

Stenographic Transcript
Before the

Subcommittee on Seapower

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

TO RECEIVE TESTIMONY ON THE STATE OF CONVENTIONAL
SURFACE SHIPBUILDING

TUESDAY, MARCH 25, 2025

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1 TO RECEIVE TESTIMONY ON THE STATE OF CONVENTIONAL SURFACE
2 SHIPBUILDING

3
4 Tuesday, March 25, 2025

5
6 U.S. Senate
7 Subcommittee Seapower
8 Committee on Armed Services
9 Washington, D.C.
10

11 The committee met, pursuant to notice, at 2:31 p.m. in
12 Room SR-222, Russell Senate Office Building, Hon. Rick
13 Scott, chairman of the subcommittee, presiding.

14 Committee Members Present: Senators Scott [presiding],
15 Sullivan, Sheehy, Kaine, Shaheen, Blumental, and King.
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1 OPENING STATEMENT OF HON. RICK SCOTT, U.S. SENATOR
2 FROM FLORIDA

3 Senator Scott: The hearing will come to order. Thank
4 you each of you for being here. It's my hour to serve as
5 chair of this important subcommittee and I look forward to
6 working with my colleague, Ranking Member Kaine from
7 Virginia, to ensure Navy has the ships and resources they
8 need. The Navy's very significant to both of us.

9 First off, I want to introduce our witnesses. We're
10 joined by three experts in the state of our nation's able
11 shipbuilding, starting with Dr. Brett Seidle, who serves as
12 the Acting Assistant Secretary of the Navy for Research
13 Development and Acquisition and is responsible for the
14 overall management for shipbuilding programs. Nice, easy
15 time.

16 Next, is Vice Admiral James Downey, who serves as the
17 commander of the Naval Sea Systems Command, providing
18 technical direction, contracting authority, construction
19 oversight, and other critical functions for Navy
20 shipbuilding.

21 And, finally, Shelby Oakley, who is the director for
22 Contracting and National Security Acquisitions at the
23 Government Accounting Office, where she has reviewed our
24 shipbuilding efforts extensively. Thank you again for being
25 here and thank you for what you service to our country.

1 So many of you have heard me talk about my father, my
2 dad. I'm blessed. I have my doctor dad, he was crazy. He
3 joined the Army very young, underage. He was one of 3,000
4 Americans who did all four combat jumps for the Second World
5 War. I think he got paid more to do jumps. He thinks about
6 80 out of 80 people came back alive. He told me the Germans
7 were bad, the foxholes were bad, the food was bad, so I
8 joined the Navy. But I'm proud he did, he did all four
9 combat jumps with the 82nd airborne that they did, and then
10 fought in the Battle of the Bulge.

11 I thought the food was going to be better, but it was
12 really not very great. I served as radarman aboard the
13 U.S.S Glover. I'm proud of being a Navy veteran, but we can
14 all acknowledge that he's facing significant challenges and
15 in need of a turnaround. President Trump has made clear
16 that his administration is focused on making our military
17 the lethal fighting force it should be, and I'm glad we have
18 a President focused on this.

19 In the past few years, unfortunately, we've seen the
20 Navy failing to recruit, pass the audit, and most relevant
21 to our discussion today, deliver ships on time and on
22 budget. In the last five years, 41 ships were delivered to
23 the Navy. Of those 41 ships, only four were delivered on
24 time and on budget. It's 9.7 percent. So, I'm a business
25 guy, I built businesses. No one would consider less than 10

1 percent success, acceptable. In the private sector
2 something would've changed. You wouldn't keep using the
3 same company, a company would probably go bankrupt. You
4 clearly change people out.

5 Yet, over the past four years, we've seen the Navy
6 failing to improve ships, innovate or deliver things on time
7 and on budget. As a failure to the American people expect
8 their federal government to use their tax dollars wisely and
9 expect their Navy to be on the cutting edge of innovation to
10 defend our national security.

11 We clearly have to make some changes. I think my
12 colleague, Senator Kaine, is in the same position. We want
13 to do everything we can to help with a turnaround and we got
14 to do it fast.

15 In today's Subcommittee on Seapower hearing, we will
16 provide oversight on our navy's conventional surface
17 shipbuilding efforts, see why our naval readiness and
18 shipbuilding are falling behind communist China, and
19 understand how we can work to rapidly change course.

20 I have serious concerns about the challenges to our
21 maritime dominance. The United States is losing ground
22 unfortunately to communist China in naval power, and our
23 shipbuilding enterprise is failing to keep up. Communist
24 China Navy has 370 ships and submarines with over 150 major
25 surface combatants, and they continue to pioneer innovative

1 designs like large, unmanned surface vessels and carriers
2 for unmanned aircraft.

3 In contrast, the United States has failed to capitalize
4 its naval ship building since Ronald Reagan led the
5 production surge over four decades ago. Our service
6 combatant fleet is growing old with the average age of our
7 ship exceeding 20 years, meanwhile, programs intended to
8 modernize our force have completely failed.

9 The Cruise replacement program, the Littoral combat
10 ship, the Zumwalt-class destroyers, its failure to
11 modernized forced us to restart production of older DDG-51
12 Arleigh Burke class ships as a temporary fix, even though
13 these ships were already desperately in need of innovation
14 to begin with.

15 What's even more concerning is that we don't seem to be
16 learning from our mistakes or taking any significant steps
17 to improve the process. Take the Constellation-class
18 frigate, once intended as an affordable and mature design,
19 as a glaring example of our ongoing challenges. Our recent
20 GAO report attributed the program's failures to an immature
21 design, with constant weight growth and slow approval
22 processes that have delayed the lead ship by at least three
23 years. This crisis extends beyond combatant ships. Our
24 logistics and support fleet, including oceanographic ships,
25 towing and salvage ships and fleet oilers, suffer from the

1 same systemic failures.

2 The common thread here is ships aren't being delivered
3 on time, they're way over budget, and too often they aren't
4 what we wanted. We're past the time for gradual change; we
5 need to take immediate bold transformative action to change
6 how the Navy acquires ships in the entire design and
7 building process. If we don't, we're going to continue
8 falling behind our adversaries, the stakes could not be
9 possibly be higher. Communist China, unfortunately, their
10 government has chosen to be our enemy. And it's our job to
11 ensure the United States Navy has the tools and ships it
12 needs to be ready for whatever may come.

13 Throughout today's hearing, I ask our witnesses to put
14 all options on the table, because if we do not act
15 decisively, the United States risk being a second rate,
16 naval power, unable to defend our interest or deter
17 aggression increasingly in dangerous world. I'd now like to
18 recognize Ranking Member Kaine for his comments.

19

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21 STATEMENT OF HON. TIM Kaine U.S. SENATOR FROM VIRGINIA

22 Senator Kaine: Thank you, Chairman Scott, and thanks
23 to all the witnesses and everybody who's here to talk about
24 this important topic. I look forward to working together as
25 your Ranking Member in this subcommittee. And you're right

1 that both of us personally, you as a Navy Veteran and me as
2 the father of a Marine, but also because of our state's
3 equities, care very deeply about the seapower mission.

4 I'll acknowledge the same thing that I acknowledged at
5 the hearing last year, that the hearing takes place during
6 an extraordinary time for the U.S. Navy. And let's start
7 with some positives. Attacks continue on commercial ships
8 in the Red Sea. That's not a positive, but our nation
9 sailors have demonstrated absolutely remarkable ability to
10 defend key shipping lanes that permit global commerce,
11 battling back against a heavy arsenal of attacks from the
12 Houthis. And we appreciate the bravery of the women and men
13 who sail them to those waters and the skill and competence
14 that they've shown over the last many months.

15 But we know that the Navy today is not operating at
16 readiness levels to match the threats we face around the
17 world. We had the hearing in the full committee two weeks
18 back. The Vice Chief basically said that we have an 80
19 percent readiness standard for ships and subs. It's
20 somewhat complex the what that metric means, but the bottom
21 line is we're at about 62 percent to the 80 on surface
22 ships, 67 percent to the 80 on subs. We've seen some
23 improvement in maintenance, but on the construction side,
24 we're not where we need to be.

25 Given the change in administrations, the first year of

1 the administration, we never get the budget in February.
2 So, we don't have the budget request for FY26. So, I can't
3 yet comment upon how that budget might address the issue of
4 readiness. But we're here today to discuss the state of the
5 industrial base that supports the conventional Navy, how the
6 Navy is supporting the base, and what we need to do to
7 support it in the future.

8 The Navy's industrial base is not in great shape. I
9 don't say any of that to attack either the Navy, the Navy
10 witnesses, or the industrial base. We have fantastic
11 innovators, but bottom line for a series of reasons, whether
12 it's supply chain challenges, workforce challenges,
13 inflation, not sufficient attention to the way to allocate
14 the work among those with the capacity to do it. We're not
15 meeting our needs.

16 Despite the best efforts of your predecessors, we have
17 watched as the performance of Navy ship building has
18 degraded across the portfolio. And we know that the pacing
19 threat from the Navy is much more stressing than this
20 everyday threat that we're seeing in the Red Sea. The Indo-
21 Pacific and other theaters have critical challenges for us.

22 There are some success stories: the amphibious warship
23 and destroyer productions are moving forward at pace. But
24 Virginia Class Sub, Columbia class sub, the frigate program
25 that the chairman mentioned and others, we've got real

1 issues. I am a member of the Health Education Labor Pension
2 Committee, and I'm sort of particularly focused on workforce
3 challenge.

4 And I will just state up front, I'm a little bit
5 worried on the supply chain side and the cost side. What a
6 regime of comprehensive tariffs against products around the
7 world will do this, the cost of some of the inputs that
8 could make this matter even tougher. There are areas where
9 money is going to be needed, but there's also areas where
10 more money is not going to be enough to make the difference,
11 or at least not enough of one fast enough to meet the needs
12 that we have. And so, it's a matter of doing things better.

13 And so, we have to be open to new approaches, admit
14 what we have been doing needs to change and improve if we
15 want a better outcome. Ms. Oakley, the GAO report that you
16 issued recently, it was long, but my punchline was if we
17 keep doing the same thing we've been doing and expect that
18 the results will magically be better, we're living in a
19 fantasy world. We're not going to get better results unless
20 we're willing to embrace change.

21 So, I look forward to the discussion today with the
22 Chairman and our colleagues. And with that, I yield back.
23 Great.

24 Senator Scott: Thank you, Senator Kaine. Now we'll
25 hear from Dr. Seidle.

1 STATEMENT OF DR. BRETT A. SEIDLE, ACTING ASSISTANT
2 SECRETARY OF THE NAVY FOR RESEARCH, DEVELOPMENT, AND
3 ACQUISITION

4 Dr. Seidle: Thank you Chairman Scott, Ranking Member
5 Kaine and distinguished members of this subcommittee, good
6 afternoon. I sincerely appreciate the opportunity to be
7 here today to address the state of conventional U.S.
8 shipbuilding.

9 I am currently the Acting Assistant Secretary of the
10 Navy for Research Development and Acquisition and prior to
11 assuming this role in January, I spent half my career in the
12 private sector leading manufacturing organizations for
13 General Motors and Alcoa. The other half of my career has
14 been spent leading the Naval Research and Development
15 establishment and since arriving in DC in 2020, I've also
16 spent time serving as the executive director of NASSCO for
17 leading our nation's public shipyards.

18 First and foremost, today, I fervently believe our Navy
19 has never been more important than it is right now. The
20 United States projects its presence around the globe via our
21 Blue Water Navy impacting geopolitical decisions on a daily
22 basis and helping to maintain our way of life.

23 Leading in the Navy has resulted in a very purpose-
24 driven life for me and I believe it's a mission that
25 resonates with all of us who serve. That mission ensuring

1 the men and women of the armed services come home safely,
2 that our sailors and marines are never in a fair fight, is
3 both motivational and inspirational for myself and the rest
4 of our acquisition team.

5 I mentioned recently that we have fielded the finest
6 navy ever assembled in the history of the world, and I
7 believe that is still true yet today. Our Navy's
8 performance these past three years has been in a word,
9 outstanding delivering on engagements from the Red Sea to
10 the Western Pacific, and I have been proud to be a part of
11 the team that helps make that possible. And for the men and
12 women of this body and the thousands of employees who make
13 up our acquisition enterprise and industrial partners, you
14 have my heartfelt thanks for delivering on that performance.

15 But today, I have a bounce in my step for another
16 reason, because not only do we have to perform militarily,
17 but we are also in an economic battle with our adversaries.
18 Nations build wealth when they build products. And strong
19 manufacturing base is key to economic buildup.

20 Today, we once again recognize the need to reinvigorate
21 and awaken the industrial might of our nation, and I can't
22 think of no better place to start than our ship building
23 enterprise. I truly am more excited about this challenge
24 than anything I've been involved in during the past 40 years
25 and it is way past time that we get after it. I have been

1 asked if it's just too hard to find people that want to do
2 the work of ship building, that the work is too difficult,
3 too hot, too cold, too dirty. I find that assertion to be
4 patently false.

5 The human condition is the same as when I was a kid.
6 People want a fair wage. They want to be respected for the
7 work that they perform. They want to have a mission they
8 support that's bigger than their life. And I think
9 supporting our Navy checks all those boxes.

10 I have visited our shipyards and it was confirming of
11 my beliefs and rather than being discouraged, I come away
12 emboldened from what I saw. Because there I met industrial
13 partners and leaders I respect, employees who were
14 passionate about our Navy and their role in supporting this
15 country and I also saw latent capacity that can be tapped to
16 make a real difference.

17 Having said all the above, we clearly have significant
18 challenges in our ship building enterprise. Simply put, we
19 need more ships delivered on time and on budget, and we are
20 challenged in both of these arenas. Costs are rising faster
21 than inflation, and schedules on multiple programs are
22 delayed one to three years late. We need increased
23 modernization, infrastructure investment, better workforce
24 hiring and retention, and improved supply chain performance.
25 And my commitment to this body is that our industrial

1 partners and I, with your strong continued support, plan to
2 get after these issues and will behave as if the fight is
3 tonight.

4 I also believe the relationship between this body and
5 our industrial partners is central to our success and
6 solving the problems already mentioned. In each of these
7 three groups, individuals get up every day, passionate about
8 solving the problems in front of us with similar goals and
9 aspirations, albeit different perspectives.

10 And in that vein, this committee has my passionate
11 commitment to be an outstanding partner, to look forward and
12 drive change, to build the connective tissue with our
13 industrial partners-instrumental to our success, and to
14 reinvigorate our manufacturing base to drive the economic
15 engine of this country.

16 I am genuinely excited to be here today and look
17 forward to taking your questions.

1 Senator Scott: Thank you. Admiral Downey.

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1 STATEMENT OF VICE ADMIRAL JAMES P. DOWNEY, USN
2 COMMANDER, NAVAL SEA SYSTEMS COMMAND DEPARTMENT OF THE NAVY

3 Admiral Downey: Chairman Scott, Ranking Member Kaine,
4 distinguished members of the Seapower Subcommittee. Thank
5 you for this opportunity to appear before you today to
6 discuss the Navy's conventional surface shipbuilding
7 programs.

8 I would first like to thank the committee for its
9 candid perspectives, in determination to help the Navy
10 accelerate the delivery of combat power to the fleet.
11 Recent testimony before Congress, including testimony
12 reports from my GAO colleague, Ms. Oakley, have been
13 integral in supporting the Navy's routine communication with
14 Congress regarding the complex realities of shipbuilding in
15 2025.

16 As the commander of Naval Sea Systems Command, I am
17 privileged to lead a team charged with translating war
18 fighter requirements into combat capability, enabling our
19 nation and its allies to provide persistent presence and
20 peace, project power and war, and assured access at all
21 times. Our focus is on getting our ships and their war
22 fighting systems designed, delivered, and maintained to meet
23 global national security requirements.

24 With any project and certainly one as complex as
25 shipbuilding, judicious planning is what establishes the

1 foundation for successful execution. As the technical
2 authority for our ships and related systems, NAVSEA is
3 committed to appropriately evaluating costs schedule, and
4 technical requirements to deliver the right capabilities to
5 our war fighters, recognizing that requirements discipline
6 plays a quintessential role in shaping a program for
7 success.

8 As a best practice, the Navy procures approximately 50
9 percent of our surface force to primarily commercial
10 standards. For combatant programs, with more stringent
11 build requirements, we continually review our military
12 specifications and are committed to doing so collaboratively
13 alongside industry, to simplify and streamline wherever
14 possible.

15 We are also actively transitioning design plans into
16 digitized formats, reducing the burden on the ship builder.
17 Similarly, we are committed to working alongside industry,
18 to ensure our contracts and acquisition strategies are
19 aligned and balanced to the specific procurement need. We
20 continue to face mounting challenges, from shifting
21 demographics and workforce shortages, to supply chain
22 disruptions, that collectively continue to pressurize our
23 shipbuilding contracts.

24 We need strategic solutions to improve waterfront
25 productivity, and we are evaluating contracting approaches

1 and incentives, while also centralizing that data to better
2 access what levers are needed to improve shipbuilding
3 performance. In program execution, our supervisors of
4 shipbuilding provide the onsite technical and contractual
5 oversight for the construction of navy vessels at our major
6 private shipyards.

7 As of today, the Navy has 92 ships under contract, with
8 56 ships actively in construction. In addition to these
9 prime ship building contracts, we also have a number of
10 yards that outsource large components, resulting in a more
11 distributed shipbuilding model, with somewhat more complex
12 oversight required.

13 With the assistance of this committee, we now have a
14 dedicated Deputy Commander within NAVSEA, overseeing our
15 waterfronts and improving communications and coordination
16 across all of our ship building projects, to better deliver
17 capability at the speed and scale of need.

18 When you visit the shipyards and speak to the workers,
19 whether it's welders, machinists, front office staff, or
20 engineers, you understand what it means to them to build a
21 great ship from the keel up, to start with nothing and then
22 to deliver a fully capable warship. That's the product of
23 teamwork in its purest form of execution.

24 This ship building culture, which in some communities
25 goes back generations, is what we focus on cultivating and

1 nurturing. Continuing to do so will require competitive
2 wages as well as affordable housing, quality schools, and
3 other supporting functions for the shipyard workers. NAVSEA
4 is deeply committed to helping industry create productive,
5 and safe workspaces on the waterfront in order to attract
6 and retain the skilled workforce we need to build the navy
7 our nation requires.

8 And so, I thank Congress for these investments in our
9 ship building programs, because these efforts will not only
10 help stabilize production, but will enhance the maritime
11 industry for future generations. I'm committed to
12 transparently working in close collaboration with this
13 Congress and industry to meet the Navy's four structure
14 goals.

15 Thank you again for this opportunity to appear before
16 you today. I look forward to your questions.

17 [The prepared statement of Admiral Downey follows:]

18 [SUBCOMMITTEE INSERT]

1 Senator Scott: Thanks, Admiral. Ms. Oakley.

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1 STATEMENT OF MS. SHELBY S. OAKLEY, DIRECTOR,
2 CONTRACTING AND NATIONAL SECURITY ACQUISITIONS GOVERNMENT
3 ACCOUNTABILITY OFFICE

4 Ms. Oakley: Chairman Scott, Ranking Member Kaine and
5 members of the subcommittee, thank you for the opportunity
6 to speak with you today about the ongoing challenges facing
7 Navy surface ship building and the solutions that could help
8 turn things around.

9 Let's start with the hard truth. Despite the Navy ship
10 building budget nearly doubling over the past two decades,
11 the size of its fleet hasn't grown. The Navy had roughly
12 the same number of ships in 2003 as it does today, even
13 though it has spent billions trying to expand. In addition,
14 almost every surface ship is now significantly delayed.

15 Meanwhile, our strategic competitors are rapidly
16 building and deploying modern, highly capable fleets. The
17 Navy simply cannot afford to continue with business as
18 usual.

19 For over 20 years, GAO has been reporting that the
20 Navy's approach to shipbuilding is fundamentally flawed.
21 We've issued 90 recommendations since 2015 alone, yet more
22 than 60 of them remain unaddressed and the consequences of
23 inaction are clear-billions in cost overruns, years of
24 schedule delays, ships that ultimately don't provide
25 expected capability.

1 The biggest driver of the outcomes we see are the
2 unrealistic business cases that the Navy puts forward to
3 support its shipbuilding programs. These business cases
4 don't adequately reconcile what can actually be done within
5 available resources, including technology, design knowledge,
6 industrial based capacity, and funding.

7 As a result, the Navy's budget requests are founded on
8 optimism, to secure funding. Later as business cases
9 deteriorate and realism sets in, challenges that were
10 predictable from the start, begin to emerge. Yet the Navy
11 continues to push forward, awarding contracts for ships that
12 likely can't be built with the resources available. As a
13 result, they arrive later than planned and cost far more
14 than expected. The LCS and DDG 1000, among others stand out
15 as prominent prior examples of this dynamic.

16 The question is, has the Navy learned from these past
17 mistakes? To some extent, yes. Recent efforts
18 incorporating more proven systems and increasing engagement
19 with industry before contract award are steps in the right
20 direction. But old habits die hard.

21 Take the Frigate program for example. The Navy has
22 already put six ships under contract despite the fact that
23 two key systems remain unproven and design changes have led
24 to weight growth that threatens performance. Now over two
25 years in, construction on the lead ship has effectively

1 stalled with delivery delayed by at least three years. This
2 isn't just a minor hiccup, it's indicative of a system where
3 providing a capable ship to the fleet on time is given less
4 priority than protecting the program budget and keeping
5 money flowing to underperforming programs, under the guise
6 of stabilizing the industrial base. This approach directly
7 threatens the Navy's ability to meet its long-term force
8 structure goals that rely on large numbers of frigates.

9 You might ask, is this scenario simply unavoidable? Is
10 Navy ship building just irreparably broken? The answer's
11 no, but the Navy must break the cycle. Our work over the
12 past 15 years, visiting and learning from leading companies
13 around the world, including leading builders and buyers,
14 consistently demonstrates that large complex projects can be
15 designed and built on schedule and within budget, if the
16 right practices are followed.

17 These include things like first developing a solid
18 business case, one that aligns technology design knowledge
19 funding, industrial based capacity, and time, before
20 committing to construction. Then continuously evaluating
21 that that business case is maintained.

22 Second, adopting iterative approaches that include
23 developing and refining designs and cycles, using knowledge
24 gained from testing, validating, and obtaining user
25 feedback. Third, improving collaboration by streamlining

1 decision making. And finally strengthening in-house
2 expertise and investing in modern ship design capabilities
3 and digital tools to better execute and oversee programs.

4 These approaches enable leading ship builders to
5 develop complex ships in vastly shorter timeframes in the
6 Navy, and to be adaptable to evolving customer needs. And
7 our work has shown that they can be thoughtfully applied to
8 Navy ship building.

9 In conclusion, the Navy has much work to do to improve
10 its practices and restore its credibility with Congress,
11 taxpayers in the fleet. It won't be easy. And breaking
12 with entrenched ways of doing business requires sustained
13 commitment over many years to see real change. Such
14 improvements could help the Navy achieve its four structure
15 goals faster, create stability for the industrial base, and
16 send a clear message to potential adversaries that the U.S.
17 Navy remains the dominant maritime force.

18 Chairman Scott, Ranking Member Kaine, and members of
19 the subcommittee, thank you for your time and for allowing
20 me to speak on this important topic. I'll take any
21 questions you have.

22 [The prepared statement of Ms. Oakley follows:]

23 [SUBCOMMITTEE INSERT]

1 Senator Scott: I think the Ranking Member Kaine and I
2 are not going to alternate, going to do a vote, so we'll be
3 in and out. So, I'll start with my questions. Admiral
4 Downey, how long have you had the job?

5 Admiral Downey: Just over a year, sir. January of
6 2023

7 Senator Scott: Any word on some of the issues you're
8 dealing with.

9 Admiral Downey: A few issues. Yes, sir.

10 Senator Scott: All right. So, let's talk about the
11 Constellation class frigate. So, it's what, three years
12 behind budget. Three years behind way over budget. So,
13 let's talk about what went wrong. So first off, I think --
14 here's my understanding, tell me if I've got this wrong.
15 The Navy chose the Constellation class frigate based on the
16 parent design of the European frigate used by Italy and
17 France, right?

18 Admiral Downey: Yes, sir.

19 Senator Scott: The Navy awarded the design to
20 Fincantieri Marinette Marine for about \$800 million for the
21 lead ship, right?

22 Admiral Downey: Yes, sir. With a competition across
23 five folks for about 18 months.

24 Senator Scott: Construction began in August, 2022 with
25 the Navy certifying basic and functional design was complete

1 as required by law.

2 Admiral Downey: Yes, sir.

3 Senator Scott: A little over two years ago, two and a
4 half years ago, right. So how did a ship that started with
5 85 percent in common with the parent design, fall to 15
6 percent in common with that parent design, and were those
7 design changes from the Navy or from the shipyard?

8 Admiral Downey: Sir, I'll start with the design
9 changes. A combination of both. There's a group of about
10 182 changes, about 80 percent of the changes were requested
11 from Fincantieri to adjust the build spec to their design,
12 all significant changes to get closer to what they proposed.
13 And then there was about 20 percent from Navy.

14 Of those of Navy, we invoked Build America Act, which
15 changed equipment in the propulsion plant, but that was the
16 decision to start from the first of the class. We canceled
17 a couple systems, the MQ-8, for example, and said, we'll get
18 to that in the future. We reduced speed on the ship. There
19 was a very significant speed requirement in Sea State six
20 beyond what a destroyer would be required. So, there's a
21 combination of changes on both sides, sir.

22 Senator Scott: So why were the changes made?

23 Admiral Downey: The 20 percent on the Navy side were
24 to change to the requirements that we had proposed and to
25 cancel about three changes there. One cancellation of speed

1 and two other system cancellations because those programs
2 got canceled out. The vast majority of the changes, working
3 together with Fincantieri, were their recommendations to
4 align the build spec change what we put out to closer to
5 their -- proposal.

6 Senator Scott: So, was that a decision by the Navy or
7 a decision by Congress?

8 Admiral Downey: The Navy changes were a decision by
9 Navy working with Fincantieri. The other changes were
10 proposed by Fincantieri and Navy agreed to the changes.

11 Senator Scott: Did that increase the cost?

12 Admiral Downey: Overall, yes, from a perspective of
13 time because design wasn't completed right. So, they fell
14 behind in design and therefore it's contributing to the 36
15 months.

16 Senator Scott: So, was it a fixed price contract?

17 Admiral Downey: Yes, it's price contract for fixed
18 price incentive fee contract for building the ship, and the
19 ship builder went with a firm fixed price design contract,
20 through a subcontractor.

21 Senator Scott: Okay. And they won in a bid process,
22 right?

23 Admiral Downey: I'm sorry, sir.

24 Senator Scott: They went through a bid.

25 Admiral Downey: They went through a bid with us, and

1 then they contracted to Gibbs & Cox for the design.

2 Senator Scott: So, are they making money?

3 Admiral Downey: No.

4 Senator Scott: Okay.

5 Admiral Downey: They're losing money

6 Senator Scott: As a result of losing money, did they
7 slow anything down?

8 Admiral Downey: Yes. As I said, I took this job -- I
9 had the opportunity for this command in January of '24. Was
10 invited to sit through a review a couple months before that,
11 and could see that the reviews needed additional rigor, that
12 the status of production was about 3 percent. But design
13 was reported as holding up production despite the prior
14 estimates of how far design was completed. So overall, what
15 appeared to be occurring to me is the design was being
16 significantly over progressed.

17 Senator Scott: So, the company, the builder, made the
18 decision to slow down because they were losing money?

19 Admiral Downey: Yes. Because they chose to do a firm
20 fixed price to design contract.

21 Senator Scott: Does that bother you?

22 Admiral Downey: Yes.

23 Senator Scott: Huh. Okay.

24 Admiral Downey: To address this, we surged about 80
25 people up on site in Wisconsin, with the monies invested to

1 drive a collaborative approach to finished design. We
2 expect that functional design will complete by this summer.
3 We've gone from 30 percent first time quality as I took that
4 first review and came into the job to 80 percent, by co-
5 locating Navy engineers, not only with Fincantieri, but also
6 requiring Fincantieri to bring their subcontractor up on
7 site in Wisconsin as well.

8 Senator Scott: Senator Blumenthal.

9 Senator Blumenthal: Thanks, Mr. Chairman. Ms. Oakley,
10 I know that the President's announced a new office to
11 oversee ship building, but on the other hand the Musk
12 operation, call it whatever you will, and the Secretary of
13 Defense are evidently going to terminate, fire people, who
14 would be hands-on overseeing and supervising ship building.
15 Am I right that this kind of mass firing of the civilian
16 workforce, many of them veterans would undermine and
17 potentially set back our ship building efforts?

18 Ms. Oakley: I don't have any insight into the specific
19 cuts that DOGE is proposing for the Navy programs or the
20 Navy workforce. I will say that our report that we issued a
21 few weeks ago on the Navy ship building and ship repair
22 industrial base, identified workforce capacity as a key
23 issue that came up over and over again, both within the Navy
24 and at the builders, as a key challenge for turning things
25 around in terms of performance, both at the yards and within

1 the Navy itself.

2 Senator Blumenthal: So, building the workforce
3 requires investment in people. It requires morale and a
4 commitment of support to people who show up for work every
5 day, whether it's building submarines or other ships or
6 supervising the process of committing resources to them.
7 Correct?

8 Ms. Oakley: Yeah. I think it would be difficult to
9 build up a workforce without that kind of support.

10 Senator Blumenthal: Let me ask others here, how do we
11 build that workforce which we've talked about doing for
12 years and years in submarine construction, for example, and
13 it isn't getting done, evidently?

14 Dr. Seidle: I appreciate the question. I think we're
15 putting a lot of effort in our maritime industrial base
16 arena. This body has funded us about \$4 billion over the
17 last two years, and we have aggressively gone after kind of
18 the workforce hiring and retention.

19 I think we've seen some good effect on the hiring
20 arena, I think you've seen the build submarines.com at some
21 of our major sporting events, will probably be in the March
22 Madness arena too, on advertisements. We've had 16 million
23 hits on that site, 2.5 million applications. It's led to
24 about 9,700 employees hired in 23, a 40 percent increase
25 over 22, another 10k in 24.

1 But sir, those folks are coming and then we're treating
2 out way too quick. We probably are seeing 50 to 60 percent
3 attrition in our first-year employees and it is about the
4 labor rates. When I was working in manufacturing in the
5 '80s, minimum wage is 3.35 an hour, and we paid three or
6 four X for 13 or \$14 an hour for our labor. Today it's
7 about 1.2 X compared to the living wage, and it's impacting
8 that significantly.

9 Senator Blumenthal: Electric Boat is doing a lot of
10 great work in its apprenticeship program and its outreach in
11 training, in going into the community colleges and the
12 schools. But I'm hopeful that the Department of Defense can
13 do more to support what they are doing. And especially as
14 we go into the NDAA investing in apprenticeship training.
15 Would you agree that we need to do more of it?

16 Dr. Seidle: Most definitely. I was up at Electric
17 Boat, had a chance to see some of the programs that they
18 have. I think not only is it great from a training
19 perspective, it's the community involvement and it allows
20 people to feel good about their workplace and their
21 environment and their culture. So yes, very supportive of
22 that Sir.

23 Senator Blumenthal: You would agree that we will
24 continue to need to build more submarines?

25 Dr. Seidle: Absolutely.

1 Senator Blumenthal: And that includes not just
2 Virginia class, but also the Columbia class?

3 Dr. Seidle: Absolutely, yes.

4 Senator Blumenthal: Would it be a mistake? I think,
5 you know, what I believe to for example, eliminate the
6 Columbia class?

7 Dr. Seidle: It would be a significant mistake. We
8 have maritime dominance in that submarine arena. And the
9 Columbia class is the most important leg of our nuclear
10 triad. A critical capability that we need to maintain
11 dominance in.

12 Senator Blumenthal: And do we need to continue to
13 build the Virginia class?

14 Dr. Seidle: Absolutely, yes.

15 Senator Blumenthal: These are rhetorical questions.

16 Dr. Seidle: They are rhetorical. We are all in with
17 you, sir, on that.

18 Senator Blumenthal: I would see no need to ask in a
19 normal time.

20 Dr. Seidle: I understand.

21 Senator Blumenthal: But I'm appreciative that you're
22 on record and I believe the Department of Navy is as well,
23 and I hope the Secretary of the Navy newly confirmed will be
24 as passionate as you and I are.

25 Dr. Seidle: Thank you. Based on my conversations with

1 him, I'm sure he will be, sir. Thank you.

2 Senator Blumenthal: Thank you. Thanks, Mr. Chairman.

3 Senator Kaine: [Presiding.] Senator Sheehy.

4 Senator Sheehy: Thank you, Interim Chairman, I guess
5 Ranking Member Chairman. How do we -- even if we wanted to
6 scale our shipbuilding capacity, even if we wanted to take
7 it to the 10, 20, 30X that we need to even approach what
8 China's building right now. I mean, how do we physically do
9 it? We don't even have the physical shipyards available to
10 build those right now. So, from an industrial based
11 perspective, how do we acquire the physical footprint to
12 start building enough vessels that we're going to need very
13 quickly?

14 Dr. Seidle: So, my first reaction to that, there's a
15 lot of discussion around shipyard capacity and capability.
16 There's a study ongoing right now with the Navy and Cape
17 that will be out shortly, that talks about the capacity and
18 how much more is needed. I think at this point, the
19 workforce issues that we're talking about and the greening
20 of the workforce is leading to lots of rework.

21 For example, at most of our yards right now, the years
22 of experience is three to four years. I think unlocking
23 that latent capacity is a lot about driving modernization
24 into the yards, getting through some of these wages issues
25 to have our retention numbers up. All those things start to

1 play. We also are working on a lot of --

2 Senator Sheehy: I agree that workforce is key, but I
3 think the workforce will fundamentally and eventually
4 respond to a free-market incentive and is relatively
5 elastic. But, you know, last time we had to build a Navy
6 fast, you know, Henry Kaiser bulldozed 10 miles of San
7 Francisco Bay and built a shipyard. And we just don't have
8 that capability anymore. I mean, whether it's ocean front
9 real estate, isn't available anymore.

10 So, I've heard a lot about the workforce and I totally
11 agree with you, we're very aligned on the workforce issue, I
12 think is critical. But I have not really heard anybody yet
13 talk about the real estate issue, which is how do we get the
14 physical space available to conduct the work when needed.

15 Ms. Oakley: I think one of the things that needs to be
16 considered is looking beyond these big platforms, right?
17 Looking to smaller, non-traditional capabilities that could
18 provide that decisive capability for us. You know, in that
19 China fight, thinking about things like robotic autonomous
20 systems, leveraging those kinds of things, smaller yards can
21 build those types of ships.

22 And so, when you're thinking about building up our
23 capacity for ship building in the United States, we can look
24 toward those types of platforms to be the augmenter to the
25 fleet that we need. Not just looking to build, you know,

1 double, or triple the amount of large surface combatants.

2 Senator Sheehy: And I'd agree, but I think, you know
3 it's always fun to talk about the tactical end of the spear,
4 because that's what's fun to look at. But the reality is
5 the heavy lift, sea lift logistic capability to move a lot
6 of people and a lot of stuff halfway around the world
7 quickly is -- that's actually what's more deeply concerning
8 to me. And not the pointed end of the spear, the war
9 fighting end of the Navy, but the ability to lift 500,000
10 troops in everything they need and all the vehicles they
11 need halfway around the world quickly.

12 And to that end, my second question, and I'll yield
13 back there, is you know, the incentives around ship building
14 and the contractors there, and that Senator Scott alluded to
15 you know, the ship building acquisition model is very dated.
16 You know, it's basically still the same model that we had 80
17 years ago.

18 Traditionally and historically, a lot of large naval
19 fleets used leased vessels. And instead of placing the risk
20 on the government to buy the ships and the contractors,
21 basically, there are some risks there, but really the risk
22 on the Navy to buy them.

23 Has there been any study on exploration of leasing of
24 ships, placing the risk on private companies who would be
25 willing potentially to take that risk to build us a fleet,

1 that it wouldn't probably be right for guided missile
2 destroyers and cruisers and submarines, but it could work
3 for you know, some like submarine tenders, which we're
4 woefully short on right now, I think we have two, we need
5 like 15 and logistical vessels.

6 Has there been exploration of leasing commercial
7 vessels and putting the maintenance burden, the upgrade
8 burden on the contractors versus on the Navy?

9 Admiral Downey: I'll take that one, sir. I don't
10 think so. I've been doing this for quite a while and I
11 haven't seen studies on leasing. And I'll go back to your
12 other point. We need them produced, we have about 80
13 commercial vessels under U.S. flag versus thousands under
14 another country. So, it really, I think it goes back to
15 your other point here of how do we increase capacity? So,
16 on the pure Navy side, we do have some in my view, having
17 worked with Maine and California a lot, there is more
18 capacity up in Bath, and there is more capacity out at
19 NASSCO in California. We need to look at our requirements,
20 our variations in builds, and how we get a more- a longer
21 run similar to the DDG-51 program. we're all working on
22 Virginia and there's multiple blocks of Virginia's.

23 So that definitely has an effect on the producibility
24 and the learning there. So, I think we have to do both and
25 get to who would produce them for us. We've added Wisconsin

1 Fincantieri Marinette, we've added Austal, and now we have
2 Hanwha in Philadelphia.

3 We've also looked in the past at reactivating reserve
4 or decommission ships principally the frigate class. And
5 that has led to, it's a dated combat system. We've
6 reactivated some of those ships for foreign countries, but
7 it's would mainly be for coastal patrol. But to your point,
8 we need to do both. We need to grow the shipyards here and
9 look at other acquisition options.

10 Senator Sheehy: Thank you.

11 Senator Kaine: Senator King.

12 Senator King: Thank you. I've been waiting 13 years
13 for the timer to break, so there'd be no limit. A couple of
14 sorts of technical observations before I get to broader
15 questions. One is, as you know, the DDX is in the design
16 stage, and the concern from the point of view of the
17 shipyards, both in Bath and in Mississippi, is that there be
18 a smooth transition between DDG-51 and the DDX. What
19 concerns us is a timing trough, because you can't turn on
20 and turn off welders.

21 And so, I hope that as you plan out the transition
22 process, that that's top of mind, because it would be
23 disastrous for the yards if there was a lag in demand
24 between the two ships. Doctor, are you with me on that one?

25 Dr. Seidle: Yeah, I am. So, we saw the lessons from

1 DDG-51 to DDG-1000 back in the day and how some of that
2 worked out. We clearly are going to be intentional about
3 the transition of DDG-51 to DDG-X, to keep the production
4 line hot, to then feather in DDG-X and then only taper out
5 DDG-51 once DDGX is up and running.

6 Senator King: I'm glad to hear that. Keep that in
7 mind.

8 Dr. Seidle: Yeah, will do.

9 Senator King: Second point on this developing DDX,
10 Ingalls and General Dynamics are working together on the
11 design, which is a new approach, but it's an important one,
12 and I hope the Navy will continue to iterate with them,
13 because having the build yards be involved in the design
14 will make a big difference in terms of construction learning
15 curve and all those kinds of things. So, I hope that
16 project which is underway, will be maintained and the Navy
17 will be forthcoming in terms of communication with the two
18 yards.

19 Dr. Seidle: Yeah, just to comment on that, I see that
20 as a great opportunity. We're working with them even before
21 preliminary design phase, and it gets to some of the things
22 that you've talked about, Ms. Oakley, that we need to be
23 doing, so we are excited and we'll be all about it.

24 Senator King: Well, having served on this committee
25 for a while, it strikes me that one of the problems we have

1 is requirements creep. At some point, it has to be pencils
2 down. And if you learn anything from the Ford, it's that
3 doing research while you're building a ship is not the way
4 to go.

5 So, I think, again, that as we move toward DDX, we need
6 to say, okay, here's the requirements, here's the design,
7 and let's build it. Not let's iterate the design as we are
8 moving through the construction process, that's what's
9 really messed us up in some of these major overrun projects.
10 If I were going to list the three biggest problems right now
11 in developing shipyard capacity, the first would be
12 workforce, the second would be workforce, and the third
13 would be workforce. And the Navy has to be thinking in
14 unconventional ways.

15 For example, one of the most important things that
16 could be done to develop workforce is to have childcare
17 facilities, parking, the kinds of things that -- housing in
18 the area. We've had people recruited to Bath who get there,
19 and then they can't find a place to live. And so, I believe
20 that that has to be part of the mentality of developing
21 workforce.

22 And then of course training, and all those details that
23 go to attracting people in this economy. And finally on the
24 development of the infrastructure, it is the infrastructure
25 itself. There has to be investment. It has to be a joint

1 investment between the private shipyards and the Navy in
2 terms of infrastructure buildings, more efficient layout of
3 the facility and those kinds of steps I think are very, very
4 important.

5 So, again, I'm giving you advice, but this is based on
6 my experience with working with these shipyards. And I
7 guess I would reiterate -- oh, I wanted my final question to
8 GAO. You mentioned 60 or so recommendations that haven't
9 been followed. What are the top three that if you had to
10 beep, if you were pressed, what are the top three
11 recommendations that haven't been followed that you think
12 would make a difference?

13 Ms. Oakley: You really pressing my memory on 60
14 recommendations, but I think most pressing in the front of
15 my mind are our recommendations related to design and the
16 changes that we'd like to see the Navy make with regard to,
17 like you said, ensuring that the design is finalized before
18 we're awarding a contract for construction, and before we're
19 starting to bend metal. Because the problems arise when
20 those design changes start creeping in as the pressures of a
21 fixed price contract begin to mount.

22 And then that leads to just challenges overall, and
23 it's just exactly what we're seeing with the frigate
24 program. And so, we made recommendations to the Navy that
25 they ensure that they have matured their basic and

1 functional design before awarding the contract for detailed
2 design and construction.

3 Another recommendation that we made was related to
4 ensuring that detailed design on each individual block is
5 finished before you begin construction on that block. Most
6 of those recommendations are really aimed at ensuring that
7 there's less of a likelihood that these surprises will pop
8 up at a time where the pressure's going to be high to
9 continue to proceed because of, you know, schedule or money
10 challenges.

11 Senator King: I think this goes without saying, and I
12 appreciate that modularity is king at this point. So, we're
13 building 40-year assets here. They ought to be constructed
14 in such a way that they can be upgraded easily without
15 ripping the whole platform apart. So, I hope those are some
16 things.

17 The other thing that is something that I've observed,
18 is when we're buying these major objects, we should also buy
19 the IP, so that every ship can have its own 3D printer. We
20 don't have to have ships in port, for inordinate amounts of
21 time waiting for a part. So, I hope that's in your planning
22 as well because in this day and age -- and by the way, I
23 think the same thing about the Air Force, availability is a
24 big issue in our fleet, and we should improve our
25 availability. We should benchmark against carnival cruise

1 lines, because if they were only available 40 or 50 percent
2 of the time, they'd be out of business.

3 So, to the extent we can have intellectual property as
4 part of the purchase, then you have the right to make the
5 parts as necessary without even having necessarily to go
6 back into port. Thank you.

7 Admiral Downey: Thank you for that, sir. I'll hit on
8 a few of those points. Modularity; for the Ford class, we
9 studied in the design that about 40 percent of the cost of
10 modernization goes to rip out. So, for the Ford class,
11 where we have the command spaces, the O-3 level, the gallery
12 deck we went with a general arrangement where all 19 mission
13 bays are lined up against each other and the services are
14 moved out of the spaces.

15 HVAC ducting, these things, and built in a flexible
16 infrastructure. So that common bolt size, quick disconnect
17 power panels, lighting, are pressurized under deck so that
18 you don't have any ducting in the spaces. So those type of
19 efforts are modularity that removes I'll say hardware
20 constrained interface or many different such interfaces to
21 the systems, is an area we significantly need to move
22 forward with.

23 On the tool sets, we also have some, I will say not
24 even balanced efforts, but some solid tool sets in the
25 submarine area and digital arrangement drawings in the

1 carrier area. So that it's not left to an interpretation of
2 the worker. The drawings can be extremely complex. So, we
3 have invested in those areas significantly. Studies show in
4 those areas that such tools -- and I have one more point,
5 but such tools can reduce labor by as much as 8 percent as
6 you go through that work.

7 The other key area on the commercial side, so I have
8 been to Korea, Japan, India, Canada, et cetera, Spain,
9 Italy, and the Middle East. Most of the yards that I've
10 been to that have a large production capability, use a
11 common tool set across the yard. We go by program. So,
12 when we get into yards that have multiple product lines,
13 they may be using different tool sets, which causes -- until
14 you go into some of the other foreign large yards it's less
15 obvious in our yards of what's going on. And they don't
16 change the tool set to the new one, until it's ready to
17 support all their product lines.

18 Last point is, in our yards where we have multiple
19 lines, they're also managed by program. They're not managed
20 by a governance approach across the yard from the government
21 side. Some of our yards, we have more than half a dozen
22 lines in those yards. So, it goes to the priority of the
23 program and the different government offices integrating.

24 So, we have been working closely on what is a
25 governance approach that allows shipyard X to get their

1 programs done to cost and schedule in more than a program
2 focused manner.

3 Senator King: I appreciate that. And you mentioned
4 bolts and I once visited a Toyota plant in Tokyo where they
5 built one RAV4 a minute, one brand new automobile a minute
6 came off the line. And they said one of the secrets of the
7 success of that factory was listening to the workers. And
8 one of the things I said, well, what kind of suggestions did
9 they make? And he said, well, somebody noticed we had 86
10 different bolts in a Toyota, and we figured out how to make
11 that into about eight. It saved a huge amount of time, a
12 huge amount of acquisition, and that kind of analysis. I
13 think the lesson there is to listen to the workers because
14 they know on the ship deck what works and what doesn't work.

15 Dr. Seidle: Yeah. Just to comment on that automotive
16 guy in my past --

17 Senator King: Is your mic on?

18 Dr. Seidle: It is. Maybe I'll get closer. Automotive
19 guy in my past, quick story about Toyota and GM. When I was
20 working for General Motors, worst running plant in our
21 lineup was the Fremont plant. It had about 55 percent
22 uptime on the assembly line, 20 percent absenteeism,
23 criminal activity. GM gave up and just shut the plant down
24 in 80 or 81.

25 3 years later, Toyota wanted a footprint in the U.S. to

1 make vehicles, we wanted to learn TPS Toyota Production
2 System, they said, let's use the Fremont plant. And we
3 said, no, you don't want to do that, right? Bad karma.
4 They convinced us and then they said, let's hire the people
5 back. And we said, no, you really don't understand, you
6 don't want to do that, but they did it. And in three years
7 it was the best running plant in our lineup, 96 percent
8 uptime, just an incredible work environment. And you'd go
9 there and you would see folks on fire for what they were
10 doing at their station.

11 And it was because they were empowered to make changes
12 for what they were doing to improve their work and their
13 efficiency and throughput. It was an amazing thing to see
14 the difference. And you're absolutely right that it pays
15 dividends in any manufacturing arena where there's a lot of
16 touch labor, and folks can improve what they're doing.
17 Over.

18 Senator King: Thank you, gentlemen. Thank you very
19 much, madam, for your comment.

20 Ms. Oakley: I'll just make a quick comment, because
21 your last comment about talking to the people is in many of
22 your comments are completely in line with our leading
23 practices for product development that GAO has gone and
24 talked to leading companies all across the world and ask
25 them how do they do business? How do they meet customer

1 needs? How do they get products out on time quickly and on
2 budget?

3 And one of the key aspects of that is that user
4 feedback, the people who are actually going to be using the
5 product, give feedback all along the way from the beginning
6 to the end, that drives changes in that design, design
7 drives changes in how it's produced, and then results in
8 providing the customer with a capability that they actually
9 want and will be happy with.

10 And so, I think what you're saying is completely in
11 line with recommendations we've made both to DOD and to the
12 Navy, to bring their practices more in line with how these
13 leading companies do business. Thank you.

14 Senator King: Thank you, Mr. Chairman.

15 Senator Scott: [Presiding.] Thank you, Ranking Member
16 Kaine.

17 Senator Kaine: Thank you, Mr. Chair. And I'm going to
18 hopscotch around on some topics. Ms. Oakley, on the last
19 point, I would suggest sometimes GAO go visit a company in
20 Lynchburg, Virginia, Framatome, which is one of the main
21 suppliers in the nuclear base. And Framatome is responsible
22 for going out during outages at nuclear power plants.

23 Outages are not disasters. They're the planned period
24 where they pull a reactor out, retrofit and put it in. And
25 obviously they want to do that as fast as they can, and

1 watching how they are able to do this work of such
2 complexity, surge it and do it in a very short time so that
3 the reactor is not offline and is actually producing power.
4 It makes me a little bit embarrassed as I think about how
5 slow we are in some other aspects of what we do. So that
6 would be one to put on your visit list.

7 Ms. Oakley: Yeah, happy to do that.

8 Senator Kaine: To Admiral Downey or Dr. Seidle, do you
9 all know how the shipbuilding enterprise workforce has been
10 affected thus far by DOGE or particular directives from the
11 secretary that might be related to DOGE?

12 Dr. Seidle: So, I'll make some comments and I'll let
13 Admiral Downey make a few comments as well on that.

14 Senator Kaine: And I'll accept "No, I don't know yet"
15 for an answer, if you don't really have the sense of it.

16 Dr. Seidle: So, from the earlier comments, I think the
17 first thing that we have been assessing is the deferred
18 resignation program, in the area that kind of I oversee. If
19 you think about the PEO community and the supervisor ship
20 builders that he has, it looks like those numbers are in the
21 3 percent range.

22 And whenever we look at the number of folks on that
23 list that were probably retirement eligible and decided to
24 say, I'm going to take this now as a result, it drops down
25 to about a percent and a half. So, it is a manageable thing

1 for us when you think about normal attrition.

2 Senator Kaine: How about on the probationary side?

3 Dr. Seidle: Probationary side small numbers as well.

4 And as you know, we've kind of stopped that process. And so
5 once again, the numbers in my neck of the woods appear to be
6 manageable to work through, because we have that kind of
7 attrition also on a yearly basis.

8 Senator Kaine: Admiral Downey, anything different to
9 offer on that?

10 Admiral Downey: I would offer, I represent a large
11 part of the Navy enterprise, about 90,000 folks, and that
12 they're 90 percent civilian. The deferred retirement number
13 across that enterprise for me is around 1200 folks. And
14 with the offers, these are people who chose to retire.
15 There were very few probationary people that were
16 probationary due to performance.

17 Senator Kaine: Right. Probationers, you know, for
18 everybody who isn't familiar with this, they're new hires,
19 so they're either brand new or they're career switchers.
20 So, somebody going from active duty to civilian DOD, that's
21 a career switcher who then is probationary.

22 Admiral Downey: Sir, that's where I was going. My
23 folks hired 7,400 people last year, about 8 percent of the
24 90,000 and that's not uncommon per year. As we've worked
25 through the definitions, almost all of those folks have

1 been, I'll get the word wrong, accepted or exempted because
2 of the national defense work that they're doing.

3 The other area was purchase cards. We purchase a lot
4 in our naval shipyards. One shipyard may -- that's how they
5 buy material -- So Portsmouth Naval Shipyard may have more
6 than a thousand transactions a month et cetera. I have in
7 the 10 to 15,000 a month across all these areas, and we were
8 able to turn on, per command, what I asked for to have
9 turned back on.

10 Senator Kaine: So, everybody wasn't limited to just
11 \$1, right?

12 Admiral Downey: So far, we've very brief interruption,
13 and we've gotten back to what I've asked to have back. On
14 the industry side, across this rest of this decade, the
15 shipbuilding need for what we have booked is to hire about
16 200,000 people. That's what's needed across that effort.
17 So, the stabilization of programs, the not changing of
18 requirements, that's going to be critically important to
19 these people.

20 Last one on that, on wages, Dr. Seidle hit where those
21 wages are. Some of our initiatives to focus on a 25 percent
22 increase for the first folks, you know, the first-year
23 people, \$20 to \$25, that adds about 1 percent to the cost of
24 a ship. A \$4 billion ship becomes a 4,000,000,040.

25 Senator Kaine: You mentioned this to me yesterday and

1 I'm curious about this. So, Dr. Seidle, you were testifying
2 right as I came back from voting about this, the odd
3 compression between, you know, it used to be that a ship
4 builder compared to minimum wage is making, you know,
5 multiply x minimum wage. And now we're down to 1.3, 1.4,
6 which makes the relative attractiveness in a job in the
7 shipyard less.

8 The point that Admiral Downey made yesterday and today
9 is if you increase sort of beginning salaries, and I guess
10 you do some other adjustments, so there's not unacceptable
11 salary compression, but if you do a 25 percent increase, it
12 changes the cost of a carrier, for example, by 1 percent,
13 because so much more is not in the salary side. And that's,
14 an important thing, and I think that's something that we
15 have to grapple with. Here's, a question I was curious
16 about --

17 Admiral Downey: 1 point on that, sir, if I may. it's
18 not simply to raise the wage, but if we can retain these
19 folks and have them focused, we're going to deliver closer
20 to schedule and the overall cost is going to come down.

21 Senator Kaine: Yeah. We're dealing with this greening
22 of the workforce and retention is really important. Let me
23 ask you this, I was pleased when the President during his
24 State of the Union on March four, announced plans to
25 establish a White House office of shipbuilding to revitalize

1 U.S. shipbuilding industry. I'm just wondering if have you
2 been read in, are there yet details about what that looks
3 like, what's the Navy's plan for collaborating with this
4 White House office of ship building? How might it be
5 structured? Who might the leadership be? This is 21 days
6 after that speech, so maybe the answer is no. But do you
7 know any more about that proposal?

8 Dr. Seidle: At this point it is still early in the
9 discussions on that. We do expect to have solid
10 integration, have been told that we'll be over there
11 regularly having conversations, but to date, we still
12 haven't moved out on our end yet on some of that.

13 Senator Kaine: We'll want to keep track on that from
14 the subcommittee standpoint. Over to you Ms. Oakley, and
15 something the GAO had a report that was a December report
16 about amphibious warfare. Fleet Navy needs to complete key
17 efforts to better ensure ships are available for Marines.
18 And the report had this conclusion, "The Navy is likely to
19 face difficulties meeting a statutory requirement to have at
20 least 31 amphibious ships in the future, given the age of
21 the ships and other factors".

22 There's a provision in the NDA at section 1023, that
23 requires that the naval combat force of the Navy shall
24 include not less than 31 operational amphibious warfare
25 ships, but it allows to be counted as operational ships that

1 are temporarily unavailable. What's GAO's perspective on
2 how the Navy is interpreting "temporarily unavailable"?
3 Because we want 31, but we don't want 31 discounted by a
4 deep fraction of "temporarily unavailable" ships that we
5 really can't count on to be.

6 Ms. Oakley: Yeah, I mean, I think that report pointed
7 out that some of the things that were considered
8 "temporarily unavailable" were years at a time unavailable
9 and counted toward that total.

10 Senator Kaine: And would you suggest that in an NDAA,
11 for example, this year, we should take some of that
12 ambiguity out of a phrase, like temporarily unavailable and
13 maybe be a little more specific about what we mean?

14 Ms. Oakley: I think the more specific you can be in
15 giving direction to the Navy would be helpful, because then
16 it leaves it up to their interpretation. The other thing
17 I'd mention is that we have recommendations from 2020, that
18 ask the Navy to reconsider how it defines operational
19 availability, because oftentimes those definitions can be
20 based upon a ship just being able to get underway, but not
21 actually being able to do its missions. And those
22 recommendations remain unopen and there's no action yet on
23 those recommendations.

24 Senator Kaine: I have one other question I'd like to
25 ask maybe before, I'm sure you have a second round, and I

1 may think of some other things too, but to Ms. Oakley, in
2 your opening testimony, you were kind of assessing some of
3 the challenges that you know, undergirded the report that
4 you recently did about pacing challenges and construction.

5 And one of the things you said, maybe in response to a
6 question, is some degree of sort of unreality between the
7 ships we're putting under contract and the Navy sort of does
8 it with an optimism about the future budget meeting what
9 they've put under contract, and we're not really lining up
10 what we're saying we're going to do with the budgetary
11 resources.

12 And I'm troubled by this. I mean, here's a recent
13 example that speaks to a potential cognitive dissonance. We
14 did a reconciliation bill a couple weeks back, that
15 suggested we should spend about another \$150 billion in
16 defense. We're going to continue - on top of what the base
17 budget has been, we're going to continue to work on that.
18 But at the same time as we were doing that, the secretary
19 was sending out kind of the cut memo to the Pentagon,
20 exempting 17 areas, but saying to everybody else, come up
21 with a five to 8 percent cut.

22 Now, I get it, that just asking for a cut plan does not
23 mean you're going to accept the full plan. And just because
24 you've exempted somebody in round one doesn't mean you won't
25 come back to them later. But it did seem to me a little odd

1 that we were saying we need 150 billion more dollars and at
2 the same time, I'm reading the memo from the Secretary of
3 Defense saying, everybody's got to give me cuts. Maybe the
4 cuts are going to be reprogrammed back in, but I just worry
5 that we are not really being like cold-blooded and objective
6 and just truthful.

7 I mean, sometimes the eyes are bigger than the stomach,
8 and we want more than we're willing to pay for, but what is
9 the way we get at that problem? I mean, it's got to be
10 discipline on our shoulders, but it also has to be
11 disciplined over at the Pentagon.

12 Ms. Oakley: I think there's a couple of ways to get at
13 that. You know, when we're talking about realism, we don't
14 just mean that they can't do what they put on paper under
15 their current budget, we mean that they can't do what they
16 put on paper at all. Right?

17 So, they walk into these programs oftentimes with these
18 unrealistic business cases that say, oh, the technology will
19 mature, the design will work out, that system will get there
20 on time. And then we structure all of the cost and schedule
21 estimates around that optimism, and then they don't arrive.
22 And then that causes cascading delays and problems. Right?

23 And so, then the overall top line that's required
24 increases, instead of putting in the work at the beginning
25 to gain the knowledge that you need to be able to

1 understand, here's what it's going to take to get there,
2 both from a cost and schedule perspective, and then putting
3 forth those realistic budget estimates, those realistic
4 schedule estimates, that match with that.

5 Now, that doesn't mean that you automatically say, oh,
6 you know what, it's going to take us 20 years to build this
7 ship, and that's just what it is. Right? That's where our
8 leading practices for product development could really be
9 useful to the Navy, because these leading companies, they
10 don't focus on going for a home run every time, they build
11 their products such that they can be designed and iterated
12 on over the course of a number of years.

13 They put in that work at the beginning to understand
14 what is the most important thing that we need to provide a
15 valuable capability to our customer or to the sailor in this
16 case, and how do we then structure a program that can be
17 done quickly to get that out all while we're thinking about
18 what is the next iteration? what's the next thing that we
19 can get them quickly? And that then therefore truncates the
20 amount of money that you need and the amount of time that
21 you need, to look toward devoting that money and allows them
22 -- could allow the Navy to be flexible and agile to changing
23 threats.

24 Senator Kaine: Great. Thank you very much.

25 Senator Scott: Okay. I'll just ask a question before

1 Senator Sullivan gets ready. Dr. Seidle, you worked in the
2 auto industry? Were you a supplier or were you one of the
3 big companies?

4 Dr. Seidle: so, first I worked with General Motors for
5 about 13 years, then I was with Alcoa when we stood up a
6 plant to support the big three automakers.

7 Senator Scott: Did you ever get a fixed price contract
8 with one of the OEMs? Did you ever agree to build something
9 for a fixed price?

10 Dr. Seidle: I certainly did.

11 Senator Scott: And when you did that, did you like
12 take in consideration you might have to pay somebody to do
13 the work?

14 Dr. Seidle: Sure did.

15 Senator Scott: Did you take in consideration what you
16 would have to pay them in wages?

17 Dr. Seidle: Yes.

18 Senator Scott: Probably did, right. After you got the
19 contract, did you go back to the OEM and say, I really don't
20 like this contract, I'd like to get paid more?

21 [Laughter.]

22 Dr. Seidle: I'll tell you sir; we had several
23 contracts that were underwater when I was with Alcoa trying
24 to really buy our way into that business the first time.
25 And so, we dealt with those to your point, right. We owned

1 it.

2 Senator Scott: They were so understanding. Right.
3 They just said, sure, we'll just pay you more money. It was
4 a bid contract and you made the decision to go into that and
5 get the contract and then you lost money.

6 Dr. Seidle: There wasn't enough understanding, sir.

7 Senator Scott: So, when you were doing that, did you
8 say what I heard, that I went down and that the builder just
9 decided to stop working.

10 Dr. Seidle: Yeah.

11 Senator Scott: Did you ever do that?

12 Dr. Seidle: No, I did not do that.

13 Senator Scott: Would that have ever helped you get
14 more contracts that OEMs?

15 Dr. Seidle: That would not, sir.

16 Senator Scott: Alright. So, did one of the OEMs ever
17 say to you, you know, I'm really worried about your
18 workforce?

19 Dr. Seidle: Yeah.

20 Senator Scott: But did they say, let me give you a
21 whole bunch more money?

22 [Laughter.]

23 Dr. Seidle: No, they didn't, sir.

24 Senator Scott: So, I mean, what's frustrated me is
25 that these people go bid on these contracts -- so like

1 Senator Kaine said, well, you brought it up earlier, that
2 there's been wage compression. And I think in a lot of
3 industries there's been a lot of wage compression, but no
4 one told these companies to set the wage at this point.
5 They made that decision.

6 Dr. Seidle: Yeah. This gets to the business case
7 issues that Ms. Oakley brings up. Right? The business case
8 has to stand on its own for them and for us both.

9 Senator Scott: Now, it's our job to review, to make
10 sure -- Like when I ran an auto company, we were a supplier
11 to the big companies. So, for my contracts, I had to reduce
12 my prices. I defined productivity gains every year, year
13 after year after year, I lost a contract by contract. They
14 never came to me shocking and said, let me just give you a
15 little bit more money, I feel sorry for you.

16 Dr. Seidle: Yeah.

17 Senator Scott: Just makes you mad that these people go
18 out there -- and what you've said is, they're bitching
19 because they can't get the workforce. Whose responsibility,
20 is it? They bid for their own contract.

21 Dr. Seidle: In my opinion, the business cases right
22 now are not where they need to be for both our industrial
23 partners and ourselves. And so, then we have some of these
24 contracts that are pre COVID contracts as well and
25 ultimately, we find ourselves in a tough situation.

1 Now, sir, I will also tell you I am a proponent of
2 working closely with them right now to get to the right
3 answer, to make these adjustments, to do the right thing,
4 because our nation needs it. And also, as I've been out
5 there meeting with them, I see industrial partners that are
6 willing to come to the party as well with us. I can't speak
7 to what's happened the last two or three decades on that
8 front, but I can tell you what I'm seeing now.

9 Senator Scott: Right. Senator Sullivan.

10 Senator Sullivan: Thank you, Mr. Chairman. Great
11 questions. It's good to have a businessman as a Senator.

12 [Laughter.]

13 Senator Sullivan: Okay, boy, oh boy. I don't even
14 know where to begin on this topic, but I think the really
15 good news is, as the President of the United States and
16 everybody on this committee, bipartisan group of Senators,
17 we all want to get at this problem, fix this problem. Boy,
18 I don't even know where to begin.

19 Let me begin, Ms. Oakley, great job on your guys'
20 newest study that came up, your report. I sent it to the
21 incoming Secretary of the Navy and said, you should read
22 this. Very quickly, from your big analysis, the top three
23 things, if you've already said it, say it again, that you
24 think we should be doing.

25 And again, the big idea here is that everybody wants to

1 fix this, the President, the SEC NAV, all of us, so that's
2 not always the case in Congress. And we're willing to put a
3 lot of money towards it, but that's not always needed
4 either. What are the big three that you would recommend
5 succinctly here?

6 Ms. Oakley: I think you're referring to the industrial
7 base report that we issued, right?

8 Senator Sullivan: Yeah.

9 Ms. Oakley: So, from that report, I think the biggest
10 thing is that the Navy needs to ensure that it seizes this
11 bipartisan support and opportunity that it has with all the
12 investments that are going in to address the industrial
13 based challenges and issues. So that report, as you note
14 determine that the Navy didn't really have metrics in place
15 to --

16 Senator Sullivan: Or a strategy for that.

17 Ms. Oakley: Or a strategy to guide those investments.

18 Senator Sullivan: The last Navy Secretary and God love
19 them -- but you know, when you're getting the climate action
20 report to Congress, which is not required by Congress,
21 you're talking about climate change all the time and not
22 ship building. No wonder we're in this disaster, but I'm
23 going to look towards the future.

24 [Laughter.]

25 Ms. Oakley: Well, that takes me to my next point in

1 looking toward the future. So, the Navy kind of has two
2 problems here, right? As Admiral Downey mentioned, there's
3 already 90 ships under contract, I think that amounts to
4 about \$150 billion backlog of ships. So, the ship in some
5 cases has already sailed on those products. And so, what
6 they can do in that regard is look toward gaining that
7 knowledge about design, ensuring designs are stable before
8 construction begins, so that that construction progress
9 isn't disrupted and we're not talking about design changes.

10 Senator Sullivan: Okay. Can I really, I want to touch
11 on that point. Did you guys see the Wall Street Journal
12 piece? they did a really good piece recently on, I'm trying
13 to think of what ship it was.

14 Ms. Oakley: Frigate.

15 Senator Sullivan: It was on Frigate and all the change
16 orders that just killed it. I had the honor of having
17 lunch, just a week ago, with the former Secretary of the
18 Navy, John Lehman, who was responsible for building Reagan's
19 600 ship Navy. Pretty impressive, right? The size of the
20 U.S. economy was about one third of that size than we are
21 today, the employment, and these guys just focused and built
22 a gigantic navy. They helped us win the Cold War. He did
23 it. He was secretary for six years. And I said, Mr.
24 Secretary, how'd you, do it? And what's the number one
25 thing? He said, change orders.

1 I stopped him. I said, once we get through a phase
2 done, done. And he told me all the examples of industry and
3 everybody, some big top guy in the industry tried to get him
4 fired. And he says, we're done, no change, build that ship.
5 Build 30-40 of them, maybe come back after that. Build the
6 ship, stop with the change orders.

7 I think the Navy right now is almost the opposite.
8 That Wall Street Journal article was -- every time some
9 captain in the Navy had a new idea, it was a brand-new
10 change order it seemed like on that ship. So, would you
11 agree that that's like a huge one? Certainly, Secretary
12 Lehman thought it was huge, and that guy knew what the heck
13 he was doing, right? He built the 600 ship Navy under
14 Reagan.

15 Ms. Oakley: I think that when you're talking about
16 being able to snap a chalk line like that and say no more
17 change, you have to make sure that you've done the work to
18 understand that you can even actually build the ship that
19 you've designed. And so, our recommendations would focus on
20 doing that upfront work so that you can snap that chalk
21 line, and be assured of the ship that you're building and
22 the timeframes and costs with which you're going to be able
23 to build it.

24 Senator Sullivan: Okay. It's a great point, because
25 it's not like we've never done this before, right? It's not

1 like we don't know how to build Navy ships. It's not like
2 we don't know how to build a giant fleet. We just need to
3 relearn our lessons from the past. Would you agree with
4 that?

5 Ms. Oakley: I agree. The Navy knows what it's doing.

6 Senator Sullivan: Admiral, let me ask you, it's a
7 really big question and you're the perfect guy to answer it.
8 So, you know, we have this great impeccable culture of
9 excellence and safety record in our nuclear reactor program.
10 And the head of Navy nuclear reactors is an Admiral,
11 starting with the legendary Hyman Rickover, who has an
12 eight-year billet. You think that's part of the reason Navy
13 nuclear reactors has been so successful?

14 Admiral Downey: Certainly, is part of it. Continuity
15 is important in these complex projects.

16 Senator Sullivan: So, I had a provision last year in
17 the NDAA that said, your job, NAVSEA, which oversees all the
18 ship building from design to building, should have an eight-
19 year billet. A little radical, but I took the example from
20 the Navy nuclear reactors. How long is your billet right
21 now?

22 Admiral Downey: Three years.

23 Senator Sullivan: Okay. Three years.

24 Admiral Downey: And typically, it's a year or two
25 extensions. You start with three-year orders --

1 Senator Sullivan: And oh, do they normally extend you?

2 Admiral Downey: Oh, yes.

3 Senator Sullivan: Okay. Well then that makes my
4 amendment even smarter. Because I think you're a vice
5 admiral, by the way. Is it always a vice admiral? NAVSEA?

6 Admiral Downey: This job it's been a vice admiral
7 since the seventies.

8 Senator Sullivan: Okay. So, I think you're a great
9 Vice Admiral, but when you're two, three years in, you're
10 three, and this is nothing against you or all the other Vice
11 Admirals, this is a really big job. You're probably like, I
12 wonder if I can make admiral. And so, you're looking around
13 and you are kind of maybe not so focused. I'm not saying
14 you; I'm just saying generically.

15 So, the Senate in a debate, right in this room, good
16 debate, I got Democrats, Republicans pushed back on me and
17 by the end they were like, geez, Dan, this makes a lot of
18 sense. Let's do eight years, NAVSEA, like the navy nuclear
19 reactors head in the last three years. He's a full Admiral,
20 four star and that way, and it's your last job, just like
21 navy nuclear reactors.

22 Now we were told the Pentagon and the Navy hated my
23 idea. When it went to conference, they stripped it out.
24 So, there you go. In innovation that I think was pretty
25 darn good, you're even telling me that normally it's three

1 years, but they say, oh, you might be extended one or two if
2 we need you. No, let's just say like Navy nukes that NAVSEA
3 should start as a three star, get promoted to a four star,
4 eight years.

5 So, you are responsible designing and building ships.
6 Three years, I mean, how long does it take to build an
7 Arleigh Burke guided missile destroyer, typically?

8 Admiral Downey: About five years. Yes.

9 Senator Sullivan: So, you can't even oversee the
10 building of one ship, is that correct?

11 Admiral Downey: Not from start to finish.

12 Senator Sullivan: No, you can't. How about a frigate,
13 how long normally?

14 Admiral Downey: Well, frigates from the past, we're
15 still working on that schedule now.

16 Senator Sullivan: I know you are,

17 Admiral Downey: But this started in 22, and we're
18 forecasting a three-year delay, so seven years. But it
19 should be back to the four-ish year point of view.

20 Senator Sullivan: But even that's four years, right?

21 Admiral Downey: Yes, sir.

22 Senator Sullivan: Okay. So now I know you probably
23 need to get permission from Big Navy to answer this
24 question, but what do you think about the idea of having the
25 NAVSEA, like the head of nuclear navy nuclear reactors being

1 an eight-year billet, oversee it, own it, and then you
2 retire as a four-star Admiral when you're done. Just the
3 way Admiral Rickover did, just pretty much everyone else
4 did, with the exception, I think of Admiral Richardson who
5 did such a good job, he was promoted CNO, but that was
6 unusual. What do you think of that idea? Especially, how
7 many years are you into your current billet?

8 Admiral Downey: Just over a year. January of 24.

9 Senator Sullivan: So, you think you'd be able to do a
10 better job if you were looking at your current billet and
11 say, I have seven more years to turn this machine around.
12 Or right now, you're like, geez, I got two more years left.
13 I'm wondering if I'm going to make four-star Admiral. I
14 wonder if I should be looking around. What do you think is
15 better for you?

16 Admiral Downey: So, a couple technical nuances, there
17 is no four star. I'm an engineering duty officer, so our
18 last four star was Admiral Rickover.

19 Senator Sullivan: We can make the NAVSEA Admiral in
20 his final three years of an eight-year billet, a four-star
21 admiral.

22 Admiral Downey: I understand, I'm not out looking for
23 another one, not that I wouldn't love to stay.

24 Senator Sullivan: None of this is -- I'm using you as
25 a generic example. None of this is directed at you. You're

1 doing a great job.

2 Admiral Downey: What I would offer is, my most complex
3 jobs I've had have been more than three years. Not by
4 initial design, but I had a certain destroyer program and I
5 wasn't leaving even after selected for flag, until that ship
6 was delivered.

7 Senator Sullivan: And isn't that making my point? And
8 if NAVSEA typically gets extended beyond three years, which
9 sounds like it does. Doesn't that make the point of what
10 we're trying to do here? Because this committee, in the
11 U.S. Senate agreed with the amendment we passed, that
12 amendment got stripped out in the house conference.

13 Admiral Downey: Continuity is usually a good thing.
14 And then you can do whatever you need to do to the person if
15 they're not performing. Another nuance, it's a little
16 complicated, just my personal comment, as you promote
17 halfway through, who relieves you? There's a three-star
18 reliever. So, it's a little -- the long runs got to be
19 thought of.

20 Senator Sullivan: Don't we do that with navy nuclear
21 reactors?

22 Admiral Downey: No, that's four star relieves a four
23 star.

24 Senator Sullivan: Alright. We will figure that out.
25 Anyone else have a view on that from our experts here? I'm

1 way over my time, sorry.

2 [Laughter.]

3 Dr. Seidle: I'll answer it with a question. Any large
4 corporation that has complex products, do they change out
5 their leadership that quickly?

6 Admiral Downey: There you go.

7 Ms. Oakley: That's consistent with my knowledge.

8 Senator Sullivan: Okay. Thank you, Mr. Chairman. I
9 think I'm going to make another attack at this idea, and
10 hopefully the Navy will agree with us and not fight to kill
11 it, which they did successfully last year.

12 Senator Scott: Thank you. Admiral Downey could a ship
13 builder, let's go back to what Senator King was talking
14 about. Could a ship builder act on recommendations from its
15 workers such as standardizing the bolts or making other
16 changes as Senator King suggested? Or would it take years
17 to get the change qualified and approved by the Navy?

18 Admiral Downey: Thank you for the question, sir. It
19 depends upon what the change is, what the Senator was
20 referring to, our Gemba walks, you're at the water for, I'm
21 sure you're familiar. So, we have been on the surface
22 maintenance side in the last 20 months, we've doubled the
23 on-time delivery. And we have been doing Gemba walks for
24 about the last three years, of what is holding things up,
25 how do we go faster? Getting it into the larger complex

1 system, it takes longer than that. And we've seen that.

2 So, we've been really focused on additive manufacturing
3 efforts. We've got about 15 different major projects going
4 on and moving those parts as an example, from 900 to 9,000
5 available. We need to move much quicker here. We are not
6 moving quick enough.

7 Senator Scott: Why does it take -- you know what, I
8 don't understand. I was never in this shipbuilding
9 business. But I don't get why it would take that long to
10 build a ship? I mean, you have all the parts and so why
11 would it take, I mean, you can see maybe it'd take two years
12 to build a ship, but four years, five years, eight years. I
13 mean, if you just start, think about it. If the way we do
14 manufacturing in this country, it didn't seem like it would
15 take that long, right?

16 Admiral Downey: So that's an area we need to improve,
17 we don't have all the material upfront. We buy it
18 throughout. So, the committee congress has supported us
19 significantly in the last few years of changing advanced
20 procurement, from two years to three years. Half of our
21 material in the last three to four years, five years has
22 taken half as long again too. So, we don't start with all
23 that material there.

24 Even if it's a follow-on multi-year, we need to affect
25 that and make sure we're ready. We need better efforts in

1 getting the jobs for the workers that the hours that are
2 effective as we analyze them, it's not where it needs to be.
3 They're back and forth to the work site.

4 Senator Scott: But that's the responsibility of the
5 company that bid on this contract.

6 Admiral Downey: Yeah, I'm not arguing, sir.

7 Senator Scott: That's what's frustrating about this,
8 is that's their job. Have we asked you that when you were
9 in the auto business? Did they? No

10 Admiral Downey: I agree with you.

11 Senator Scott: How long does it take to build a cruise
12 ship?

13 Admiral Downey: It's closer to the couple of years.

14 Senator Scott: Do you know?

15 Ms. Oakley: Yeah. We benchmarked and the longest
16 commercial ship that we benchmarked took 52 months. The
17 quickest Navy ship that we benchmarked was somewhere around
18 90. It was a complex commercial cruise ship.

19 Senator Scott: Took 52 months

20 Ms. Oakley: At most.

21 Senator Scott: And what was the -- like the second one
22 when like Royal Caribbean has all these oceans or whatever -
23 - well how much of the second one after they built that
24 first one at that design?

25 Ms. Oakley: Don't have that data, but it's never

1 longer.

2 Senator Scott: Golly. It just doesn't make sense. I
3 mean, it doesn't make any sense to me why we're doing this.
4 So, Dr. Seidle, why did the Navy use a firm fixed price
5 contract for the design construction of the frigate? What
6 was the rationale and do you think this was right?

7 Dr. Seidle: I can't speak to the rationale of that.
8 And honestly, Admiral Downey might have better sight picture
9 on that. We certainly talk a lot about firm fixed price for
10 lead ships is not what we typically want to do, right?
11 That's not how we are typically trying to roll. So not sure
12 about the decision back at that time. I can pull the thread
13 on that or if Admiral Downey has additional insight. But
14 it's not typical what we would do for a lead ship.

15 Senator Scott: Go ahead.

16 Admiral Downey: The Navy awarded a fixed price
17 incentive fee with the ship builder for a first of class,
18 and then the ship builder awarded a firm fixed price with
19 their subcontractor. I don't know why we didn't say, why
20 are you doing that? How is that risk balanced? But we also
21 awarded a fixed price incentive fee for T-AGOS, for example.

22 So, you can trace this back several years ago, that
23 there was more than two -- there was three or four programs
24 that we're starting first of class with and we're doing
25 fixed price. And having been involved with this business a

1 long time, generally that's not a risk balanced approach for
2 first of class.

3 Senator Scott: Ms. Oakley, so when you give them these
4 ideas and then they don't do them, do they tell you you're
5 crazy? Do they just ignore you? What do they do?

6 [Laughter.]

7 Ms. Oakley: Thankfully, I've never had anybody in the
8 Navy tell me I'm crazy.

9 Senator Scott: Do they just ignore you?

10 Ms. Oakley: Yeah, It's just a lack of action in a lot
11 of different respects. I think also too the recommendations
12 don't get elevated to the level that they need to be, to be
13 able to be resolved. And I'm glad to be able to work with
14 Dr. Seidle you know, going forward on how we can get some of
15 these recommendations implemented.

16 Dr. Seidle: Okay. I'll, make a comment on that. We
17 met last week to talk about this as well and spent some time
18 together. I think in the past we typically are talking to
19 each other via reports, which is not really the way to get
20 after it. And I think we can do a lot better job of working
21 closely with her office and I mean that sincerely.

22 Senator Scott: You know, going back to what Senator
23 Sullivan said, the problem you have if you sit here, who's
24 responsible? Nobody. Because we change people out all the
25 time. So far, like can you say John was responsible or

1 Sally was responsible for the frigate not being done on
2 time?

3 Admiral Downey: No.

4 Senator Scott: In business you could.

5 Admiral Downey: Yes sir. No. multiple folks involved
6 in multiple turnovers over that period of time.

7 Senator Scott: And has anybody been held accountable?

8 Admiral Downey: Not from a termination perspective.

9 Senator Scott: From a didn't get promoted?

10 Admiral Downey: Yes. I will share, I've terminated
11 for cause, relief for cause, multiple folks. I terminated
12 the Ford program manager when I was the PEO, I terminated
13 the shipyard, CEO and XO out in the far east this fall. And
14 those aren't decisions that you ponder. It's not fun, but
15 those are decisions that have to be reported to Congress and
16 you got to move out on it. Overall, where that is
17 appropriate, it has in the longer run a positive effect on
18 the workforce and the product line.

19 Senator Scott: Yeah. You know, in business, no one
20 wants to fire anybody, right? And it's not your fun day,
21 right? boy today am excited. But if you don't, then nothing
22 happens. I'm done.

23 Senator Kaine: Senator Shaheen is on her way, so as
24 soon as she comes in I'll depart. Tariffs on aluminum and
25 steel, how might that affect the cost of these inputs into a

1 supply chain where we're already seeing costs go up faster
2 than the rate of inflation?

3 Dr. Seidle: So, we're having those discussions. It's
4 a little early from an assessment perspective. You know,
5 probably about half of our aluminum and a third of our steel
6 in 23 came from Canada. Clearly tariffs in those arenas
7 could drive cost. But having said that, the steel plate and
8 bar for our ship building efforts, most of it is
9 domestically sourced. But we are expecting impacts, but we
10 don't have our hands around yet what those impacts are yet.

11 Senator Kaine: Would it be hard or easy to go from,
12 you know, 66 percent domestic to a hundred percent domestic,
13 like that?

14 Dr. Seidle: I don't have the --

15 Senator Kaine: It'd be hard. Let me say one last
16 thing and Senator Shaheen's about to arrive and I know I
17 have a couple of questions. Just on the matching our
18 reality to our budget, I'm very pro AUKUS. I think it's
19 great. I think we need to have more alliances in the India
20 Pacific. We need to deal with the China threat that the
21 chair discussed.

22 But I am worried about this reality to budget and in
23 particular, given that the Australian Parliament did
24 something that I just shuttered TO contemplate what it would
25 be like if we tried to do this here. They had a debate and

1 they voted to give the U.S. \$3 billion for the U.S.
2 workforce to help build subs for Australia.

3 So, imagine we were having a debate on the floor of the
4 Senate about we want to give the UK \$3 billion to help us do
5 something. It would be a very tough debate. They did it
6 and they made the commitment and it demonstrates the concern
7 that they have about China, obviously. But we have a lot at
8 stake in trying once they have gone out on that political
9 limb way out on the limb, we've got all lot at stake in
10 trying to make sure we can meet the commitment.

11 And so, we need to meet our own needs for sure. But
12 that's a huge commitment that they've made to us, and we
13 need to reciprocate with that. I yield back, Mr. Chairman.
14 Thank you.

15 Senator Scott: Senator Shaheen, are you ready?

16 Senator Shaheen: So, I think this is for Dr. Seidle.
17 Am I pronouncing your name correctly?

18 Dr. Seidle: You most certainly are, ma'am. Thanks.

19 Senator Shaheen: Alright. As you know, at our
20 Nation's four public shipyards, and actually Senator Kaine
21 may have raised this concern, the maintenance and
22 sustainment mission is critical. With that in mind, I
23 wanted to ask about the future of the SIOP program, which is
24 very important to the Portsmouth Naval Shipyard. And I hear
25 that the Navy's getting close to a decision on the

1 infrastructure upgrades that are required for the Ford Class
2 carrier program at the Puget Sound Shipyard. And that this
3 will be the largest construction project that the Navy's
4 ever undertaken.

5 And while I understand that the Navy has said it will
6 not impact other SIOP projects that are already underway, I
7 want you to reassure me that that is in fact the case
8 because there are a number of projects underway at the
9 Portsmouth Naval Shipyard that will be affected if there are
10 impacts on other yards that already have SIOP projects under
11 construction.

12 Dr. Seidle: Yeah, thank you for that question, ma'am.
13 The multi-mission dry dock obviously, in the infrastructure
14 upgrades is an important effort that we are absolutely
15 looking at, and intend to move forward with.

16 I think it's fair to say no impacts to current SIOP
17 projects that are ongoing right now. We have about 6.3
18 billion worth of projects across 51 different projects.
19 And, you know, it includes dry docks up at Portsmouth, two
20 of those there. We got a dry dock at Norfolk; we got a dry
21 dock going in at Pearl as well. And so those efforts are
22 all ongoing. The M2D2 is about 80 percent complete from a
23 design perspective.

24 Like I said, we don't expect impacts to current SIOP
25 projects, but we will obviously prioritize funding and SIOP

1 issues going forward. And some of that will play out in our
2 decision making and we'll continue to update via kind of our
3 SIOP five-year plan.

4 I'm bullish on like SIOP is doing great things for the
5 Navy, Mark Edelson and his team are really doing good work.
6 Not only solving some of these infrastructure issues that
7 we've had forever -- somebody was saying you know, our most
8 recent built shipyard is in 1908. We don't often think
9 about it that way.

10 Senator Shaheen: New Hampshire goes back to 1800, so -
11 -

12 Dr. Seidle: I know, right? So just great work ongoing
13 there. Also, a lot of industrial equipment, you know, 500
14 million and probably 237 pieces of equipment, I think is the
15 number. So, we are committed to stay in the course on SIOP
16 in perpetuity. So, we'll continue to keep you updated and
17 apprised as we move forward.

18 Senator Shaheen: So, as you're thinking about the
19 commitment and Puget, what's the timetable? And so, what
20 should people who are watching this be considering as
21 they're thinking about where the decision points are for
22 what's going to happen?

23 Dr. Seidle: Yeah, ma'am. I'll take that question for
24 the record and get back with you from a timing because I
25 don't want to misspeak on that because I know it's an

1 important piece of the equation. But we'll take that for
2 the record and come back to you.

3 Senator Shaheen: Okay, thank you.

4 Admiral Downey: Ma'am, I can offer, being responsible
5 for the shipyards. I have just had an update this morning
6 on how it's going in Portsmouth on the dual docking
7 capability, and overall going well. That project is well
8 ahead of M2D2, but your senses are right. It's a large
9 project, M2D2, Ford-class carrier docking capability and
10 major electrical upgrades.

11 As we go through these SIOP reviews and decisions,
12 there's two constant themes of the reviews. How is it going
13 to affect the work of the ships that are being processed
14 through the yards? And then how is it going to affect the
15 other projects?

16 So, these are themes at the highest levels of the Navy
17 as we go through, and we'll get the specific dates, but
18 roughly M2D2 is, I'll use the phrase, a slow start around
19 the 28 timeframe and 2030 kind of the large start. That's
20 the rough timeframe and we'll come back and validate. A lot
21 of that Of course depends upon where we are in the budget
22 process and what the national priorities are.

23 Senator Shaheen: And so, will the fact that we're in a
24 continuing resolution for the remainder of this year affect
25 that?

1 Admiral Downey: The continuing resolution approach
2 will affect some of the maintenance decisions for some of
3 our platforms, but not the construction projects that I'm
4 aware of.

5 Senator Scott: Okay.

6 Senator Shaheen: Thank you, Mr. Chairman.

7 Senator Scott: All right, thanks to the witness.
8 Thanks for coming, thanks for your testimony. We're going
9 to leave the record open for three days to take questions
10 for the record.

11 This concludes the meeting.

12 [Whereupon, at 4:09 p.m., the hearing was adjourned.]