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U.S. SENATE

STATEMENT OF

HON KATHARINA MCFARLAND

ASSISTANT SECRETARY OF DEFENSE
(ACQUISITION)

BEFORE THE

SENATE COMMITTEE ON ARMED SERVICES

ON

PROCUREMENT, ACQUISITION, TESTING, AND OVERSIGHT OF THE NAVY'S GERALD R. FORD CLASS AIRCRAFT CARRIER PROGRAM

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Chairman McCain, Ranking Member Reed, and distinguished members of the Committee, I appreciate the opportunity to appear before the subcommittee and testify about the procurement, acquisition, testing, and oversight of the Navy's CVN 78 GERALD R. FORD Class aircraft carrier program.

Evolution of the CVN 78 Program

The CVX program was initiated in 1996. This was right on the heels of the famous "Perry Memo" of 1994 which began Secretary of Defense Perry's reduction of the acquisition workforce and directed the armed services to use commercial specification and standards instead of the index of military specifications and standards. This was the era of Total Systems Performance Responsibility (TSPR) and Large Systems Integrators (LSI). We believed that trusting industry over Government was the right way to obtain the end of the Cold War Dividends. And as the acquisition strategy and material solution for the CVX was being deliberated, the 1997 Defense Reform Initiative led by Secretary of Defense William Cohen was codified, which had four pillars of reform: Re-engineer (adopt modern business practices), Consolidate (streamline organizations to eliminate redundancy) Compete, and Eliminate (which ultimately reduced the Acquisition Workforce by 56%).

With the turn of the century, USD AT&L Jacques Gansler put forth a new path with his 2000 acquisition reform initiative of 3 "top line" goals - reduce cycle time for the development and delivery of new weapon systems, reduce total ownership costs, and "right size" the Defense Acquisition Workforce and infrastructure to realize savings thru efficiencies. This continued to erode the engineering expertise within the Department of Defense (DOD) further (as evidenced later when in 2007, then Navy Secretary Don Winter would note the overreliance on contractors).

By 2000, the CVN(X) Acquisition Strategy that had been proposed by the Navy was an evolutionary, three-step development of the capabilities planned for the CVN. This evolutionary strategy intending to mature technology and align risk with affordability originally involved using the last ship of the CVN 68 NIMITZ Class, USS GEORGE H. W. BUSH (CVN 77), as the starting point for insertion of some near term technology improvements including information network technology and the new Dual Band Radar (DBR) system from the DD(X) (now DDG

1000) program, to create an integrated warfare system that combined the ship's combat system and air wing mission planning functions.

However, the then incoming Secretary of Defense Donald Rumsfeld in 2002 directed re-examination of the CVN program, among others, to reduce the overall spend of the department and increase the speed of delivery to the warfighters. As a result of the SECDEF's direction, the Navy proposed to remove the evolutionary approach and included a new and enlarged flight deck, an increased allowance for future technologies (including electric weapons), and an additional manpower reduction of 500 to 800 fewer sailors to operate. On December 12, 2002, a Program Decision Memorandum approved by then Deputy Secretary of Defense Paul Wolfowitz codified this Navy proposal and gave this direction back to the DOD enterprise. The ship was renamed the CVN-21 to highlight these changes. By Milestone B in April 2004, the Navy had evaluated the technologies intended for three ships, removed some of them, and consolidated the remaining ones into a single step of capability improvement on the lead ship. The new plan acknowledged technological, cost, and schedule challenges were being put on a single ship, but assessed this was achievable. The Acting USD AT&L (Michael Wynne) at that milestone also directed the Navy to use a hybrid of the Service Cost Position and Independent Cost Estimate (ICE) to baseline the program funding in lieu of the ICE, (although one can easily argue even the ICE was optimistic given these imposed circumstances).

By 2004, DOD and Congressional leadership had lost confidence in the acquisition system, and Deputy Secretary of Defense Gordon England established the Defense Acquisition Performance Assessment (DAPA) panel to conduct a sweeping and integrated assessment of "every aspect" of acquisition. The result was the discovery that the Industrial Base had consolidated, that excessive oversight and complex acquisition processes were cost and schedule drivers, and a focus on requirements stability was key to containing costs. From this, a review of the requirements of the CVN resulted in a revised and solidified "single ship" Operational Requirements Document (ORD) for the FORD Class as defined today, with the CVN 78 as lead ship.

On the heels of a delay because of the budgetary constraints in 2006, the start of the construction of CVN 78 was delayed until 2008, but the schedule for delivery was held constant,

further compounding risks and costs. The Navy's testimony covers these technical and schedule risks and concurrency challenges well.

By 2009, this Committee had issued a floor statement in support of the Weapon Systems Acquisition Reform Act (WSARA). Congress was now united in its pursuit of acquisition reform and, in concert, USD AT&L re-issued and updated the Department of Defense's acquisition instruction (DoDI 5000.2) in 2008. WSARA included strengthening of the 'Nunn-McCurdy" process with requires DOD to report to Congress when cost growth on a major program breaches a critical cost growth threshold. This legislation required a root-cause assessment of the program and assumed program termination within 60 days of notification unless DOD certified in writing that the program remained essential to national security.

WSARA had real impact on the CVN 78, as by 2008 and 2009 the results of all the previous decisions were instantiated in growth of cost and schedule. Then USD AT&L John Young required the Navy to provide a list of descoping efforts and directed the Navy to have an off-ramp back to steam catapults if the Electromagnetic Aircraft Launching System (EMALS) remained a problem for the program. He also directed an independent review of all of the CVN 78 technologies by a Defense Support Team (DST). Prior to the DST, the Navy had chartered a Program Assessment Review (PAR) with USD (AT&L) participation of EMALS/Advanced Arresting Gear (AAG) versus steam. One of the key PAR findings was converting the EMALS and AAG production contracts to firm, fixed price contracts to cap cost growth and imposed negative incentives for late delivery.

The Dual Band Radar (DBR) cost and risk growth was a decision by-product of the DDG 1000 program Nunn-McCurdy critical unit cost breach in 2010. Faced with a need to reduce cost on the DDG 1000 program and the resultant curtailment of the program, the expectation of development costs being borne by the DDG 1000 program was no longer the case and all of the costs associated with the S-band element development and a higher share of the X-band element then had to be supported by the CVN 78 program.

The design problems encountered with AAG development have had the most deleterious effects on CVN 78 construction of any of the three major advanced technologies including EMALS and DBR. Our view of AAG is that these engineering design problems are now in the past and although delivery of several critical components have been delayed, the system will

achieve its needed capabilities before undergoing final operational testing prior to deployment of the ship. Again, reliability growth is a concern, but this cannot be improved until a fully functional system is installed and operating at the Lakehurst, New Jersey land based test site, and on board CVN 78.

With the 2010 introduction by then USD AT&L Ashton Carter (now in its third iteration by under USD AT&L Frank Kendall) of the continuous process improvement initiative that was founded in best business practices and WSARA called "Better Buying Power," the CVN underwent affordability, "Should Cost," and requirements assessment. Navy's use of the "Gate" process has stabilized the cost growth and reset good business practices .However, there is still much to do. We are in the testing phase of program execution prior to deployment and we had been concerned about the timing of the Full Ship Shock Trial (FSST). After balancing the operational and technical risks, the Department decided to execute FSST on CVN 78 prior to deployment.

EMALS and AAG are also a concern with regard to final operational testing stemming from the development difficulties that each experienced. The Navy still needs to complete a significant amount of land-based testing to enable certification of the systems to launch and recover the full range of aircraft that it is required to operate under both normal and emergency conditions. This land-based testing is planned to complete before the final at-sea operational testing for these systems begins.

Way Ahead

USD AT&L continues to work with Navy to tailor the program and ensure appropriate oversight at both the Navy Staff level as well as OSD. Our review of the Navy's plan for maintaining control of the cost for CVN 79 included an understanding of the application of lessons learned from the construction of CVN 78 along with the application of a more efficient construction plan for the ship including introduction of competition where possible. We have established an excellent relationship with the Navy to work together to change process and policies that have impacted the ability of the program to succeed, to include revitalizing the acquisition workforce and their skills.

We are confident in the Navy's plan for CVN 79 and CVN 80 and, as such, Under Secretary Kendall recently authorized the Navy to enter into the detail design and construction

phase for CVN 79 and to enter into advanced procurement for long lead time materials for CVN 80 construction. OSD and the Navy are committed to delivering CVN 79 within the limits of the cost cap legislated for this ship.

Our focus areas from this point forward are:

- Getting CVN 78 delivered with no further cost growth.
- Preparing for and completing the remaining test program for CVN 78.
- Ensuring the cost reduction initiatives being implemented for CVN 79 construction are closely monitored and are paying off as projected.

From a programmatic standpoint we are minimizing the administrative burden on the program by tailoring program documentation and reporting requirements. This tailoring will ensure program personnel are focused on the shipyard and test programs rather than documentation for review purposes. In addition to the quarterly reports from the program, we are implementing an annual review of the program to maintain awareness of the progress on testing of CVN 78 and the cost of CVN 79. These reviews are expected to occur in the December timeframe each year.

Conclusion

The goals of the Department are to correct the problems encountered on the GERALD R. FORD, and deliver successive ships within cost, providing capability, and on schedule. This will not be easy. The timeline and complexities associated with the construction of aircraft carriers are enormous and sensitive to a wide range of technological, economic, policy and business factors, many of which cannot be predicted in time to be readily mitigated. Nevertheless, we are committed to applying the resources needed to keep control of aircraft carrier program costs and schedule for the CVN 78, CVN 79, and all that follow.