NOT FOR PUBLICATION UNTIL RELEASED BY THE SENATE ARMED SERVICES COMMITTEE SUBCOMMITTEE ON SEAPOWER

STATEMENT

OF

THE HONORABLE SEAN J. STACKLEY
ASSISTANT SECRETARY OF THE NAVY
(RESEARCH, DEVELOPMENT AND ACQUISITION)

AND

VICE ADMIRAL ALLEN G. MYERS
DEPUTY CHIEF OF NAVAL OPERATIONS
FOR INTEGRATION OF CAPABILITIES AND RESOURCES

AND

VICE ADMIRAL KEVIN M. MCCOY
COMMANDER
NAVAL SEA SYSTEMS COMMAND

BEFORE THE

SUBCOMMITTEE ON SEAPOWER

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

DEPARTMENT OF THE NAVY SHIPBUILDING PROGRAMS

DATE: MAY 8, 2013

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SENATE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON SEAPOWER

Chairman Reed, Senator McCain, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today to address Department of the Navy shipbuilding programs. The Fiscal Year 2014 President's Budget submission implements the Defense Strategic Guidance and continues our efforts to build and maintain platforms that will evolve and adapt, allowing our war fighters to fight and win the nation's wars, operate forward and sustain readiness. As we confront the challenges of budget constraints and the uncertainty inherent in our fiscal outlook, we are evaluating priorities in our shipbuilding, aviation, and combat vehicle plans to make the hard choices necessary to maintain the right measure of balance in capability, capacity, affordability, and the industrial base.

As 2012 began, USS CARL VINSON and Carrier Air Wing 17 provide air support over Helmand Province while the USS ABRAHAM LINCOLN Carrier Strike Group sails west through 7th Fleet toward 5th Fleet.

USS MAKIN ISLAND, along with USS PEARL HARBOR and USS NEW ORLEANS and the embarked Marines of the 11th Marine Expeditionary Unit, are on point in the Persian Gulf… having relieved the BATAAN Ready Group and Marines of the 22nd MEU, who would, in February, return home after nearly eleven-months of overseas operations - the longest US Navy deployment in forty years.

In March, JOHN C. STENNIS Carrier Strike Group returned to homeport after a seven-month deployment to 5th and 7th Fleets, and seven days later, USS ENTERPRISE departs Norfolk for its final deployment, just eight-months after returning from its last cruise. Accompanying are destroyers USS PORTER, USS NITZE, USS JAMES E. WILLIAMS and cruiser USS VICKSBURG, all headed, as well, to the Middle East.

Later that same month, IWO JIMA Ready Group and 24th Marine Expeditionary Unit deployed…the regular drumbeat of rotational forces to support maritime security operations, provide crisis response capability, and increase theater security cooperation and forward naval presence in the 5th and 6th Fleets.

Already in 7th Fleet, Carrier Strike Group 1 and USS CARL VINSON anchor off Chennai, India, in preparation for Exercise MALABAR with the Indian Navy to foster interoperability.

In May, the second littoral combat ship, USS INDEPENDENCE, completes its maiden voyage to homeport San Diego… in time to see the hospital ship USNS MERCY depart the following day on a humanitarian and civic assistance mission to Indonesia, the Philippines, Vietnam and Cambodia.

The cycle continues with USS CARL VINSON home again in May with cruiser USS BUNKER HILL and destroyer USS HALSEY, having flown more than a thousand Operation Enduring Freedom (OEF) missions…6,600 flight hours…7,283 pounds of ordnance on target, 1,717 rounds of 20mm ammunition expended…in support of coalition ground forces.

Days later, USS GEORGE WASHINGTON, forward-deployed to Japan, departs on patrol, its fourth since arrival in the U.S. 7th Fleet Area Operations.

The next month, guided missile destroyer USS BENFOLD sails west from San Diego on an eight-month Ballistic Missile Defense deployment while USS VANDEGRIFT, USS SAMPSON, and national security cutter USCGC Waesche arrive in 7th Fleet to begin Cooperation Afloat Readiness and Training (CARAT), a series of bilateral exercises with Southeast Asian countries. And the 23rd RIMPAC is underway - the world's largest international maritime exercise involves 22 nations this year and more than 40 ships and submarines and 200 aircraft, around the Hawaiian Islands.

In the North Arabian Sea, USS DWIGHT D. EISENHOWER begins to fly combat sorties over Afghanistan…and back at the largest Fleet homeport in the world; USS ABRAHAM LINCOLN arrives in Norfolk to prepare for Refueling and Complex Overhaul. Having left Everett, Washington 245 days before, the ship sailed 72,000 miles, around the world, including 105 days in the Arabian Sea supporting OEF.

USS BONHOMME RICHARD, with elements of the 31st MEU embarked, begins its first patrol as the Navy's permanently forward-deployed amphibious assault ship from Sasebo, Japan.

The operational tempo of the Fleet remained high throughout 2012 and 2013. Guided missile cruiser USS CAPE ST GEORGE returns to San Diego after circumnavigating the globe in a nine-month deployment supporting 5th, 6th, and 7th Fleets.

And in Bremerton, Washington, Defense Secretary Leon Panetta thanks the crew of USS JOHN C. STENNIS for extraordinary effort to prepare for an eight-month deployment: four-months ahead of schedule; six-months after returning from a seven-month deployment.

Rotations continue…PELELIU Ready Group and the 15th MEU depart San Diego in September; Guided missile destroyer USS MILIUS returns to San Diego after eight-months while USS PAUL HAMILTON leaves Pearl Harbor for a planned ten-month deployment.

The third LCS, USS FORT WORTH, arrives in homeport San Diego following a September commissioning.

And ENTERPRISE Carrier Strike Group returns to Norfolk ...it is the 25th and final homecoming in 51 years of distinguished service. The inactivation ceremony follows on December 1.

In mid-December the DWIGHT D. EISENHOWER Strike Group returns to Norfolk, early, it seems, after only six-months gone, but back for a brief time to depart again and arrive on station in 5th Fleet barely a month ago.

And USS FREEDOM, the first littoral combat ship, arrives in the U.S. 7th Fleet area of responsibility on its eight-month deployment to Southeast Asia.

Meanwhile, all the year long, Marines keep lit the torch of freedom in Afghanistan and the Navy conducts anti-piracy patrols, international exercises, global partnership stations, under-ice operations, maritime surveillance, strategic deterrence, and missile defense missions.

No other military, no other nation on earth has the reach, the presence, the capability, the training and the resolve to maintain this pace and breadth of operations. Global reach, persistent presence, and operational flexibility, the inherent characteristics of U.S. seapower articulated in the *Cooperative Strategy for 21st Century Seapower*, are demonstrated in all we have done in

2012 and continue to do in 2013. These tenets, along with the Defense Strategic Guidance, guide the priorities and direction of the Department of the Navy's Fiscal Year 2014 President's Budget request.

The Navy and Marine Corps' first responsibility is to ensure the ability to deliver the overseas presence and capabilities required by the Defense Strategic Guidance (DSG), Sustaining U.S. Global Leadership: Priorities for 21st Century Defense. The DSG mandates the need to be present overseas where it matters and to be ready when it matters, with a smaller, more ready force, with the right capabilities postured in each region. The DSG concludes that a prompt, credible response by forward U.S. forces can demonstrate American resolve and can blunt the initial actions of an aggressor. The Navy and Marine Corps are well suited and uniquely positioned to meet this mandate, and the Department of the Navy's budget submission for Fiscal Year 2014 reflects the capabilities needed to meet the DSG.

In implementing the DSG, the Navy's Fiscal Year 2014 budget submission sustains our support to partners in the Middle East, rebalances our effort toward the Asia-Pacific region, focuses our presence at key maritime crossroads, and meets the highest-priority capability demands of the geographic Combatant Commanders. We made tough strategy-based choices to ensure a coherent budget that delivers the overseas presence directed by the Secretary of Defense in support of the Global Force Management Allocation Plan (GFMAP); continues our essential, near term investments in the Middle East and Asia-Pacific; and develops capabilities over the long term to address warfighting challenges in these same regions.

Final passage of the Fiscal Year 2013 National Defense Authorization Act and the Fiscal Year 2013 Defense Appropriations Bill was critical to avert the damaging impacts to our operations, maintenance, and investment accounts associated with the potential year-long Continuing Resolution. These funds are being applied in accordance with our strategy and priorities to pay civilian personnel and "must pay bills," reconcile Fiscal Year 2013 readiness, sustain operations and maintenance for priority forces deploying to meet the current approved Fiscal Year 2013 GFMAP, prepare to meet the Fiscal Year 2014 GFMAP, and restore critical base operations and renovation. As well, the Department is exercising new start authorities provided by Congress to develop and deliver future capabilities required by the force, and

leveraging multiyear procurement activities for VIRGINIA Class submarines, ARLEIGH BURKE Class destroyers, and OSPREY MV-22 aircraft; all critical to meeting the force structure requirements in the most affordable manner possible.

Sequestration, however, reduced the Fiscal Year 2013 funding across all accounts by roughly 8 percent, or about $10.7 billion total, thus directly impacting current and future readiness. The Navy is still reconciling the impact of this reduction; however, due to the mechanics of its implementation and the limits on Department-wide transfer authority authorized by the Fiscal Year 2013 Defense Appropriations Act, it is likely that the Department will be compelled to reduce our near term forward presence, our planned depot maintenance and training to support future operational rotations, our procurement of ships, aircraft and weapons systems to meet our force structure and inventory requirements, and our investment in future capabilities and readiness; thus impacting our future readiness. Every major weapon system is impacted by sequestration in 2013 with impacts ranging from reducing quantities procured, delaying schedules (delivery and initial operational capability), deferring costs to future years (particularly in the case of executing programs, such as shipbuilding), and absorbing cost growth due to all of these impacts.

The Fiscal Year 2014 Shipbuilding Program

As the Department moves into Fiscal Year 2014 and beyond, the budget submission balances Force structure, Readiness and Capability to meet national security commitments; and as the national debate focuses increasingly on economic security, it is ever more imperative that the Department of the Navy redouble our efforts to being responsible stewards of public funds. A brief overview of Shipbuilding programs follows.

Shipbuilding

The Navy reported to Congress in January 2013 results of the Force Structure Assessment (FSA) which determined the capabilities of the future force to meet the full range of missions requirements by the Department of the Navy in support of the DSG. The FSA analysis

resulted in a battle force requirement of 306-ships. This requirement is different from our previous 313-ship requirement because of: (1) reduced presence requirements resulting from the DSG's priorities; (2) increased forward basing of ships; (3) introduction of new payload capacity for SSNs (replacing the SSGNs) and; (4) the increased use of ships manned with rotating civilian and military crews which provide more presence per ship. Our shipbuilding investments are not programmed to reach the precise number and mix of ships within this FYDP, but do deliver a fleet of 300 ships by 2019 with increased capability and flexibility compared to the fleet of today.

The Department's Shipbuilding Plan continues to build toward the balanced 306-ship force outlined by the FSA. In support of this, the Fiscal Year 2014 President's Budget request funds eight ships: two VIRGINIA Class attack submarines, one DDG 51 ARLEIGH BURKE Class destroyer, four Littoral Combat Ships (LCS), and one Mobile Landing Platform/Afloat Forward Staging Base (MLP/AFSB) variant. Over the next five years, the Navy will deliver forty-seven ships. These investments are part of our long-term plan designed to deliver the fleet, by ship type, required per the FSA over the long term.

Key to accomplishing the objectives of the shipbuilding plan is stability and affordability. Over the past several years, the Navy has placed a priority on increasing shipbuilding rates and providing stability for the shipbuilding industrial base. Stability translates into retention of skilled labor, improved material purchasing and workforce planning, strong learning curve performance, and the ability for industry to invest in facility improvements; all resulting in more efficient ship construction and a more affordable shipbuilding program. The past VIRGINIA-Class and DDG 51-Class MYPs, the DDG 1000 Swap/DDG 51 Restart Agreement, the LCS dual block buy, the MLP procurement, the continuation of CVN 78-Class procurements on constant five-year centers, and the heel-to-toe CVN RCOH induction-to-delivery cycle have provided critical stable workload for our shipyards and their respective vendor base. The approved upcoming VIRGINIA-Class and DDG 51-Class MYPs will help to further stabilize the surface combatant and submarine industrial base through this decade. Likewise, the funding requested to procure a fourth MLP, and to configure MLP 3 and MLP 4 as AFSBs will also provide for much-needed workload within the auxiliary shipbuilding sector.

The strategy going forward must also continue to center upon improving affordability. To this end, in addition to the emphasis on stability discussed above, the Navy has established affordability requirements and invested in Design for Affordability for future ship programs; mandating use of open systems design; leveraging competition at every opportunity in shipbuilding and weapons systems production; employing fixed-price contracts to control cost for ships and weapon systems in production; imposing strict criteria limiting disruptive change to contracts; investing in industry-wide manufacturing process improvements through the National Shipbuilding Research Program; and incentivizing capital investment in facilities where warranted.

The Navy will continue to aggressively pursue the mutual objectives of improving the affordability of our shipbuilding program and increasing the strength of our shipbuilding industrial base, and is committed to working closely with Congress on these efforts.

Aircraft Carriers

Our aircraft carriers are central to our Nation's Defense Strategy, which calls for forward presence, ability to simultaneously deter potential adversaries and assure our allies, and capacity to project power at sea and ashore. These national assets; however, are equally capable of providing our other core capabilities of sea control, maritime security, and humanitarian assistance and disaster relief. Our carriers provide our nation the ability to rapidly and decisively respond globally to crises with a small footprint that does not impose unnecessary political or logistic burdens upon our allies or potential partners.

GERALD R. FORD (CVN 78) is the lead ship of our first new class of aircraft carrier in nearly 40-years. FORD-Class carriers will replace, on a one-for-one basis, NIMITZ-Class carriers as they reach the end of their projected 50-year service lives. FORD-Class carriers are expected to be the premier forward deployed asset for crisis response and early decisive striking power in major combat operations through the remainder of this century. While the GERALD R. FORD aircraft carrier design uses the NIMITZ-Class hull form, it is essentially a brand new ship, encompassing new technologies and interior arrangements to improve warfighting capability, operational availability, and quality of life for its sailors, while reducing crew and aviation wing size by as many as 1200 personnel and total ownership costs by approximately $5

billion over the life of each ship. In 2011, the Navy identified spiraling cost growth associated with first of class non-recurring design, contractor and government furnished equipment, and ship production issues on the lead ship. The Navy completed an end-to-end review of CVN 78 construction in December 2011 and, with the shipbuilder, implemented a series of corrective actions to stem, and to the extent possible, reverse these trends. While cost performance has stabilized, incurred cost growth is irreversible. Accordingly, the Fiscal Year 2014 President's Budget includes funding for the cost growth identified in 2011 and requests that the cost cap be correspondingly increased to $12.887 billion.

The President's Budget also requests the second year of construction funding for JOHN F. KENNEDY (CVN 79), the second ship of the FORD-Class. The planned delivery of CVN 79 aligns with the end of service life for USS NIMITZ, the ship it will functionally replace to maintain a force structure of 11 carriers. As a result of lessons learned on CVN 78, the approach to carrier construction has undergone an extensive affordability review; and the Navy and the shipbuilder have made significant changes on CVN 79 that will reduce the cost to build the ship. CVN 79 construction will start with a complete design, firm requirements, and material economically procured and on hand in support of production need. The ship's build schedule also provides for increased completion levels at each stage of construction with resulting improved production efficiencies. The associated cost cap for CVN 79 is also being updated with this budget request to account for economic inflation and non-recurring engineering for incorporation of lead ship lessons learned and design changes to improve affordability.

Inarguably, this new class of aircraft carrier brings forward tremendous capability and life-cycle cost advantages compared to the NIMITZ-class it will replace. However, the design, development and construction efforts required to overcome the technical challenges inherent to these advanced capabilities have significantly impacted cost performance on the lead ship. The Navy continues implementing actions from the 2012 detailed review of the FORD-Class build plan to control cost and improve performance across lead and follow ship contracts. This effort, taken in conjunction with a series of corrective actions with the shipbuilder on the lead ship, will not recover costs to original targets for GERALD R. FORD, but should improve performance on the lead ship while fully benefitting CVN 79 and following ships of the class.

With more than half of the service life of the NIMITZ-Class still remaining, the Refueling and Complex Overhaul (RCOH) continues as a key enabler for the enduring presence of the aircraft carrier Fleet. This year's budget request includes $1.75 billion for the last year of funding for the RCOH of USS ABRAHAM LINCOLN and $246 million for advance procurement for the RCOH of USS GEORGE WASHINGTON.

Submarines

Submarines have a unique capability for stealth and persistent operation in an access-denied environment and to act as a force multiplier by providing high-quality Intelligence, Surveillance, and Reconnaissance (ISR) as well as indication and warning of potential hostile action. In addition, attack submarines are effective in anti-surface ship warfare and anti-submarine warfare in almost every environment, thus eliminating any safe-haven that an adversary might pursue with access-denial systems. As such, they represent a significant conventional deterrent. While our attack submarine Fleet provides considerable strike capacity already, our guided missile submarines provide significantly more strike capacity and a robust capability to covertly deploy special operations force (SOF) personnel. The Navy is mitigating an impending attack submarine force structure shortfall in the 2020s through three parallel efforts: reducing the construction span of VIRGINIA-Class submarines, extending the service lives of selected attack submarines, and extending the length of selected attack submarine deployments.

With the support of Congress in Fiscal Year 2013, the Fiscal Year 2014 President's Budget requests funding for two VIRGINIA-Class submarines ($5.3 billion), with one of these two submarines funded between Fiscal Year 2014 and Fiscal Year 2015 using advance appropriations. The request also includes advance procurement and economic order quantity funding for the Fiscal Year 2015 through 2018 boats. The Fiscal Year 2014 boats are the first two submarines under the Block IV Fiscal Years 2014 through 2018 Multiyear Procurement (MYP) contract.

Ballistic missile submarines are the most survivable leg of the Nation's strategic arsenal and provide the Nation's only day-to-day assured nuclear response capability. They provide survivable nuclear strike capabilities to assure allies, deter potential adversaries, and, if needed, respond in kind. The Nuclear Posture Review completed in April 2010 determined that the U.S.

would retain a nuclear triad under New START and that, for the near-term, the Navy would retain all 14 OHIO-Class SSBNs in the current inventory. To maintain an at-sea presence for the long term, the U.S. must continue development of the follow-on to the OHIO-Class submarine, the 12-ship OHIO Replacement. On December 21, 2012, the Navy awarded the research and development contract for OHIO Replacement. This contract focuses on meeting the program's stressing performance requirements while reducing costs, in not only design and production, but also operation and sustainment. To date, the Navy has reduced cost by implementing modular construction build practices into the design and re-using previous classes' designs and components where feasible.

The Fiscal Year 2014 budget requests funding to continue development of the OHIO Replacement SSBN and ensures Common Missile Compartment (CMC) efforts remain on track to support the United Kingdom's Successor Program's schedule. All aspects of the OHIO Replacement Program will continue to be thoroughly reviewed and aggressively challenged to responsibly drive down engineering, construction, and operations and support costs. However, Navy will need the means to resource, in particular, construction of the next generation nuclear ballistic missile submarine.

Today the Navy has four guided missile submarines (SSGN). To mitigate the loss of strike capacity when SSGNs retire in the next decade, the Navy requests Fiscal Year 2014 Research and Development funding to continue the design for a modification to the VIRGINIA-Class SSN, the VIRGINIA Payload Module. Modified Virginia-Class SSNs could be procured starting no earlier than Fiscal Year 2019. Our challenge will be executing this option affordably alongside competing priorities within the overall shipbuilding program.

As threats evolve, it is also vital to continue to modernize existing submarines with updated capabilities. The submarine modernization program includes advances in weapons, integrated combat control systems, sensors, open architecture, and necessary hull, mechanical and electrical upgrades. These upgrades are necessary to retain credible capabilities for the future conflicts and current peacetime ISR and Indication and Warning missions and to continue them on the path of reaching their full service life.

Large Surface Combatants

Guided missile cruisers (CGs) and guided missile destroyers (DDGs) comprise our large surface combatant Fleet. When viewed as a whole, these ships fulfill broad mission requirements both independently and in conjunction with a strike group. The demands for increased capability and capacity in Ballistic Missile Defense (BMD), Integrated Air and Missile Defense (IAMD) and open ocean anti-submarine warfare (ASW) have resulted in a shift of focus on the type and quantity of these ships.

The Fiscal Year 2014 President's Budget requests funding for one Flight IIA DDG 51 ARLEIGH BURKE-Class destroyer as well as additional advance procurement and economic order quantity funds in support of the ongoing Fiscal Year 2013 through Fiscal Year 2017 MYP for nine ships with the option for a tenth ship. The Flight IIA ships will incorporate IAMD, providing critical additional BMD capability and capacity to the Fleet. The Navy projected in excess of $1.5 billion in savings for the ships across the MYP contract and has leveraged these savings in the procurement of the ships. The Department's objective is to procure the tenth DDG 51 in the MYP; however, we will first need to resolve funding shortfalls resulting from the Fiscal Year 2013 sequestration reductions.

The Navy is proceeding with the Air and Missile Defense Radar (AMDR) program to meet the growing ballistic missile threat by greatly improving radar sensitivity and longer range detection for engagement of increasingly complex threats. This scalable radar is on track for installation on DDG 51 Flight III ships to support joint battle space threat awareness and defense, including BMD, area air defense, and ship self defense. The AMDR radar suite will be capable of providing simultaneous surveillance and engagement support for long range BMD and area air defense. The Navy intends to introduce AMDR on DDG 51 Flight III in Fiscal Year 2016.

The Fiscal Year 2014 President's Budget request includes funding for the modernization of two cruisers and three destroyers. To counter emerging threats, this investment is critical to sustain combat effectiveness and to achieve the full expected service lives of the Aegis Fleet. Destroyer and cruiser modernization programs include Hull, Mechanical, and Electrical (HM&E) upgrades, as well as advances in warfighting capability and open architecture combat systems to reduce total ownership costs and expand mission capability for current and future combat

capabilities. The current plan combines the HM&E and combat system modernization into a single availability which increases the operational availability of our most demanded assets.

The DDG 1000 Class guided missile destroyer will be a multi-mission surface combatant capable of providing long-range, precision naval surface fire support to Marines ashore. To accomplish this mission, the ship features two 155mm Advanced Gun Systems capable of engaging targets with the Long Range Land Attack Projectiles (LRLAP) at a range of over 63 nautical miles. In addition to this critical capability, this optimally-crewed ship will provide valuable lessons in advanced technology such as signature reduction, active and passive self-defense systems, and enhanced survivability features. The Fiscal Year 2014 President's Budget requests $232 million to continue construction on DDG 1000, 1001, and 1002. DDG 1000 is 82% complete. The deckhouse and hangar have been integrated into the ship, which is progressing towards launch and christening later this year. DDG 1001 is 58% complete; and DDG 1002 has started fabrication.

Small Surface Combatants

The Navy's Fiscal Year 2014 President's Budget requests $1.8 billion to procure four Littoral Combat Ships (LCS) with a total of fourteen to be procured across the FYDP. These ships expand the battle space by complementing our inherent blue water capability and filling war fighting gaps in the littorals and strategic choke points around the world. LCS design characteristics (speed, agility, shallow draft, payload capacity, reconfigurable mission spaces, air/water craft capabilities) combined with its core C4I, sensors, and weapons systems, make it an ideal platform for engaging in Maritime Security Operations. Each ship brings unique strengths and capabilities to the mission and each has been designed in accordance with overarching objectives for reducing total ownership cost.

Affordability remains a key factor in acquiring the needed future capacity of these highly flexible and capable ships. The Navy remains on course to deliver these ships in the quantities needed through the execution of the two competitive block buy contracts (for 10 ships of each version) awarded in Fiscal Year 2010. The average cost of both LCS variants – including basic construction, Government Furnished Equipment (GFE), and change orders – across the 10-ship procurement over the five year period falls under the Congressionally-mandated cost cap of $480

million per ship (FY 2009 dollars). The dual block buy award strategy afforded the Navy an opportunity to award up to 20 ships between Fiscal Year 2010 and 2015 under fixed-price type contracts resulting in a savings of $2.9 billion.

The dual award strategy also stabilized the LCS program and its associated industrial base, increased the ship procurement rate to support operational requirements, promoted efficiency in the industrial base from the vendors to system providers to the shipyards, while sustaining competition, and provided potential Foreign Military Sales opportunities. The Navy is also aggressively pursuing commonality between the two variants, with particular focus on weapon systems, sensors, and C4I equipment. There are several on-going studies that will identify non-recurring integration costs, insertion points, and total ownership costs in order to assess the optimal insertion points.

LCS capabilities address specific and validated capability gaps in Surface Warfare, Mine Countermeasures, and Anti-Submarine Warfare. The concept of operations and design specifications for LCS were developed to meet these gaps with focused mission packages that deploy manned and unmanned vehicles to execute a variety of missions. Two Mine-Countermeasure (MCM) Mission Modules (MM), four Surface Warfare (SUW) MMs; and one Anti-Submarine Warfare MM have been delivered. The Surface Warfare and Anti-Submarine Warfare Mission Modules remain on schedule to reach Initial Operational Capability (IOC) in Fiscal Year 2014 and Fiscal Year 2016, respectively. Sequestration, combined with recent Congressional marks and rescissions, will impact the operational test schedule for the Mine Countermeasures MM. The Navy is working to minimize this impact and will advise the defense committees of any changes to meeting the IOC date for this essential capability. The Fiscal Year 2014 President's Budget requests approximately $347 million in Research and Development and Other Procurement funding for continued development of mission modules, procurement of common mission module equipment and procurement of four mission packages. The Navy will continue to incrementally field additional mission package capabilities to the Fleet as they mature. Mission package production will remain in phase with ship deliveries to ensure that each LCS is able to execute its required missions.

Expeditionary Warfare

Ensuring the Nation retains its critical amphibious capability remains a top Department of the Navy priority. The Marine Corps remains first and foremost a naval service, operating in close partnership with the United States Navy. Together, the two naval services leverage the seas, not only to protect the vast global commons, but also to project our national power and influence ashore where that is required.

The future security environment dictates that the Department maintains a robust capability to operate from the sea, placing special demands on our equipment. A core capability of expeditionary forces is the ability to project forces ashore from amphibious platforms and to maneuver once ashore.

Amphibious Ships

Amphibious ships operate forward to support allies, respond to crises, deter potential adversaries, and provide the nation's best means of projecting sustainable power ashore; they also provide ideal capabilities for providing humanitarian assistance and disaster relief. Amphibious forces comprised of Sailors, Marines, ships, aircraft and surface connectors provide the ability to rapidly and decisively respond to global crises without a permanent footprint ashore that would place unnecessary political or logistic burdens upon our allies or potential partners. There are two main drivers of the amphibious ship requirement: maintaining the persistent forward presence, which enables both engagement and crisis response, and delivering the assault echelons of up to two Marine Expeditionary Brigades (MEB) for joint forcible entry operations.

Based on the footprint of a 2.0 MEB assault echelon force, a minimum of 30 operationally available ships are necessary to provide a force made up of ten Amphibious Assault Ships (LHD/LHA), ten Amphibious Transport Docks (LPD) and ten Dock Landing Ships (LSD). The Chief of Naval Operations and Commandant of the Marine Corps have determined that an overall force structure of 38 amphibious ships is required to ensure this mix of 30 ships is operationally available. Balancing the total naval force structure requirements against fiscal projections, the Department has concluded that it can accept a measured degree of risk by employing planning factors that call for a force of 33 ships to achieve this availability.

Today, the Amphibious Force Structure stands at 30 ships, which includes nine LHD/LHAs, nine LPDs, and 12 LSDs.

The Navy is commencing recapitalization of the large deck amphibious assault ships with the construction of AMERICA (LHA 6). AMERICA is now more than 80 percent complete and is scheduled for delivery in Fiscal Year 2014. The Fiscal Year 2014 President's Budget request includes a funding request to complete construction of AMERICA. Beginning with LHA 8, which is planned for procurement in Fiscal Year 2017, the Navy will reintegrate the well deck into the large deck amphibious assault ships to provide necessary surface lift capacity. Funding to design this reintegration of the well deck is included in the President's Budget.

The SAN ANTONIO-Class LPD (LPD 17) provides the Navy and Marine Corps team with modern, capable amphibious lift, and has transitioned into a mature production program. Eight of the eleven authorized and approved ships of this class have been delivered to the Navy. Lessons learned from the effort to resolve material reliability concerns identified in the early ships of the class are being applied to ships currently under construction. Quality continues to improve with each ship delivered as the Navy continues to work closely with the shipbuilder to address cost, schedule, and performance issues. The utility of this class was well demonstrated most recently by USS MESA VERDE as she completed 19 months of deployed operation over a twenty five-month period.

LX (R) will replace the aging LSD 41/49 WHIDBEY ISLAND/HARPERS FERRY-Class vessels and will perform an array of amphibious missions. An Analysis of Alternatives (AoA) is being conducted in Fiscal Year 2013. The Fiscal Year 2014 President's Budget requests Research and Development funds required for technology development and initial design efforts resulting from the AoA. Affordability will be a key factor in acquiring the needed future capacity and operational capabilities of this highly flexible multifaceted ship.

A fully funded LSD mid-life program, to include repairs, is essential for ensuring the LSD 41/49 ships are able to meet their readiness for tasking requirements and their expected service life. Seven of the twelve ships in the class have completed their mid-life upgrade. Funding for LSD mid-life is included in the Fiscal Year 2014 President's Budget request, with a total of four mid-life upgrades scheduled to be completed or begin in Fiscal Year 2014.

Auxiliary Ships

Combat Logistics Support ships fulfill the vital role of providing underway replenishment of fuel, food, repair parts, ammunition and equipment to forward deployed ships and their embarked aircraft, to enable them to operate for extended periods of time at sea. Combat Logistic Support Ships consist of T-AOE fast support ships, T-AKE auxiliary dry cargo ships, and T-AO Fleet oilers. The T-AO and T-AKE ships tend to serve as shuttle ships between resupply ports and their customer ships, while the T-AOE tends to serve as a station ship, accompanying and staying on-station with a Carrier Strike Group (CSG) to provide fuel as required to customer ships. Two T-AKE auxiliary dry cargo ships have been allocated to the Maritime Prepositioning Squadrons (MPS) to provide sea-based logistic support to Marine Corps units afloat and ashore.

The Fiscal Year 2014 President's Budget requests Research and Development funds to mature the Navy's concept for the replacement T-AO Fleet oiler in Fiscal Year 2016. The Analysis of Alternatives (AoA) was completed in Fiscal Year 2012. The Navy has recently awarded multiple contracts to perform industry studies related to design alternatives for the ship. The new oilers will have a double-hull design to ensure compliance with the modern commercial environmental protection requirement.

Support vessels provide additional flexibility to the Combatant Commander within the operating area. The Mobile Landing Platform (MLP) enables at-sea transfer of vehicles from cargo ships and facilitates the delivery of those vehicles, as well as equipment, personnel and supplies, between the sea and restricted access locations ashore. The Navy has three MLPs under construction and has requested a fourth MLP in Fiscal Year 2014. The Joint High Speed Vessel (JHSV) provides a high-speed, shallow-draft alternative for moving personnel and materiel within and between the operating areas and in support of security cooperation and engagement missions. The final JHSV contract option for construction of the tenth ship was exercised in December 2012.

There remains a valid and enduring requirement for an Afloat Forward Staging Base (AFSB) capability with capacity for mine warfare and special operations support. Historically, Fleet assets have been called upon to address the AFSB demand. The Department converted the

USS PONCE to alleviate the increased demand on the Fleet and provide an interim AFSB capability until Fiscal Year 2017. To establish a long-term solution for providing the capabilities specified by the Joint Staff, the Navy will sign a detail design and construction contract modification for MLP 3 (Fiscal Year 2012 ship) to become a dedicated AFSB asset. Delivery of MLP 3 is planned for Fiscal Year 2015 to meet the projected retirement of USS PONCE. The Fiscal Year 2014 budget includes a similar request for MLP 4, which will result in a class of four MLPs - two dedicated to the MPSRONs and two dedicated to the AFSB mission.

Affordability and the Industrial Base

Continually improving the affordability of our shipbuilding programs is critical to our ability to meet our new construction requirements. Stability in our plans is fundamental to any weapon system procurement because it allows industry to effectively plan the work, train and retain their unique workforce, invest in facility and process improvements, and sustain the critical sub-vendor base. For stable programs, the Department has leveraged fixed-price multi-year procurements and block buys. These two methods alone are resulting in over $11.5 billion of savings in current procurements of major Navy weapons systems. Competition is a key element of our programs, and we have achieved significant savings from competition which we have reinvested in our programs to buy at more economic rates. We have put in place the rigor and discipline necessary early in a program's life to get the requirements right; we are holding firm to these requirements; we're implementing design for affordability as a tenet across all of our programs, we are ensuring high levels of completion of design before start of production, and mandating use of open system designs. As a result of these actions, the Department's procurement rates have increased, competition and stable procurements are the norm, affordability has improved, and the industrial base on the whole is sustainable. We are pointed in the right direction, yet much remains to be done. It is critical to sustain this progress particularly as we confront the otherwise destabilizing impacts associated with sequestration.

Summary

The Department's Shipbuilding Plan continues to build toward the 306-ship force which is outlined by the updated Force Structure Assessment. This force possesses the requisite capability and capacity to deliver credible deterrence, sea control, and power projection to deter or contain conflict and, if called upon, to fight and win our nation's wars. The request for Fiscal Year 2014 includes two VIRGINIA Class attack submarines, one DDG 51 ARLEIGH BURKE Class destroyer, four Littoral Combat Ships (LCS), and one Mobile Landing Platform/Afloat Forward Staging Base (MLP/AFSB) variant. These investments are a critical part of our long-range plan designed to deliver the fleet necessary to meet the Department of the Navy's missions under the Defense Strategic Guidance. The Department continues to instill affordability, stability, and capacity into the shipbuilding plans and to advance capabilities to become a more agile, lethal and flexible force to address the challenges and opportunities facing the nation. Forty seven ships will be delivered over the next five years.

Budget uncertainties may slow progress toward our goals, but the tenets which guide our decisions remain firm. The Navy and Marine Corps, on the high seas and closing foreign shores, stand ready to answer the call of the Nation. We thank you for your continued support of the Navy and Marine Corps and request your approval of the Fiscal Year 2014 President's Budget request.