9,000 hours. And in order
5 to do that, they have to go through an assessment program
6 and then certain life-extending modifications, and, frankly,
7 repairs need to be done on the aircraft.

8 Those aircraft enter the depot, you open up the
9 aircraft, and, in opening them up, you have discovery. You
10 discover additional repairs that were not planned. And so,
11 what has happened, more than just -- more than just parts,
12 is a time lag associated with opening up and inspecting the
13 aircraft, getting the technical fix and the parts, and then
14 the labor back on the aircraft to restore it to the flight
15 line.

16 So, that has created a backlog at the depots that we're
17 trying to buy back, burn back down, so we can get the
18 quantify of aircraft back out to support training as well as
19 operations.

20 Senator Rounds: What's your normal expectation for the
21 mission capability? What percent of your numbers would you
22 expect to be mission-ready? And what does the current
23 number look like today?

24 Admiral Mulloy: The expectation for an -- it depends
25 upon where the squadron is. Sir, what I'd like to do is

1 follow up and get you the full expectation.

2 Senator Rounds: That would be fine.

3 Admiral Mulloy: But, generally, a deployed squadron
4 should have a mission capability rate full up of over 90
5 percent. But, what we do is, because of -- the airplanes
6 that are in depot or manning up, is a training squadron --
7 or a squadron, when it's 9 months from deployment, may only
8 have six or seven aircraft, not 12. And their mission-
9 capable rate may be as -- it's partially mission capable,
10 not fully mission capable. But, then you ramp up to have 12
11 airplanes fully mission capable when you deploy and maintain
12 those forward.

13 But, we'll get you the specifics on that.

14 [INFORMATION]

15 Senator Rounds: Would you? Thank you.

16 Admiral Mulloy: Yes, sir. But, one other comment I'd
17 like to match what Mr. Stackley had was, he's talking about
18 the A-through-D model, and those are largely half-Marine
19 Corps, half-Navy airplanes, and taking them to that life and
20 stretch that out. The compounding effect has been the ENFs,
21 which are the newer ones, we have had to fly those even more
22 than we expected. And then, that area, we have seen, is,
23 now that you have more airplanes in, the expected production
24 of supply parts match -- let's say I had a fleet of 400
25 airplanes, but now I'm flying 500 -- I am using more parts.

1 So, we have accelerated and, line by line, I have met with
2 the Chief of Naval Air Force, the Chief of Navy Supply to
3 look at individual items and where we are to make sure the
4 ENFs match what's going on.

5 This was not -- I would say is -- it's clearly in our
6 budget material we laid out to the committee, to your staff,
7 was -- the Navy would not be the -- what we call "2-5-2-0"
8 until '18 because of the ATD aircraft that we were now not
9 being able to fly as much. So, it's very clear we saw it
10 there. The expectation was we were not expecting the ATDs
11 to be in such, I would say, not poor condition, but the
12 condition, when opened up, was not to be expected as bad as
13 it was, given what we thought would extend those aircraft.

14 But, once again, it was never extended to -- planned to
15 be extended that long. So, this is a finding method for us,
16 and we're working as hard as we can to bring them back up.

17 And we are very proud of every one of our F-18 pilots.

18 Senator Rounds: Thank you.

19 Thank you, Mr. Chairman.

20 Senator Wicker: Senator Sessions, followed by Senator
21 Shaheen.

22 Senator Sessions: Thank you.

23 Thank all of you, Admiral Mulloy and Hilarides, and
24 Secretary Stackley. I think you're managing complex
25 programs well.

1 Secretary Stackley, I believe you're a real national
2 asset to understand the details of this, and you're tough,
3 and I believe you're handling the difficult position you
4 have with integrity and ability, and we're glad you're
5 there, and glad both of our admirals are, too.

6 We have a goal of 306 ships. The LCS, Littoral Combat
7 Ship, is a substantial part of that. Can you tell us what
8 role the LCS plays in your vision for the future, briefly,
9 of the Navy ship fleet?

10 Mr. Stackley: Well, sir, I'll start, and ask Admiral
11 Mulloy to join me, here.

12 First, the force structure assessment has 52 LCSs, or
13 small surface combatants, inside of the 306-ship number.
14 Its role -- its multiple roles -- first, not to lose sight
15 of it, is presence. With the 52 ships, the deployment
16 strategy is that -- is what's referred to as 3-2-1. You'll
17 -- for each ship, for -- for two ships -- one of two ships
18 will be deployed out of the 52. And you'll have three
19 rotating crews to support that rotation rate. So, what that
20 means is that 50 percent of your LCSs will be deployed at
21 any one time. That's a significant presence booster. If
22 you compare that to other surface combatants or other ship
23 types, a deployment rate of one in three or one in four is
24 typical. In the case of LCS, it's one in two that we're
25 going after. So, big operational availability, in terms of

1 forward presence.

2 And then, in terms of missions, LCS was designed as a
3 modular mission ship. In other words, we have the ability
4 to rotate our mission packages, depending on what the demand
5 is from the combatant commander. And so, the three initial
6 mission packages set for LCS are the mine countermeasures,
7 which is a significant area of concern for our Navy, in
8 terms of warfighting gaps. So, we look at LCS to replace
9 the MCMs. And more than just replace them, to significantly
10 increase our mine countermeasures capabilities. And then
11 the other two mission areas, one is surface warfare, or
12 anti-surface warfare. First, to deal with swarming boat
13 threats that we are limited in our ability to respond to.
14 And then the third mission package is anti-submarine
15 warfare. And particularly when it comes to LCS, we have a
16 mission package for anti-submarine warfare that is very
17 unique. It combines what's referred to as a variable depth
18 sonar and a multifunction towed array. So, we will have an
19 active -- continuous active variable depth sonar that gets
20 below the acoustic layer, and a passive towed array to pick
21 up the signal. And, in demonstrations with an engineering
22 development model, we've demonstrated the ability to pick up
23 submarines multiple CZs away. So --

24 Senator Sessions: I just have a --

25 Mr. Stackley: Yes, sir.

1 Senator Sessions: Do you want to finish up?

2 Mr. Stackley: No, I was going to say, those three
3 mission areas for the LCS, that presence that's provided by
4 the 50-percent deployment rate, and then, when we talk about
5 the future frigate, it's modifying that LCS to give it a
6 multimission capability, increase its self-defense
7 capability for greater independent operations, and,
8 basically, operating across the range of military.

9 Senator Sessions: Well, I've been on this committee
10 for 18 years, and I remember when it came forward, the
11 vision for it. And I would ask -- and I thought it was a
12 good idea then, and I still do.

13 Tell me about -- just -- I don't have a lot of time,
14 but, briefly, how are you on cost containment? There's been
15 some criticism about that. But, as I understand it, we're
16 in a much better situation today than a lot of people
17 understand. Would you give us a rundown on that?

18 Mr. Stackley: Yes, sir. The history of cost on the
19 program is greatly checkered by the first two ships at each
20 of the shipyards. Costs exploded on the first two ships,
21 and then we went through a period of instability, design
22 changes associated with -- incorporated late in those two
23 ships' design that really impacted our start. The great
24 step forward was achieved when we went down the block-buy
25 path, when were able to bring competitive pressure, go out

1 for a 10-ship buy across a 5-year period, which ultimately
2 became 6, allowed industry to go out -- reach out to its
3 vendors to secure good pricing, allowed them to make
4 investments in their shipyards. So, as a result of that
5 block-buy approach, what we've seen is very strong learning-
6 curve performance, such that the last ships of the block buy
7 are at about a \$350-million pricetag, which is about half of
8 what the first ships were.

9 Senator Sessions: About half of what the first ships
10 were.

11 Mr. Stackley: Yes, sir.

12 Senator Sessions: And so, you're getting the cruising
13 speed. In other words, the shipyards are producing these
14 ships rapidly. And the bugs are getting out of the system.

15 And now you're at the time where you make money, I guess,
16 where you actually are able to produce a ship that's certain
17 to come in at a good cost over a period of time.

18 Mr. Stackley: Yes, sir. We're seeing stable
19 performance. The investments that the shipyards have made
20 have -- are paying them back, in terms of their performance.

21 They've trained up a workforce that they're holding onto
22 through this production run. This is -- we need to
23 replicate this, frankly, on more programs.

24 Senator Sessions: Well, I think you said that before.
25 It's -- what's been achieved is almost historic.

1 Well, I know you're aware of the -- there's some -- in
2 the mission packages, there's some -- the ship itself --
3 both the ships don't have any fundamental flaws, but are
4 operating effectively. Is that correct?

5 Mr. Stackley: We've -- frankly, when we conducted
6 operational testing -- developmental and operational testing
7 on the lead ships, we identified flaws, and we've
8 incorporated those back into the designs to the best -- best
9 we can to ensure that, future ships, those are being
10 captured in the design right up front.

11 Senator Sessions: But, with regard to some of these
12 innovative, high-tech computer systems and mine
13 countermeasures, you are -- you're not going to certify
14 those until you're satisfied, as -- from my conversation
15 with you, you are not going to certify until you're certain
16 they are meeting the standards, number one. And, number
17 two, I'll ask you, Is there any doubt in your mind what
18 you're asking will be achievable? It's not something that
19 is a pie in the sky, but these are all improvements that,
20 with time and effort, can be achieved?

21 Mr. Stackley: I think we're dealing with engineering
22 issues, not invention. So, the answer to your question is
23 yes. And, in terms of our certification -- our
24 certification standards are well laid out, well understood.
25 And we're holding tight to those certification standards.

1 We'll complete the operational testing. We've gone down the
2 mission package path in an incremental fashion to ensure
3 that we don't overreach with a big-bang approach, but, as
4 technology is mature, we can go ahead and incorporate it in
5 respect to ships.

6 Senator Sessions: I think that's good management.
7 Thank you, Mr. -- Secretary Stackley.

8 Senator Wicker: Senator Shaheen.

9 Senator Shaheen: Thank you, Mr. Chairman.

10 Thank you all for being here.

11 I had the opportunity last week to go out on a -- to
12 embark on the U.S.S. New Hampshire. It's convenient, that
13 was the New Hampshire. And I was very impressed by the
14 teamwork on the ship, by the capacity of that Virginia-class
15 sub, and what our program can do. And one of the things I
16 heard about while I was there was the fact that last year
17 the crew and the U.S.S. New Hampshire were out submerged for
18 110 days on their mission. And, during that period, they
19 came up one time to load food for 6 hours. And it really
20 struck home with me the impact that -- when we talk about
21 shipbuilding, we talk about it in terms of the ships, but we
22 don't often talk about it in terms of the impact that this
23 program has on the men and women who serve on those ships,
24 and what a shortfall does to the deployment cycles that
25 people have to serve. And I wonder, Secretary Stackley or

1 Admirals, if one of you would like to speak to the challenge
2 that that presents when we have a reduced number of ships,
3 particularly submarines.

4 Admiral Mulloy: Yes, ma'am. As we indicated was, we
5 are meeting the demand of 100 ships from a 300- -- from a
6 275-ship Navy right now. Ten years ago, I would have told
7 you we had 100 ships underway from a 400-ship Navy. So,
8 what that means is, every asset is critical to us, and that
9 means that you have to man it, you have to maintain it, you
10 have to train them up to be successful, and then you have to
11 supply them when they're forward deployed. And, in many
12 cases, they may have to go back out again if the world
13 situation changes. A number of our SSNs from the Groton
14 area had to rego back at sea again, so I believe the New
15 Hampshire went back from deployment and went back out again,
16 because she was ready to go. That ripples into a little bit
17 on the family world. They had some plans; you know,
18 birthdays, anniversaries were missed. And we've all been
19 there, back in the cold war. We're just entering a phase
20 again where the world is shifting, but it's not one defined
21 adversary. And so, as a result, we ask a lot of our people.

22 So, it's important -- and that's one thing out there,
23 where the CNO -- he and I were just talking, on Monday -- is
24 that, when he travels around, it's not necessarily the
25 length of deployments, it's the unknown, when they come back

1 to, "Am I going to go again? But -- "I'm willing to go
2 again if America needs me." But, what's going to happen
3 about -- "Am I -- is Congress not going to supply the money?
4 Is my -- is the barracks not going to get refurbished?"
5 Because they know, in 2013-14, we deferred that. You know,
6 we've maintained all of our ship maintenance, we just had to
7 slow some schedules, because the shipyards were -- shipyard
8 workers weren't furloughed, but other -- every Federal
9 agency was furloughed, and had a dramatic impact on the
10 workload. If you're in the shipyards, your boat didn't get
11 done on time. If you're the petty officer on another ship,
12 you stayed out longer.

13 So, they're all woven together, and they're all
14 observing -- all 323,000 people in the Navy are observing
15 what's going on, and they want all of us to push on you,
16 they want all of you to supply back out to them so they can
17 be that 100-day underway. I know exactly what it's about
18 with all my deployments operating from Groton and San Diego
19 and Guam, exactly what that's like. And you count on your
20 family to be well and that America cares and loves about
21 you.

22 Senator Shaheen: Well, I think we heard a lot about
23 this concern during Iraq and Afghanistan, in terms of the
24 deployment of our servicemen and -women in the Army, the
25 Marines. But, I think there's been less of a focus on it

1 with respect to the Navy. And so, I do think that's
2 important to have as part of this discussion.

3 The other thing I was pleased to hear when I was on the
4 New Hampshire was a number of very positive comments about
5 the Portsmouth Naval Shipyard, which is something that
6 Senator King, Senator Ayotte, and I are all very concerned
7 about. And I wonder if, Secretary Stackley, you could talk
8 about the importance of continuing to modernize our shipyard
9 and keeping that 6-percent capital investment maintained.

10 Mr. Stackley: Yes, ma'am. I'll start, and I think
11 I'll let Admiral Hilarides join in, as well.

12 The --

13 Senator Shaheen: I have about a minute and 50 seconds
14 left.

15 Mr. Stackley: Yes, ma'am. This -- we have revised our
16 standards, in terms of our recap rate for our public
17 shipyards, in recognition of a couple of things. One, it
18 was stretched out too long. Two, the facilities, as a
19 result of this long stretchout over a long period of time,
20 they're in need in particular areas of upgrades. And,
21 three, we can't rely on just OCO and other avenues to
22 basically augment our budget to take care of it. We have to
23 make that a priority. And so, in fact, the report that we
24 submitted to Congress 2 years ago, we went back through, as
25 a result of that review, and revamped the way that we are

1 investing in our public yards. And both Admiral Mulloy, as
2 our budget officer, and Admiral Hilarides, as the officer
3 who's in charge of the shipyards, had a heavy hand in both
4 of those. And I'm --

5 Admiral Hilarides: Yeah, I would just add that, you
6 know, we were below that 6-percent benchmark in the
7 submission in '15. And I'm happy to report we'll achieve
8 about 7 and a half in the public shipyards. And then our
9 budget submission for '16 has 7.2. And we think we'll be
10 well over 8. Captain Green's done a great job of being
11 first to the -- first at the head of the line for this. And
12 so, I -- Portsmouth has done very well in that work.

13 Senator Shaheen: Thank you. I appreciate that. I
14 assume, like everything else in the defense budget, that
15 would be affected if sequester kicks back in.

16 Let me also follow -- Secretary Stackley, you were very
17 eloquent in response to Senator King's questions about the
18 impact on the industrial base of what's happening and what
19 would happen with sequestration. But, you know, Senator
20 King raised Bath Iron Works. You talked about Huntington
21 Ingalls. One of the things that I've heard from small
22 businesses in New Hampshire, where we have a defense
23 industrial base, is that, while some of the larger companies
24 can weather these kinds of cuts, for small businesses, they
25 really cannot do that. And if the subcontractors are no

1 longer in -- able to stay in business, aren't we going to
2 have the kind of issue that Senator McCain talked about when
3 he said competition means -- well, lack of competition means
4 that costs go up, means that it's harder to procure whatever
5 we're looking for, whether it's the ship or a system on the
6 ship?

7 Mr. Stackley: Yes, ma'am. The supplier base -- it's
8 been harder for us to get at the supplier base,
9 traditionally. But, we're making a concerted effort today,
10 because we recognize that, in continuing resolutions and
11 sequestration, the first one that's impacted is the guy at
12 the end of the supply chain, because he's the first one
13 whose invoice is waiting for funding, and he's the one who
14 is least able to weather the storm.

15 So, we've been doing a couple of things. First, we
16 were working with the big defense contractors. In all of
17 our discussions with them, asking them, in terms of, "How
18 are you all viewing your supply chain to ensure that it
19 remains healthy?" And that's a good dialogue. But, we
20 can't just rely upon them.

21 So, separately, we've been going out, and we're taking
22 a look at our supply chain past the defense contractors to,
23 first, map where it is; second, to identify what are the
24 critical elements of that supply chain, where there's either
25 a single or a low number of suppliers that, if they went out

1 of business, we would either lose competition or we would
2 lose critical supply for one of our major weapons systems.

3 So, it's a couple-pronged approach. And then, third,
4 we're having roundtables around the country, sitting down
5 with small businesses to understand their problem from their
6 perspective so we can make that a part of -- make that our
7 problem, frankly, and how we do business with small
8 business.

9 And I'll give you a very simple example. We have a
10 thing called "cap-X incentive" -- capital expenditure
11 incentive -- that we provide to our major contractors to
12 allow them to -- to incentivize them to invest in their
13 facilities. We don't do that with the supply chain. So,
14 now what we're exploring is, Does this make sense to provide
15 this type of cap-X that either passes through the front
16 contractor to get to their supply chain to give them the
17 same benefit that we provide the big defense contractor who,
18 frankly, is in a better position to deal with the financial
19 uncertainty than their suppliers?

20 Senator Shaheen: Thank you very much.

21 Certainly, if we can be helpful, I'm sure that all of
22 us on this committee, as you're talking to small businesses
23 in our region, would be happy to participate and be helpful.

24 Mr. Stackley: We're going to come back to you all with
25 some asks associated with supply-chain material commonality

1 for some of our major programs as we look ahead to some of
2 the fiscal challenges that we've got, in terms of
3 controlling cost and dealing with budget uncertainty. We
4 have some very specific asks that we're going to need from
5 you.

6 Senator Shaheen: Great.

7 Thank you, Mr. Chairman.

8 Senator Wicker: Senator Hirono.

9 Senator Hirono: Thank you very much, Mr. Chairman.

10 I think maintaining our shipbuilding capacity in this
11 country is really critical, as you mentioned in your
12 testimony, that other countries are forging ahead. And I'm
13 really glad, Mr. Secretary, that we're looking at, not just
14 the shipbuilders themselves, but also the supply chain. I
15 think that they are a very important part of maintaining our
16 shipbuilding capacity. So, I commend you for those efforts.

17 For Admiral Mulloy: For a number of years now, the
18 Navy's long-term goal for fleet size has been 306 ships.
19 Are you planning to change the goal for the size of the
20 fleet?

21 Admiral Mulloy: Well, ma'am, the goal is actually set
22 when -- it's called a Force Structure Assessment, and it's
23 actually nine separate items we look at and go out to the
24 combatant commanders and then also all the military plans,
25 and we assess how many aircraft carriers, how many large

1 surface combatants, how many attack submarines, how many
2 ballistic missile submarines. That adds up to 306. And now
3 the latest version about to come to the Hill will be 308.
4 We've added another afloat staging base and recognize the
5 LPD-28 to provide 34 to allow us to make sure we get 30 --
6 as we talked earlier, about 30 amphibs.

7 So, 308 is a force-structure assessment, of which is
8 nine different types of ships -- or categories -- of a --
9 what I'd call an attainment. Now, that means you could
10 substitute different ones. You could have -- a large
11 surface combatant could go do a mission for a small surface
12 combatant if you don't have enough. And that's where we're
13 trying to build the LCS right now.

14 And so, we're attempting to build a fleet size of that.

15 And now, as we have just -- we're now going to commence
16 again, for another year from now, another assessment out
17 with the combatant commanders of a new global end state
18 revising the world again. So, the number might change by --
19 anticipate it'll be probably somewhere around the 308 number
20 again. But, once again, that is an aspirational goal of all
21 those types that you have to build, depending upon
22 sustained, consistent funding, that you could build, because
23 all those items and those ship types, as we discussed
24 earlier, compete. Submarines are going down, amphibs are
25 going up at any one time, what the companies are building.

1 But, I need, as a CFO, is to give the CNO and the Secretary
2 of the Navy and his assistants here some kind of plan of a
3 requirement and that we try to build to that.

4 Senator Hirono: And how are you incorporating the
5 shift to the Asia-Pacific in reviewing the requirements for
6 the total number of ships?

7 Admiral Mulloy: Well, ma'am, that's -- lay down our --
8 called a strategic laydown plan. And so, we have just moved
9 a fourth submarine to Guam. The U.S.S. Topeka will be
10 arriving in Guam shortly. We're putting other ships as we
11 move around the western Pacific. We're actually bringing
12 ships as they're commissioned from the East Coast, where
13 they're built -- our submarines are built there, they come
14 to the West Coast. So, we are constantly looking at moving.

15 The Theodore Roosevelt just left on a round-the-world
16 cruise. She will go from being an Atlantic aircraft
17 carrier, proceed through the Mediterranean, operate in the
18 Middle East, and eventually end up in San Diego at the end
19 of her 8-month deployment, and now will become a West Coast
20 ship. So, we're restoring a balance to provide more forces
21 to the West Coast.

22 Senator Hirono: Well, the important concern that I
23 want to make sure is reflected in your assessments is that
24 we continue our commitment to the rebalance to the Pacific.

25 For Secretary Stackley, the Navy -- responding to

1 direction from former Secretary Hagel analyzed numerous
2 upgrades to the current LCS designs. And I know you
3 mentioned that this program has -- undergoing a number of
4 challenges, including large cost overruns in the beginning,
5 and design changes that led to instability. So, you know,
6 that -- Secretary Hagel identified some upgrades to the ship
7 that the Navy hopes to include in the 33rd ship and later.
8 And we need to understand the reasons behind this change.

9 So, either for Secretary Stackley or Admiral Mulloy --
10 perhaps Admiral Mulloy -- do you have an approved
11 requirement for the modified LCS vessel? JROC approved?

12 Mr. Stackley: Let me start. JROC approved for the
13 modified vessel, no, ma'am What we are doing right now is,
14 we're going through what's referred to as -- inside of the
15 service, our equivalent of the -- you know, JROC inside of
16 the service, our requirements definition process. That's
17 ongoing today. We've got a target to get down the JROC in
18 the June timeframe, recognizing that this is a 2019 ship
19 that we're proposing to modify. What we want to do, though,
20 is get moving on the design activities to support that
21 timeline.

22 The Secretary of Defense, he gave us the tasking. In
23 discussions with him, a lot of the tasking was not dealing
24 with a new threat, taking a look at a 306-ship Navy, 52
25 LCSs, about one in six having what's referred to as a

1 "focused mission capability." In other words, it could be
2 doing ASW, or it could be doing anti-surface, or it could be
3 doing mine countermeasures, but it's not doing all of them
4 at once time. And his concern that the concept of
5 employment or operations for the LCS either involved phase
6 zero -- early phase activities or were in the context of a
7 battle group providing a degree of protection for the LCS.

8 He believed that one in six of our fleet was too large
9 of a number with that concept of employment. And so, that's
10 how he arrived at -- cap that at 32. He wants to see
11 something that had what he referred to as greater lethality
12 and survivability to enable more independent operations,
13 more operations in support of battle groups, in support of
14 defending the high-value units, and give it the ability to
15 provide presence without -- outside of the bounds of --

16 Senator Hirono: So, Mr. Secretary, I am running out of
17 time. So, just to get a better understanding of what's
18 going on with the LCS program, though, I realize that
19 Secretary Hagel wanted to focus on survivability. And is
20 the survivability requirements for the 33rd ship forward
21 basically very much different from that that was in the
22 basic LCS?

23 Mr. Stackley: We did not change the requirements
24 associated with survivability for the modified LCS.

25 Senator Hirono: So, Mr. Chairman -- oh, where did he

1 go? I guess I can carry on, then.

2 [Laughter.]

3 Senator Hirono: My understanding is that, before you
4 really get into the specifics of the design of a ship, that
5 you should get the approved requirements, that, when you
6 don't have the JROC approval or certification or whatever
7 the technical term is, that, you know, you should put the --
8 you shouldn't put the cart before the horse. So, that is
9 why I asked the question as to whether or not there is an
10 approved requirement for the modified LCS vessel before
11 going forward with any further design aspects.

12 Mr. Stackley: We do not have a -- as I described, we
13 do not have a JROC-approved requirements document in advance
14 of -- today. However, we will have that in advance of doing
15 the design for the modification of the LCS.

16 Senator Hirono: So, when would that timeframe be --

17 Mr. Stackley: We're targeting June --

18 Senator Hirono: -- for getting JROC?

19 Mr. Stackley: We're targeting June timeframe for the
20 JROC. Literally today inside of the Department of the Navy,
21 we're working the requirements document to support that
22 timeframe.

23 Senator Hirono: Thank you.

24 My time is up, so I might want to ask the Chair to
25 allow me to do a second round.

1 Senator Wicker: Sure. We may take an extra round.

2 So, let me start with my first round.

3 Secretary Stackley, I think everyone here is committed
4 to replacing sequestration, if we can. I think everyone has
5 made that statement. Not everyone in this town feels that
6 way. And you hear -- well, let me harken back to something
7 Admiral Mullen said, several years back. He said the
8 national debt's the number-one security threat of the United
9 States of America. And I'm sure Admiral Mullen would have
10 the same advice to us on sequestration. But, still, he made
11 that statement. And there are people who would urge to us,
12 you know, "The sky didn't fall the last time we endured
13 sequestration. Obviously, it was hard, but we got through
14 it. And sequestration has been a very inartful, but
15 effective, way of pounding down on expenditures, domestic
16 and defense." Help us to help you know how to cut through
17 the rhetoric.

18 You know, in my opening statement, I mentioned there
19 are -- some folks say -- they say we need 306 ships. It's
20 the Navy's stated force structure. National Defense Panel
21 says 323 to 346. And the combatant commanders say 450. A
22 pretty big gap there from people that are supposed to know
23 what they're talking about. I thought I heard you say that
24 we're going to protect shipbuilding, no matter what.
25 They'll be the top priority. And so, these people at the

1 end of the chain, there, in the supplier business, maybe
2 they don't have so much to worry about. It's the morale
3 that Vice Admiral Mulloy talked about, civilian and
4 military.

5 Just help us to know how serious this is. Can't we
6 just -- can't we do this one more year -- let it go back in
7 for a fiscal year, muddle through, and the sky wouldn't
8 fall?

9 Mr. Stackley: Yes, sir, let me try to walk through
10 this.

11 There are three aspects that we have to balance.
12 There's readiness, there's capacity, and there's capability.

13 The discussion about keeping shipbuilding as a priority, as
14 the budget -- in the face of budget uncertainty, that has a
15 lot to do with capacity long term. That's so that we do not
16 mortgage our future in dealing with today's fiscal crisis.

17 However, what we place -- the risk goes somewhere. So,
18 where does the risk go? Well, it's either going to go to
19 readiness or it's going to go to capability. And, by
20 readiness, we talked about extended deployment lengths. If
21 you look at the size of the Navy over the last 25 years, in
22 the early '90s we had a 450-ship Navy, and we had about 100
23 ships deployed. Today, we have a 275-ship Navy, we have
24 about 100 ships deployed. That's wear and tear on the
25 hardware, it's wear and tear on the sailors, it creates

1 backlog in the depots, and it creates questions regarding
2 operational availability, going forward. So, readiness is
3 at risk.

4 Capability, that's not so much the ship count, but
5 that's the weapon systems that we place on those ships. So,
6 when we talk about the Ohio replacement and the investments
7 that we have to make, in terms of its survivability, its
8 capability inside of shipbuilding, that is a number-one
9 priority. So, we're going to protect that investment to
10 ensure that Ohio replacement has the capability it needs.
11 But, then when you walk away from the Ohio replacement and
12 look at the rest of our shipbuilding programs and the
13 investments that we need to make to ensure that they are
14 mission relevant -- they're not just present, but they have
15 the capability they need to deal with an increasing threat
16 -- that's at risk. That's on the shipbuilding side.

17 We also talked earlier about the F/A-18 and what's
18 going on in the depots there. So, parallel universe with
19 shipbuilding is the aviation component, in terms of backlog
20 in the depots and then the investment we need to be making
21 in fifth-generation capability for our strike fighters so
22 that, in fact, it can go head-to-head in high-end conflict,
23 which is the thing that concerns us most.

24 So, we have to keep all three in balance. And what
25 does sequestration do? It's pulling the rug out from one or

1 all three. So, if we protect shipbuilding in the face of
2 sequestration, it's going to come at the expense of
3 readiness today or the capability that we need to continue
4 to invest in so that we don't just have the ships on the
5 front line, we have the ships with the weapon systems they
6 -- that they need -- not to maintain parity, but to maintain
7 superiority over the threat.

8 Admiral Hilarides: Yeah, I'd just like to add one
9 example of the enduring effects. And it's kind of like
10 shipbuilding, but in a microcosm, and I think it'll relate
11 to several members of this committee.

12 Our public shipyards during the time of the
13 sequestration and the hiring freezes that were associated
14 with it, 1400 people left the workforce at a time when we
15 were supposed to have been increasing it, and left us a
16 divot almost 2,000 people behind, which has directly
17 resulted in us not delivering --

18 Senator Wicker: When was that?

19 Admiral Hilarides: At all four of the shipyards, so
20 Norfolk, Puget, Portsmouth, and Pearl Harbor.

21 Senator Wicker: What timeframe, sir?

22 Admiral Hilarides: Started in early '13, and we began
23 hiring again at the beginning of '14. We crossed over to a
24 positive territory almost a year and a half after the
25 beginning of the event. The SSNs in the public yards in

1 Norfolk and Puget are a year late on delivery out of their
2 depot today because of the effects of those hiring freezes
3 that occurred back in '13. And so, these divots, although
4 it appears we stood right back up from it, we are still
5 recovering very much across all of the enterprise.

6 Admiral Mulloy: What the CNO just testified is, in
7 terms of the surge capability. We talk about -- we've been
8 able to maintain -- we call "one-plus-one" -- other words,
9 one aircraft carrier in the Pacific, one in the Middle East,
10 and we flow them around. We're also supposed to be able to
11 surge -- the ability to surge more carriers and amphibious
12 groups, that we have one-and-one also there, to the ability
13 to having what we call "two-plus-three" -- two of them out
14 and three of each to be ready to flow for pressing needs.
15 Right now, we're at a "two-plus-one," and we do not recover
16 that in carriers until '18. And then amphibs would be 2020.
17 That's due to a sequestration and a BBA. If it happens
18 again for 1 more year, I don't know how far that will slide,
19 but that's a 5-year rolling impact of one anomalous event.

20 So, when you say is, Can you have another anomalous
21 event? -- that's where he said was, "No, we can't." Are you
22 talking about a 2024 ability? How long will the world
23 change in the next -- you know, the next 8 or 9 years to be
24 more negative for us to have us in the situation of a
25 degrading posture vice an improving posture?

1 Senator Wicker: Before we turn to Senator King for a
2 second round, does anybody want to follow up on this line of
3 questioning with regard -- okay. Well, all right. Senator
4 King and then Senator Shaheen, on the topic of
5 sequestration, and then we'll give Senator King another
6 opportunity to take another round.

7 Senator King: I was going to say, we shouldn't beat a
8 dead horse, but this is a dead horse that deserves beating,
9 in my view. As I understand it -- and again --

10 Senator Wicker: Don't know how dead it is.

11 Senator King: That's a good point.

12 Again, going back to your excellent report on the
13 industrial base, as I understand it from that report and
14 from my memory, we were able to skate through the first year
15 of sequestration because of unexpended balances and other
16 sort of historic ability of built-up funds, and then we had
17 the partial relief over the last 2 years. So, this year
18 would be full force, and it would, in fact, be worse than
19 what was gone through in the prior several years, because of
20 those different circumstances. Is that -- am I
21 understanding correct?

22 Mr. Stackley: Yes, sir. We pulled -- every bit of
23 margin that was in the system, we pulled out of the system
24 in order to offset the impact of sequestration in 2013. So,
25 we drew a lot of our programs and accounts down, in terms of

1 margin, to weather through sequestration.

2 Senator King: But, you can't do that now.

3 Mr. Stackley: It's -- we've exhausted it, yes, sir.

4 Senator King: Well, I think that's the answer, Mr.

5 Chairman, to this argument, "Well, we made it through, and

6 therefore -- the sky didn't fall." It was because we had

7 slack in the system that allowed us to do that. Then we had

8 the relief in '14 and '15. But, now we're facing the full

9 brunt of it.

10 And I think we need to remind ourselves, this was a --

11 sequestration was designed to be stupid. It was explicitly

12 designed to be so unacceptable that Congress would find a

13 solution to -- find ways to solve this problem in other

14 ways, and it was supposed to be so dumb that it would never

15 happen. In fact, I remember being asked, in my campaign in

16 2012, "Will sequestration take effect?" And I said, "No, of

17 course not. Congress would never let that happen." Well,

18 here we are.

19 And so, it's not that those of us who want to relieve

20 from sequestration are saying we just should ignore it, but

21 we should find other ways to fill that \$90-billion gap in

22 the -- this fiscal year and the 6 years that are still

23 remaining, through various other areas of the budget.

24 So -- but, I think it's important to get across to our

25 colleagues that, just because we made it through in '13,

1 '14, and '15 doesn't mean that the next year will be a piece
2 of cake, because the circumstances are different.

3 Senator Shaheen: Well, I just wanted to follow up on
4 the other consequence of what you were talking about, Vice
5 Admiral Hilarides, because what I have heard from people at
6 the Portsmouth shipyard is that, not only did we lose people
7 as the result of sequestration, but we're having trouble
8 hiring people. And we have -- as you know, we have a lot of
9 very trained and skilled people who are reaching retirement
10 age, and trying to attract the skilled workforce we need,
11 particularly in the STEM subjects, to replace them is
12 difficult enough. But, if you add to that the uncertainty
13 of, "Well, we're not sure if we're going to have a job long
14 term because these cuts may be coming back in, and we don't
15 know what that means to our future," then that creates
16 another element that makes it even harder.

17 Admiral Hilarides: Yes, ma'am. The things that
18 happened in '13 came at a -- probably the most opportune
19 time, is that the economy was not as robust as it is today,
20 and, as a result, we did not see a dramatic spike in
21 retirements, although we did see a slight increase. Hiring,
22 we still get plenty of applicants for the great jobs up at
23 the shipyards. But, I think if we do this -- and looking at
24 the economy is now, with the growth in industrial trades
25 across oil and gas and other places in the economy, we

1 probably won't be in that same place. And I worry a lot
2 about just what you said, that hiring and retirements will
3 both go -- fall against us, and our recovery would be much
4 longer than it has been in the last 2 years. Yes, ma'am.

5 Senator Wicker: Senator King, do you have further
6 questions.

7 Senator Hirono.

8 Senator Hirono: Thank you.

9 You've talked about the importance of the Ohio-class
10 replacement program. And Fiscal Year 2015 Defense
11 Authorization Act established a national sea-based
12 deterrence fund. I wanted to ask you, Secretary Stackley,
13 What are the Navy's plans for using this fund to implement
14 the Ohio-class replacement program? Because you need to
15 have some processes in place in order to make sure that
16 you're out of a -- you know, you're ready to go and there's
17 money in this fund.

18 Mr. Stackley: Yes, ma'am. We need to work with you
19 all, and the appropriators as well, in terms of how to put
20 this fund to work. Right now, it's a framework without
21 funding in it. And what was authorized was to be able to
22 use other funds from shipbuilding to go into the sea-based
23 strategic deterrent fund.

24 Well, today we don't have other funds from shipbuilding
25 to move into that fund, and particularly not in the -- to

1 the magnitude that we really need to ramp up to, to support
2 the Ohio replacement.

3 So, we're looking at -- we actually start procurement
4 of the Ohio replacement. The first procurement dollars are
5 in 2017. That's the advanced -- I'm sorry, 2017 is the
6 advanced planning; 2019, in terms of material. And so, what
7 we need to do is come back to the defense committees and
8 discuss what the -- what are reasonable options,
9 alternatives, in terms of making this fund more than a
10 framework, but actually helping to solve the issue that's
11 before us all, in terms of the impact of the Ohio
12 replacement on our shipbuilding budget.

13 Senator Hirono: Yes, that's my concern, because I
14 think what you -- you can't start too soon to have more than
15 just a framework for this fund. I think it takes time for
16 us to establish the processes and how exactly you're going
17 to implement this fund.

18 For you again, Mr. Secretary, the Navy announced the
19 intention to complete a package of ship contracts, including
20 the TAO(X) oiler, the LHA(R) -- I just love all these
21 acronyms -- amphibious assault ship, and the LX(R) dock
22 landing ship replacement all in one package. So, Navy also
23 said that it would restrict competition for that package of
24 contract to only two shipyards. What is the Navy's strategy
25 for rewarding these contracts? And why is it in the

1 taxpayers' best interest to restrict competition for these
2 ships?

3 Mr. Stackley: Thanks for the question, ma'am. We're
4 trying to balance a couple of things.

5 First, our requirements. So, we have a requirement to
6 replace our fleet oilers, and that's the -- that first of
7 class ship for the TAO(X) -- that's the replacement for our
8 fleet oilers -- is in the 2016 budget year. We also have a
9 requirement for a new big-deck amphib, the LHA-8, which is a
10 2017 ship with advanced procurement in 2016. And we've
11 talked about the LX(R), which is the replacement amphibious
12 ship for our LSD-41 class, which we have in the budget in
13 2020, with advanced procurement the year prior.

14 So, when we look ahead at those three major programs
15 across our industrial base, a couple of things become
16 immediately apparent. First, we talked about the fragility
17 of the industrial base. What we want to do is add stability
18 to the industrial base. Second, we've talked about
19 affordability of our shipbuilding program, so what we want
20 to do is figure out how to drive affordability into those
21 programs, to the extent possible. And then, third is
22 competition, which couples the industrial base and the
23 element of affordability.

24 The strategy that we have put forward does a couple of
25 things. First, it sends -- it sends a signal to our

1 industrial base that we're going to limit competition to the
2 two shipbuilders that we believe are absolutely essential to
3 our industrial base.

4 Senator Hirono: By the way, what are the two
5 shipbuilders?

6 Mr. Stackley: Ingalls Shipbuilding and --

7 Senator Hirono: In Mississippi.

8 Mr. Stackley: In Mississippi. And NASCO, in San
9 Diego.

10 Today, Ingalls builds four different ship classes.
11 Today, NASCO builds one Navy ship class and commercial work.
12 We view them both critical to our industrial base. And if
13 we were to go down a path of open competition and soliciting
14 these one at a time, there is tremendous uncertainty in
15 terms of what the outcome would be, in terms of our
16 industrial base and our -- the affordability of those
17 programs.

18 So, what we've elected to do is, one, limit the
19 competition to those two builders; two, we're soliciting
20 each of these programs separately but together, and
21 requiring bids on each from both shipbuilders so that we can
22 get competition inside of each, as opposed to either
23 allocating or awarding one at a time, which puts one of the
24 shipbuilders at risk.

25 So, in order to preserve the industrial base, leverage

1 competition, bring affordability and stability to that
2 industrial base, we've elected to limit the competition, go
3 out with a single solicitation that contains both the LHA-8
4 and the TAO(X), size them what we believe to be about the
5 same, in terms of man hours of work, and also about the
6 same, in terms of horizon of time, so that industry has some
7 assuredty that, okay, "We understand how much work is coming
8 our way, we can build that into our business base. We'll
9 sharpen our pencils, in terms of competition."

10 Senator Hirono: So -- I thank you for that
11 explanation. And you mentioned, though, there are eight
12 shipbuilding facilities, and four of them are only one
13 contract away from going under. So, are you also looking at
14 what's going on with those other shipyards, shipbuilding --

15 Mr. Stackley: Yes, ma'am. So --

16 Senator Hirono: -- facilities?

17 Mr. Stackley: -- the other shipyards -- first, on the
18 nuclear side, electric boat, in Newport News, are not in
19 what I would call a fragile position.

20 Senator Hirono: The four that are one contract away.

21 Mr. Stackley: They're in very strong position. In
22 fact, they have increasing workload coming their way.

23 NASCO is a contract away. They are in peril. And so,
24 that's why this is an important aspect of NASCO's viability.

25 Ingalls -- if Ingalls does not get one of those two

1 major programs, then they are at risk.

2 Now, separately -- I haven't discussed Bath Iron Works,
3 because Bath Iron Works does not build these ship types, so
4 they're not a part of this discussion. But, separately, we
5 did talk about the multiyear for destroyers. Continuing
6 down that multiyear path, it's important to both BIW and its
7 competitor, Ingalls, on that program.

8 And then we have the two builders for the Littoral
9 Combat Ship, Austal, on the Gulf Coast, Marinette Marine, up
10 on the Great Lakes. They're separately addressed, in terms
11 of the future shipbuilding strategy for LCS followed by a
12 future frigate.

13 Senator Hirono: Thank you.

14 Thank you, Mr. Chairman.

15 Senator Wicker: Well, Senator McCain expressed concern
16 about competition. And I think that was with -- in regard
17 to aircraft carriers.

18 Mr. Stackley: Yes, sir.

19 Senator Wicker: Would you care to respond to that?

20 Mr. Stackley: He made a generic comment that we need
21 competition to help control costs on our programs. And we
22 are absolutely in agreement there. With specific regards to
23 the aircraft carrier, we have been asked, and we are
24 following suit, to conduct a study to look at alternatives
25 to the Nimitz and Ford-class size and type of aircraft

1 carrier, to see if it makes sense. We've done this in the
2 past. We're not going to simply break out prior studies,
3 dust them off, and resubmit it. We're taking a hard look to
4 see, Is there a sweet spot, something different, other than
5 today's 100,000-ton carrier, that would make sense to
6 provide the power projection that we need, that we get today
7 from our aircraft carriers, but, at the same time, put us in
8 a more affordable position for providing that capability?

9 Senator Wicker: Okay. But, right now he's -- he's
10 made a correct factual statement with regard to the lack of
11 competition.

12 Mr. Stackley: Yes, sir. There's -- if you -- there is
13 no other shipyard in the world that has the ability to
14 construct a Ford or a Nimitz nuclear aircraft carrier, other
15 than what we have Newport News, and the capital investment
16 to do that is prohibitive to set up a second source. So,
17 obviously, we are content, not with the lack of competition,
18 but we are content with knowing that we're only going to
19 have one builder for our aircraft carriers.

20 Senator Wicker: Let me also follow up on the question
21 about the EMALS. Now, EMALS is a catapult and an arresting
22 mechanism based on electromagnets. Senator McCain was
23 getting a lot of questions in in his allotted time. So, let
24 me give you time to explain about that.

25 You've been in this business a long time. But, we

1 adopted EMALS, decided to move to that, well over a decade
2 ago. Is that correct, Secretary Stackley?

3 Mr. Stackley: Yes, sir. I think the decision was made
4 in 2004.

5 Senator Wicker: Okay. Well, is it a good point,
6 looking back, to say we were doing fine with the steam-
7 powered catapults and arresting mechanisms, so why did we go
8 to this?

9 Mr. Stackley: Let me start with the requirement. The
10 -- this wasn't a technology push. Going to EMALS enabled a
11 couple of things. One, in terms of requirements, increased
12 sortie generation rate, which is basically the mission of
13 the aircraft carrier -- launch and recover aircraft. Two,
14 reliability. The number-one --

15 Senator Wicker: So, EMALS is supposed to be able to
16 give us a better rate of --

17 Mr. Stackley: Yes, sir.

18 Senator Wicker: -- of launching.

19 Mr. Stackley: Yes, sir.

20 Senator Wicker: Is that, in fact, going to be the
21 case?

22 Mr. Stackley: That will be the case. Let me just say
23 that, today, analytically and what we've done in terms of
24 land-based testing support that. Now what we've got to do
25 is get out and demonstrate that, in terms of operational

1 testing, and, more importantly, in terms of joint fleet
2 exercises as the ship readies for deployment.

3 Senator Wicker: And when that happens, to what extent
4 will the rate be --

5 Mr. Stackley: We have --

6 Senator Wicker: -- better?

7 Mr. Stackley: We have -- oh, not better.

8 Senator Wicker: Faster?

9 Mr. Stackley: Yes, sir. I would tell you it's in the
10 25-percent --

11 Admiral Mulloy: Our sortie generation rate is the
12 combination about -- as he said, 20 to 25-percent better.
13 It's the electromagnetic launching, it's the ability load
14 fuels and weapons, and it's also the landing capacity. So,
15 it's really all taken together as -- the ship is designed to
16 be able to land airplanes quickly and maneuver them in front
17 of the island, which is further back and taller. There are
18 fuel risers and there are ammo elevators right there. And
19 they can quickly get back on the EMALS catapult. So, at the
20 total synergy, it's about a 25-percent increase of
21 throughput capacity on the carrier.

22 An important driver on this was also the manpower and
23 piping required, is that, when you design the ship for long
24 term, steam catapults, you have to tap off hot water from
25 the reactor plant, bring it up, you have steam piping, a

1 significant amount of maintenance. You're saving about -- I
2 think it's between 4- and 600 people on that ship, or -- and
3 so, you're generating billions of savings because I don't
4 have to bring as many petty officers in to work on steam
5 piping for the entire 50-year ship of the life. I just have
6 electrometic -- magnets operating all the time. So, I
7 reduce the number of people onboard, and I increase the
8 throughput rate. So, when you look at a 50-year life of a
9 ship, it's a significant investment.

10 And the last one is, I can adjust the weight throw, is
11 -- as I look at heavier airplanes and unmanned air vehicles,
12 a steam catapult hits it with a certain thud. With the
13 EMALS, I can adjust the weight down for a light, unmanned
14 air vehicle, or I can go for a fully loaded F-35 advanced
15 airplane, with weight and space growth for the future, all
16 on one thing, with greater flexibility.

17 Senator Wicker: And when will this become a reality,
18 if everything goes well out in the water?

19 Admiral Mulloy: It'll be testing in '16. So, we
20 expect to be, at least on the airplane side, in '17 through
21 '19, work up to deploy; the unmanned air vehicles will
22 depend upon some other follow-on work, sir.

23 Senator Wicker: When might the first deployment be out
24 on the ocean?

25 Admiral Mulloy: I'll get back to you an exact date,

1 sir --

2 Senator Wicker: Good.

3 [INFORMATION]

4 Admiral Mulloy: -- but I believe it's at the end of
5 this decade.

6 Senator Wicker: We take questions for the record.

7 Okay. Now, Senator Hirono was on a very important
8 topic with regard to the Ohio replacement class. In your
9 joint statement, which I do commend you all for, "The Navy
10 continues to need significant increases in our top line
11 beyond the FYDP, not unlike that during the period of Ohio
12 construction."

13 What -- we know this is expensive, and we're going to
14 wrestle with how to help you on this, because it's a vital
15 leg of our triad. But, what lessons can we learn from the
16 period of the original Ohio construction to help us with
17 dealing with the increases in the top line?

18 Mr. Stackley: Sir, let me just describe that -- we
19 took a look at history, in terms of "What's this boat going
20 to cost us, as a percentage of our defense budget, as a
21 percentage of our Navy budget, as a percentage of our
22 shipbuilding top line?" And, as a percentage of our
23 defense budget, it's historically right where the Ohio was,
24 and historically right where the Polaris was so many years
25 ago.

1 Senator Wicker: You're not alarmed.

2 Mr. Stackley: Oh, I'm alarmed. Is that -- yes, sir.

3 Senator Wicker: You're just not surprised.

4 Mr. Stackley: I don't think we should be surprised,
5 because this is a significant capital investment that comes
6 along every 30 to 40 years. It's a limited run of very
7 high-end, very capable submarines, as opposed to a long
8 production run. And what that means is, when it comes time
9 to recapitalize, there is going to be a significant uptick,
10 bump, increase, in terms of our shipbuilding TOA. And
11 that's what we're seeing as we march into Ohio replacement
12 period.

13 Senator Wicker: Admiral?

14 Admiral Mulloy: The other point I'd bring you, sir,
15 back then was -- it was a national need, and the Navy was
16 internal to the Department of Defense budget, but we did not
17 have a Budget Control Act containing the strategy. So, in
18 this case, when the Secretary of Defense looks at Ohio
19 replacement, I should be able to put 1 percent of the DOD
20 budget to the Navy in the fiscal guidance. That means, as
21 opposed to other years, when the Secretary of Defense went
22 to the President who went to Capitol Hill, hey, that 1
23 percent or, you know, that equivalent then would have been
24 the equivalent of \$5- or \$6 billion a year, was available.
25 But, right now, as you look at the Budget Control Act, every

1 year through '23 -- and it was extended 2 years because of
2 the '14-'15 BBA -- through '23, there is a hard cap on the
3 Department of Defense.

4 So, therefore, I have to go in and say, was -- "Oh,
5 gee, if I want to give Ohio replacement the \$5 billion in
6 '21 to build that ship, who am I going to go through and
7 then take out Air Force missiles or I'm going to take out
8 surface ships or I'm take out Army brigades?" So, that's
9 the biggest difference, I would say, right now, is -- we
10 look at, at least the beginning of this program -- is we did
11 not have a Budget Control Act on top of the Department of
12 Defense when we built Ohio -- the Ohio replacement -- or,
13 pardon me, the Ohios.

14 Admiral Hilarides: I would just -- you asked a
15 specific question about what lessons you would take. The
16 lesson of the Ohio class was a very stable requirement -- I
17 think we made one major weapons change in the middle of it,
18 but we knew it when we started. It was -- started with the
19 C-4 missile, went to the D-5 missile. But, the first boat
20 and the last boat are nearly identical, even today, 30 years
21 into their life. So, that stability of requirements,
22 stability of funding, is what allowed us to build those 18
23 SSBNs, one after another, one year at a time, til all 18
24 were done. That is a good way to build ships. It has to be
25 built on an industrial base that's sustained by the SSN

1 production that is more steady-state. But, by definition,
2 when you do it that way, you create that rise for the years
3 that you're building the ships. And, without relief, many
4 of the other shipbuilding programs will be very, very
5 difficult to fund.

6 Senator Wicker: Well, we want to work with you on
7 that, and be part of the solution.

8 Do members of the subcommittee have questions that need
9 to be asked at this, or can we submit other questions for
10 the record?

11 [No response.]

12 Senator Wicker: I thank this talented panel for their
13 time and information.

14 And we will adjourn the hearing. Thank you so much.

15 [Whereupon, at 11:37 a.m., the hearing was adjourned.]

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