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BY THE SENATE ARMED SERVICES
COMMITTEE
SUBCOMMITTEE ON SEAPOWER

STATEMENT

OF

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BEFORE THE

SUBCOMMITTEE ON SEAPOWER

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

NAVY SHIPBUILDING

DATE: MAY 25, 2011

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Mr. Chairman, Senator Wicker, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to address Navy shipbuilding. The Department is committed to the effort to build an affordable fleet which supports the National Defense Strategy, the Maritime Strategy, and the 2010 Quadrennial Defense Review. The Department's FY 2012 budget will provide platforms that are capable, agile, and able to respond to the dynamic nature of current and future threats. The FY 2012 shipbuilding budget funds ten ships, including two VIRGINIA Class attack submarines, one Navy Joint High Speed Vessel (JHSV), one LPD 17 Class amphibious transport dock, one Mobile Landing Platform (MLP), one DDG 51 Class destroyer, and four Littoral Combat Ships (LCS). In addition, the Navy will procure an oceanographic ship and the Army has funded one JHSV which the Navy will procure. Our budget also funds advance procurement for CVN 79, the second increment of full funding for LHA 7, and advance procurement for the two FY 2013 DDG 51s and VIRGINIA Class submarines.

The Navy continues to ensure our shipbuilding plan is affordable, stable, and increases capacity and capability as needed to meet the most likely evolving threats. In 2010, six ships were placed in commission; two VIRGINIA Class submarines, three ARLEIGH BURKE destroyers, and one LCS. In addition, two T-AKEs were delivered.

Today, our Sailors and Marines are conducting combat operations in Afghanistan. In addition, our aircraft carriers are providing about 30 percent of combat air support for troops on the ground in Afghanistan, with more sorties being provided by AV-8B Harriers flying from amphibious assault ships. While the drawdown in Iraq continues, we still have more than 24,000 Sailors and 22,000 Marines ashore or afloat in the Central Command Area of Responsibility.

Because our national interests extend beyond Iraq and Afghanistan, so do our Sailors and Marines. More than 40 percent of our ships are underway daily, globally present and persistently engaged. Recently, U.S. naval forces supported efforts in Japan. Last year, U.S. naval forces provided deterrence against North Korea, conducted counter-piracy operations in the Indian Ocean with a coalition of several nations, trained local forces in maritime security as part of our Global Maritime Partnership initiatives in Africa and the Pacific, responded with humanitarian assistance and disaster relief to the earthquake in Haiti and flood in Pakistan, and conducted the world's largest maritime exercise, our biannual Rim of the Pacific (RIMPAC) multi-national training exercise. RIMPAC brought together 14 nations and more than 20,000 military personnel, including 25 of our Navy ships and submarines, a Coast Guard cutter, and elements of the III Marine Expeditionary Force. Through RIMPAC and follow-on exercises, our forward-deployed forces, in partnerships with naval forces from the Republic of Korea, demonstrated a strong, credible deterrent against continued North Korean aggression. Off the coast of Africa, as part of an international coalition of more than 20 other nations, U.S. naval forces continue to provide deterrence and maritime security in the form of counter-piracy. Specifically, our Navy-Marine Corps team successfully intervened and freed the crew of the German merchant vessel M/V Magellan Star after pirates captured the vessel in the Gulf of Aden last September and during that same deployment rescued 62 Somali and Ethiopian persons**.** We are also continuing to partner with U.S. Coast Guard law enforcement teams in the Caribbean to conduct counter-narcotics and anti-trafficking operations and deny traffickers use of the sea for profit and exploitation.

Our USS KEARSARGE (LHD 3) Amphibious Ready Group (ARG), and U.S. Marines assigned to the 26th Marine Expeditionary Unit (MEU), deployed early to reinforce the

PELELIU ARG/15th MEU in providing humanitarian assistance to Pakistan after a flood placed almost one-fifth of the nation underwater, devastating the population and the land. Our disaster relief effort also continued in Haiti with fifteen ships including the USNS COMFORT (T-AH 20), USS CARL VINSON (CVN 70), USS NASSAU (LHA 4) ARG with the 24th MEU, USS BATAAN (LHD 5) ARG with the 22d MEU, and the maritime prepositioning ship USNS 1ST LT JACK LUMMUS (T-AK 3011), as part of Operation Unified Response. In Central and South America, the medical staff and Seabees embarked aboard the multi-purpose amphibious assault ship USS IWO JIMA (LHD 7), working with partner nations, provided medical, dental, veterinary, and engineering assistance to Colombia, Costa Rica, Guatemala, Guyana, Haiti, Nicaragua, Panama, and Suriname during Continuing Promise 2010. During the deployment, Continuing Promise 10 personnel provided medical, dental, and optometry services to more than 161,000 patients. Operation Pacific Partnership, led by the Commander, Destroyer Squadron 21 aboard the USNS MERCY, provided treatment to 109,754 patients. In addition, they completed 22 engineering projects and treated more than 2,800 veterinary patients in Vietnam, Cambodia, Indonesia, Palau, Timor-Leste and Papua New Guinea.

Our Sailors and Marines remain on point throughout the world, projecting U.S. influence, responding to contingencies, and building international relationships that will keep the maritime commons safe and secure. This is critical to the free flow of commerce, a foundation of our economic prosperity.

Our ballistic missile submarines are providing nuclear deterrence year-round, while our Aegis cruisers and destroyers are providing conventional deterrence in the form of ballistic missile defense of our allies and partners in Europe, the Mediterranean, and the Western Pacific. Our Carrier Strike Groups and Amphibious Ready Groups continue to prevent conflict and deter aggression in the Western Pacific, Arabian Gulf and Indian Ocean, while their forward deployments afford the U.S. the ability to influence events abroad and the opportunity to rapidly respond to crisis.

Global demand for naval forces remains high and continues to rise because of the ability of our maritime forces to overcome diplomatic, geographic, and military impediments to access while bringing the persistence, flexibility and agility to conduct operations at sea. Our FY 2012 budget submission properly balances our naval forces to support this demand and includes five more ships than our FY 2011 plan, which were achieved through competitive contracting, reduced overhead and increased efficiencies. We continue to pursue steps to buy smarter, streamline our organizations and operations, realign manpower, and pursue energy efficiencies.

The Department has conducted a Force Structure Analysis based upon the minimum 313 ship force needed for our Navy-Marine Corps team. The plan is designed to provide the global reach; strategic deterrence; persistent presence; and strategic, operational and tactical effects expected of naval forces within reasonable levels of funding. The plan balances the combatant commanders' demand for naval forces with expected future resources, and takes into account the importance of maintaining an adequate national shipbuilding design and industrial base and using realistic cost estimates.

The global proliferation of land-attack ballistic missiles and the anticipated proliferation of anti-ship ballistic missiles, and the challenges associated with gaining and sustaining access

for shore-based BMD systems worldwide suggest the demand for BMD-capable surface combatants will continue to increase beyond 2024 even with the introduction of Aegis Ashore.

Over the next decade (FY 2012 to FY 2021), the Department of the Navy begins to ramp up production of ships necessary to support strategic deterrence, persistent presence, maritime security, irregular warfare, intra-theater sealift, humanitarian assistance, disaster relief, and partnership building missions; namely the LCS, JHSV and Fleet Oiler Replacement programs. At the same time, the Department continues production of large surface combatants and attack submarines, as well as amphibious landing and support ships. Yearly new construction shipbuilding spending during this period is projected to average $15 billion (FY 2011$). Beyond FY 2021, Navy investments at a sustainable average of $15.7 billion (FY 2011$) a year in new ship construction, which is roughly the 30-year average. The overall size of the battle force begins a steady climb, reaching 324 ships by FY 2021.

In the second decade (FY 2022 to FY 2031), the recapitalization plan for the current Fleet Ballistic Missile Submarine (SSBN) inventory is realigned. Current plans call for 12 new OHIO Class Replacement Submarines (SSBN(X)) with life-of-the-ship nuclear reactor cores to replace the existing 14 OHIO Class SSBNs. Advance Procurement funds for detail design for the first SSBN(X) begin in FY 2015 with funds following in FY 2017 to support procurement of long lead time material for the lead ship of the class scheduled to begin construction in FY 2019 ensuring that 12 operational ballistic missile submarines will be available to perform the vital strategic deterrent mission. Since SSBNs have not been procured since the early 1990s, shipbuilding expenditures have not included funds for this class of ships in over 20 years. To support the recapitalization of the seaborne leg of the Nation's strategic deterrent, yearly shipbuilding expenditures during the second decade are projected to average about $17.5 billion (FY 2011$) per year, or about $2 billion more than the steady-state 30-year average. Even at this elevated funding level the total number of ships built per year will inevitably fall because of the percentage of the shipbuilding account which must be allocated for the procurement of the SSBN(X). Recognizing these impacts, we have already embarked on a program of aggressively challenging capability improvements and design and construction practices to identify means to deliver this important capability at least cost, including leveraging technology and lessons learned from the highly successful VIRGINIA SSN shipbuilding program.

In the last decade (FY 2032 to FY 2041), average new construction shipbuilding expenditures are projected to fall back to a more sustainable level of about $14.5 billion (FY 2011$) per year. Moreover, after the production run of OHIO replacement SSBNs comes to an end in FY 2034, the average number of ships built per year begins to rebound.

Aircraft Carriers

Our aircraft carriers are best known for their unmistakable forward presence, ability to deter potential adversaries and assure our allies, and capacity to project power at sea and ashore; however, they are equally capable of providing our other core capabilities of sea control, maritime security, and humanitarian assistance and disaster response. Our carriers provide our nation the ability to rapidly and decisively respond globally to crises with a small footprint that does not impose unnecessary political or logistic burdens upon our allies or potential partners.

CVN 78

The GERALD R. FORD is the lead ship of our first new class of aircraft carrier in nearly forty years. GERALD R. FORD Class carriers will be the premier forward deployed asset for crisis response and early decisive striking power in a major combat operation. They incorporate the latest technology, including an innovative new flight deck designed to provide greater operational flexibility, reduced manning requirements, and the ability to operate all current and future naval aircraft. Among the new technologies being integrated is the Electromagnetic Aircraft Launch System (EMALS) which will support Ford's increased sortie generation rates. EMALS is moving from a promising technology to a proven operational capability, which will deliver the war fighting enhancement needed in the future. Recently, the program successfully demonstrated a controlled launch sequence with the full-scale EMALS production representative unit and a successful aircraft launch demonstration. While land-based testing is on-going and identifying engineering issues that will allow us to retire risk prior to ship operations, EMALS' production schedule supports the planned delivery of CVN 78 in September 2015.

The Submarine Fleet

Our attack and guided missile submarines have a unique capability for stealth and persistent operation in an access-denied environment and to act as a force multiplier by providing high-quality Intelligence, Surveillance, and Reconnaissance (ISR) as well as indication and warning of potential hostile action. In addition, attack submarines are effective in anti-surface ship warfare and anti-submarine warfare in almost every environment, thus eliminating any safe-haven that an adversary might pursue with access-denial systems. As such, they represent a significant conventional deterrent. While our attack submarine fleet provides considerable strike capacity already, our guided missile submarines provide significantly more strike capacity and a more robust capability to covertly deploy special operations force (SOF) personnel. Today, the Navy requires 48 attack submarines and four guided missile submarines (SSGN) to sustain our capabilities in these areas. The Navy is studying alternatives to sustain the capability that our SSGNs bring to the battle force when these ships begin to retire in 2026.

VIRGINIA Class SSN

The VIRGINIA Class submarine is a multi-mission submarine that dominates in the littorals and open oceans. Now in its 14th year of construction, the VIRGINIA program is demonstrating that this critical undersea capability can be delivered affordably and on time. The Navy is mitigating the impending attack submarine force structure gap in the 2020s through three parallel efforts: reducing the construction span of VIRGINIA Class submarines, extending the service lives of selected attack submarines, and extending the length of selected attack submarine deployments.

Ballistic Missile Submarines

Our ballistic missile submarines are the most survivable leg of the Nation's strategic arsenal and provide the Nation's only day-to-day assured nuclear response capability. They provide survivable nuclear strike capabilities to assure allies, deter potential adversaries, and, if needed, respond in kind. The number of these submarines was delineated by the Nuclear Posture Review 2001 which established the requirement of a force comprised of 12 operational SSBNs (with two additional in overhaul at any time). Because the OHIO SSBNs will begin retiring in

FY 2027, their recapitalization must start in FY 2019 to ensure operational submarines will be available to replace these vital assets as they leave operational service. In addition, because of a life-of-ship reactor plant, the replacement SSBN program inventory will be 12 ships to support the seaborne leg of the nuclear triad. To maintain an at-sea presence for the long term, the U.S. must continue development of the follow-on to the OHIO Class submarine. Throughout the past year, and throughout the program, all aspects of the OHIO replacement program continue to be thoroughly reviewed and aggressively challenged to drive down engineering and construction costs.

Submarine Modernization

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

Surface Combatants

As in the past, cruisers and destroyers will continue to deploy with strike groups to fulfill their traditional roles. Many will be required to assume additional roles within the complex ballistic missile defense (BMD) arena. Ships that provide ballistic missile defense will sometimes be stationed in remote locations, away from strike groups, in a role as theater ballistic missile defense assets. The changes necessary to meet demands for forward presence, strike group operations, and ballistic missile defense place additional pressure on the existing inventory of surface combatants. The current baseline for number of ships in the surface combatant inventory is 88. While future force structure analyses may require the Navy to procure a greater number of these ships, we will also have to consider redistributing assets currently being employed for missions of lesser priority for these new missions as a result of the 2010 QDR and the President's commitment to supporting the missile defense of our European allies.

DDG 51

To address the rapid proliferation of ballistic and anti-ship missiles along with deep-water submarine threats, we have restarted production of the Arleigh Burke Class DDG 51 Flight IIA series. The Flight IIA ships will incorporate Integrated Air and Missile Defense (IAMD), providing much-needed BMD capacity to the Fleet. These ships will also be the first flight of Aegis ships to be built with the Open Architecture (OA) Advanced Capability Build (ACB) 12 Aegis Combat System. ACB 12 will allow these surface combatants to be updated and maintained with commercial off-the-shelf (COTS) technology, yielding reduced Total Ownership Cost and enhancing the ability to adapt to future military threats. The approach for the Flight IIA restart leverages the cost-savings of existing production lines; reduces the potential for cost overruns and delays through the incremental approach of developing new technologies; and strengthens and stabilizes the industrial base to more efficiently and cost effectively produce ships to meet our national needs. This budget request procures one ship in 2012.

We intend to deliver highly capable, multi-mission ships tailored for IAMD by advancing the DDG 51 design into the next future destroyer, DDG Flight III. This approach will develop and install the Air and Missile Defense Radar (AMDR) on a DDG 51 hull with the necessary hull, power, cooling, and combat systems upgrades. Additionally, in support of the Navy's energy goals, a hybrid electric drive system is in development for the DDG 51 class and land-based testing of this system is expected this summer. Our FY 2012 budget requests funding for a total of eight DDG 51 ships, including funding for an additional DDG 51 Flight IIA ship in FY 2014 and the first Flight III ship in FY 2016. The Navy intends to pursue multiyear authority in FY 2013 for FY 2013-17 procurements. The MYP would generate significant cost savings, and provide a long-term commitment to the shipbuilding industrial base that stabilizes shipyard employment levels.

LCS

The Navy remains committed to procuring 55 LCS. These ships expand the battle space by complementing our inherent blue water capability and filling warfighting gaps in the littorals and strategic choke points around the world. LCS design characteristics (speed, agility, shallow draft, payload capacity, reconfigurable mission spaces, air/water craft capabilities) combined with its core Command, Control, Communications, Computers and Intelligence, sensors, and weapons systems, make it an ideal platform for engaging in Irregular Warfare and Maritime Security Operations.

LCS capabilities address specific and validated capability gaps in Surface Warfare, Mine Countermeasures, and Anti-Submarine Warfare. The concept of operations and design specifications for LCS were developed to meet these gaps with focused mission packages that deploy manned and unmanned vehicles to execute a variety of missions. In 2010, the Navy deployed USS FREEDOM (LCS 1) with Surface Warfare (SUW) mission package capabilities (MH-60S helicopter, two 30mm guns, two 11m Rigid Hull Inflatable Boats (RHIBs), Maritime Security Module, a Surface Warfare (SUW) DET and an Aviation Detachment (AVDET) in support of counter-illicit trafficking operations). By 2018, eleven Mine Countermeasures (MCM) mission packages will be delivered, supporting the decommissioning plan for the USS AVENGER (MCM 1) Class ships. The core capability of the Anti-Submarine Warfare (ASW) mission package will be provided by a Variable Depth Sonar (VDS) and Navy will begin at-sea testing in 2012 with a VDS Advanced Design Model (ADM).

Affordability remains the key factor in acquiring the needed future capacity of this highly flexible and capable ship. To stay on path to deliver this ship in the quantities needed, the Navy announced this past December that we awarded two competitive contracts for 10 ships of each version of the LCS under a dual award strategy. Each ship brings unique strengths and capabilities to the mission and each has been designed in accordance with overarching objectives for reducing total ownership cost. Our 2012 budget funds four ships in FY 2012, with a buy of 19 across the FYDP. We request your continued support as we take the measures necessary to deliver this much needed capability at the capacity we need to meet future demands.

DDG 1000

The DDG 1000 Zumwalt guided missile destroyer will be an optimally crewed, multi-mission surface combatant designed to provide long-range, precision naval surface fire support to Marines conducting littoral maneuver and subsequent operations ashore. The DDG 1000 features two 155mm Advanced Gun Systems capable of engaging targets with the Long Range Land Attack Projectile at a range of over 63 nautical miles. In addition to providing offensive, distributed and precision fires in support of Marines, it will provide valuable lessons in advanced technology such as signature reduction, active and passive self-defense systems, and enhanced survivability features. The first DDG 1000 is approximately 50 percent complete and is scheduled to deliver in FY 2014 with initial operating capability planned in 2016.

Modernization

To counter emerging threats, we continue to make significant investments in cruiser and destroyer modernization to sustain our combat effectiveness and to achieve the 35 year service life of our earlier Aegis fleet. Our destroyer and cruiser modernization program includes Hull, Mechanical, and Electrical (HM&E) upgrades, as well as advances in warfighting capability and open architecture to reduce total ownership costs and expand mission capability for current and future combat capabilities.

USS ARLEIGH BURKE (DDG 51) and USS JOHN PAUL JONES (DDG 53) are the first two DDGs to undergo the HM&E phase of this comprehensive modernization. Due to the scope of the design changes, we extended these availabilities by two months to allow for adequate execution and system testing. The lessons learned from these first two modernization efforts will be included in subsequent upgrades. The second phase of the modernization will be conducted two years after the initial yard period and provide DDGs with an improved processing capability in their SPY-1D radars and an open architecture combat computing environment that will also be adapted to DDG 113 and following ships. Focusing on Flight I and II DDG 51 ships (hulls 51-78), the modernization process will also include the addition of BMD capability, installation of the Evolved Sea Sparrow Missile (ESSM), an upgraded SQQ-89A (V)15 anti-submarine warfare system, integration of the SM-6 missile, and improved air dominance with processing upgrades and Naval Integrated Fire Control-Counter Air capability. In FY 2012, USS JOHN PAUL JONES (DDG 53) will be the first destroyer to be modernized with ACB 12.

Through December 2010, Navy has completed the modernization of two additional cruisers, USS MOBILE BAY (CG 53) and USS PHILIPPINE SEA (CG 58). Combat System upgrades to USS ANTIETAM (CG 54) and USS SAN JACINTO (CG 56) are in progress. Hull, Mechanical, and Electrical (HM&E) upgrades to USS HUE CITY (CG 66) are also in progress. The key aspects of the CG modernization program include an upgrade to the Aegis weapons system to include an open architecture computing environment, installation of the AN/SPQ-9B radar, addition of the Evolved Sea Sparrow Missile (ESSM), an upgrade to Close In Weapon System (CIWS) Block 1B, an upgraded SQQ-89A (V)15 anti-submarine warfare system, and improved air dominance with processing upgrades and Naval Integrated Fire Control-Counter Air capability. Nine Baseline 4 cruisers will receive the BMD upgrade beginning in FY 2014.

Our budget for FY 2012 requests funding for the modernization of four cruisers (three Combat Systems and one HM&E) and three destroyers (one Combat System and two HM&E).

Amphibious Ships

Amphibious ships are multi-capable, agile, and responsive to the dynamic nature of the security era. In an era of declining access and strategic uncertainty, the geographic combatant commanders' have an increased demand for forward-postured amphibious forces capable of conducting security cooperation, regional deterrence, and crisis response. For example, their cumulative FY 2010 request for amphibious forces equates to 3.4 amphibious ready groups/Marine expeditionary units plus 4 smaller, task-organized amphibious formations like Global Fleet Stations. These demand signals reflect the operational flexibility and value of amphibious forces for missions across the range of military operations. This value is well-illustrated by the 2010 deployment of the PELELIU ARG/15th MEU, which concurrently conducted humanitarian assistance and disaster response operations in Pakistan, strike operations in Afghanistan, and the recovery of the M/V Magellan Star from pirates in the Gulf of Aden. During the same deployment, they also conducted a wide variety of cooperative activities with forces from Australia, Indonesia, the Maldives, New Zealand, Sri Lanka, Timor-Leste, Turkey, and Pakistan, in addition to supporting to the U.S. Secret Service during the Presidential visit to India. As articulated by the Secretary of the Navy, the Navy's amphibious ships are the fleet's most "flexible" asset.

There are two main drivers of the amphibious ship requirement: maintaining the persistent forward presence, the largest driver, which enables both engagement and crisis response, and the episodic aggregation of sufficient numbers to deliver the assault echelons of up to two Marine expeditionary brigades for major operations and campaigns.

The Chief of Naval Operations and Commandant of the Marine Corps have determined that the force structure requirement is 38 amphibious ships. Understanding this requirement, and in light of the fiscal constraints, the Department of the Navy will accept risk by sustaining a minimum of 33 total amphibious ships in the active fleet. The Department has 30 amphibious ships in the inventory now and will reach 33 ships by FY 2017. Once 33 is attained the Department will retain 33 amphibious ships through the maintenance of current assets and the planned procurement of amphibious vessels.

LSD/LSD(X)

A fully funded LSD mid-life program, to include repairs, will ensure these ships meet their expected service life. Material readiness in regards to LSD's readiness for tasking will be enhanced by a fully funded program. LSD(X) will replace 12 of the aging LSD 41/49 WHIDBEY ISLAND/HARPERS FERRY Class vessels and will perform an array of amphibious missions. Eleven LSD(X) platforms will provide one third of the total amphibious lift necessary to meet USMC mission requirements. LSD(X) Initial Capabilities Document (ICD) is currently under review, the Analysis of Alternatives (AOA) will be conducted in FY 2012 with a planned FY 2017 lead ship procurement. Affordability remains the key factor in acquiring the needed future capacity and operational capabilities of this highly flexible multifaceted ship.

LPD 17

The SAN ANTONIO Class LPD (LPD 17) has a 40-year expected service life and serves as the replacement for four classes of older ships: the LKA, LST, LSD 36, and the LPD 4. Lessons learned from the effort to resolve material reliability concerns identified in the early ships of the class are being applied to ships currently under construction. Quality continues to improve with each ship delivered as the Navy continues to work closely with the shipbuilder to address cost, schedule, and performance issues. Five ships have been delivered, and four more ships are under construction. The construction contract for the 10th ship was recently awarded and the eleventh and final LPD is planned for procurement in FY 2012.

Ships of the class have deployed seven times including two ships that are currently on deployment. USS SAN ANTONIO (LPD 17) has deployed once (2008), USS NEW ORLEANS LPD 18 has completed two successful overseas deployments (2009 and 2010). USS MESA VERDE (LPD 19) has also completed two successful overseas deployments. Today, LPD 19 is again deployed overseas; and USS GREEN BAY (LPD 20) is in the middle of her first overseas deployment. LPD 18 and USS NEW YORK (LPD 21) are fully operational, conducting local operations in their homeport areas. LPD 17 is completing her major post- deployment repair availability prior to next sea trials.

In February of this year, LPD 21 successfully passed an inspection by the Navy's Board of Inspection and Survey (INSURV) to support the Final Contract Trials. The President of INSURV remarked that LPD 21 was the best LPD 17 Class ship they had seen and that lessons learned from the first ships of the class were clearly being implemented.

The Navy and Industry have made significant progress in correcting early class design and construction issues on the LPD 17 Class. Early ships of the LPD 17 Class were delivered to the Navy with pipe welding quality, engine alignment problems, inadequate lube oil cleanliness and bearing wear which led to unplanned engine repairs and overhauls. These material issues, combined with an optimized sized crew and a reliance on computer-based vice classroom training, led to decreased reliability and operational availability of the class.

The above issues, as well as inadequate initial reliability of the ships computer network and some of the engine and ship control systems led the Navy and DoD independent operational testing organizations to rate the ships as not operationally suitable during the initial operational testing conducted in 2007-2008. Follow-on Test and Evaluation (FOT&E), which commenced in July 2010 and runs through FY 2012, is being conducted by the Navy's Commander, Operational Test & Evaluation Force and the Marine Corps Operational Test and Evaluation Activity to confirm adequate corrective actions have been taken.

Over the last couple of years, the shipbuilder (Northrop Grumman Shipbuilding (NGSB), now Huntington Ingalls Industries, (HII)) has implemented several initiatives to address the quality issues associated with ship construction and delivery.

The shipbuilder significantly revised their welding, quality and production processes to improve quality and ensure consistency across all of their shipbuilding facilities. Their workforce was re-trained and re-certified to the updated process. The Navy and HII have improved the oil flushing procedures to get all the contaminants out of the ship's lube oil system

and improvements to the lube oil filters and strainers have been developed to better remove any contaminants that might be introduced through normal operation of the engines. These more stringent flushing procedures are being used on all ships in the class and the improved filters and strainers are planned for installation on all ships in the class. Additionally, the shipyard has taken several steps to ensure pipe sections are maintained in a clean condition from fabrication in the pipe shop to installation on the ship including a new cleaning process in the pipe shop and improved pipe capping procedures to prevent contaminants from entering the pipe during shipping and installation onboard the ship. The Navy has also significantly improved its lube oil sampling and analysis process. This process has been incorporated into the ship construction process. The shipbuilder is responsible for the overall quality of the ship. To manage quality, the shipbuilder utilizes a Quality Management System (QMS) comprising of Quality Control (ensuring the correct product requirements, manufacturing processes, etc.) and Quality Assurance (focused on end product quality and conformance).

The Ship Wide Area Network (SWAN) design, which was based upon 1990's Asynchronous Transfer Mode (ATM) technology, experienced multiple failures resulting in failover monitoring, maintainability, and supportability issues. The ATM-based SWAN is being replaced by current Gigabit Ethernet technology hardware and software. Today, this "Gig-E" SWAN is installed on LPD 17, 18 and 21 with no reported failures to date. LPD 19 and 20 will receive this upgrade in FY 2012; and the baseline for LPD 22 and follow ships has been updated to include the Gig-E SWAN. Initial system reliability issues with the engine controls, ship controls, and interior communications systems have been addressed through major software upgrades to each system, as well as the replacement of critical obsolete parts with more rugged, current technology hardware.

Government oversight by the Navy's Supervisor of Shipbuilding, Gulf Coast (SSGC) has been revamped with an increase in overall SSGC manning by 21 percent from 2005 through the end of 2010, including an intensive focus on critical waterfront Quality Assurance (QA) billets. All Government QA weld inspectors were required to undergo re-training and re-certification in critical process areas, and QA oversight was increased across all phases of production. Within the last 18 months, the QA organization has been restructured to include more surveillance of in process work and compliance with formal ship construction procedures. A revamped training program has been implemented, providing an "apprentice to subject matter expert" career roadmap for QA specialists. SSGC has implemented a process of "critical process pulse audits" to ensure HII maintains production quality across the critical shipbuilding areas of structure, pipe, electrical, and coatings. Navy critical process metrics have been aligned with the shipbuilder to better assess performance trends leading to earlier identification of issues when they arise.

In addition, Commander, Naval Sea Systems Command (NAVSEA) sent teams of QA experts to assess SSGC ability to provide QA oversight and HII's production quality in Spring 2009, July 2010 and January 2011. The NAVSEA audits confirmed initial improvement by both SSGC and HII. The focus going forward, and a key element of the critical process pulse audits, is ensuring sustainment of that performance.

The Navy is also strengthening the LPD 17 Class crew training by establishing more traditional shore-based schoolhouses for critical systems that will result in a blended philosophy

of classroom, on-ship, and computer-based training rather than solely relying on the previously emphasized computer-based shipboard training.

The Ship Manning Document (SMD) was recently approved, increasing the LPD 17 Class crew size to 381 from the original "optimized" manning level of 360.

The LPD 17 Class System Sustainability Strike Team, made up of personnel from the Fleet, the Navy regional maintenance centers, the shipbuilder, the Supervisor of Shipbuilding, the class planning yard, and the Navy Warfare Centers was established in FY 2009. The Strike Team has focused resources on developing and prioritizing correction plans addressing system design, production/quality, operations and maintenance issues identified in recent test/evaluation reports, as well as those discovered during normal shipboard operations. Lessons learned from this effort are being incorporated in the ship construction process.

Quality and reliability problems seen on the early ships of the class are being systematically addressed by the shipbuilder and the Navy. Additionally, the Fleet has recognized the need for additional manning for each ship and training for the crews, which is being implemented. The above-listed corrections and improvements are already being realized in the later ships of the class, as evidenced by LPD 21's recent success during Final Contract Trials. The Navy recently discovered quality problems with repairs on various ships during Fleet maintenance availabilities. We are addressing these issues by providing additional government oversight to ensure strict compliance with all required maintenance and repair specifications and holding the contractor accountable to provide quality.

LHD/LHA/LHA Replacement (LHA(R))

The LHA(R) will provide flexible, multi-mission amphibious capabilities that span the range of military operations from forcible entry to humanitarian and disaster relief. LHA(R) will replace our TARAWA Class ships that reach the end of their already extended service life between 2011 and 2015 for the remaining ship of the class. The AMERICA (LHA 6) is now more than 30 percent complete and is scheduled for delivery in FY 2014. The decommissioning of USS PELELIU (LHA 5) has been tied to the delivery of the AMERICA in order mitigate any possible gaps in future deployment cycles. In support of the Navy's commitment to advancing our energy security, the hybrid propulsion drive in use on USS MAKIN ISLAND (LHD 8) is being installed on LHA 6. Beginning with LHA 8, the Navy will reintegrate the well deck onto the large deck amphibious assault ships. Our budget for FY 2012 requests funding for research and development to support reintegration of the well deck into the design of the large deck amphibious ship and the construction of LHA 8 in FY 2016. Funding has been added to install a critical self defense capability for LHD 2-6 during the FY 2016 Mid-Life Upgrade program. The Capstone Ships Self Defense System is essential to ensure ships survivability in any environment.

Maritime Prepositioning Force

The MPF(F) concept envisioned a forward-deployed squadron of ships to enable rapid closure to areas of interest, at-sea assembly, and tactical employment of forces to areas of interest in the event of crisis. Although useful across the range of military operations, this squadron was primarily designed for use in major combat operations. Due to refocusing of

priorities and cost, this program has been deferred until the 2025 timeframe. The Secretary of the Navy stated that he was especially interested in enhancements that would give the legacy MPS squadrons additional capabilities and illuminate capabilities that would guide the development of MPF(F). Ships previously discussed in the context of the MPF(F) have been moved to the Command and Support section for battle force accounting. As noted in PB11, the Department has determined the large-deck aviation ships previously designated for the MPF(F) would better serve the Navy and Marine Corps in the amphibious ship inventory—hence the LHA(R) class ships described previously.

In support of this enhanced MPSRON concept of employment, three T-AKE auxiliary dry cargo ships were added to the program to provide persistent logistic support to Marine Corps units afloat and ashore. Further, the Navy recognizes the need to provide for at-sea transfer of personnel and equipment from a cargo ship and to provide an interface with Landing Craft Air-Cushioned (LCAC) vessels, both key capabilities the MPF(F) program was to provide. To fulfill this capability, the Navy will procure three MLPs. The third MLP is included in the PB12 budget. Operationally, the three current MPSRONs will add an MLP, a T-AKE, and a Large Medium-Speed Roll-on/Roll-off (LMSR) cargo ship. Future MPF capabilities will increase capacity attributed to new ship designs along with seabasing enabling capabilities such as at-sea arrival and assembly, employment, persistent sustainment and reconstitution.

Joint High Speed Vessel (JHSV)

The JHSV provides high-speed support vessels for the Combatant Commanders who clearly communicated to the Navy their desire for the unique capability to move assets throughout marginally developed theaters of operation while requiring a less well developed port facility. In addition, the JHSV's relatively shallow draft permits operation in a greater number of port facilities around the globe. The combination of these attributes permits rapid transport of medium size payloads over intra-theater distances to austere ports, and load/offload without reliance on a well developed, heavy port infrastructure. A Memorandum of Agreement with the Army transferring programmatic oversight and mission responsibility for the entire JHSV program, including operations and maintenance, to the Navy was signed by the Secretary of the Army and the Secretary of the Navy on May 2, 2011. All delivered JHSVs will be operated by the Navy's Military Sealift Command and manned by civilian or contract mariners. The budget request for FY 2012 includes funding for construction of the one Navy JHSV. Army has funded its final JHSV in FY 2012. Army funded JHSVs will be considered part of the Navy's ship inventory.

Fleet Oiler Replacement (T-AO(X))

The Navy plans to procure the lead ship for the replacement T-AO fleet oiler in FY 2014 with follow-on production at one ship every year until 2032. Ultimately, this will likely result in a complete recapitalization of the existing T-AO and T-AOE classes and will include a total of 19 ships procured. Legacy fleet oilers will begin retiring in FY 2017. The new oilers will have a double-hull design to ensure compliance with the environmental protection requirement for this type of ship. The T-AOX AoA will also consider the business case of recapitalization of the four T-AOE fast combat support ships that begin retiring in FY 2032.

Shipbuilding Industrial Base

Beyond balancing requirements and resources, the FY 2012 President's Budget submission for shipbuilding also weighs the shipbuilding industrial base, achieving a balanced and executable shipbuilding program which provides additional capability while striving for efficiency. Our goal is to build from the current (FY 2011) battle force inventory of 286 ships to a battle force inventory goal of a minimum of 313 ships. This budget submission includes increases in large surface combatant capability and capacity and both new construction and modernization to support the President's directive to meet the growing ballistic missile threat to the U.S. and its Allies. It also continues the Navy's long-term plan for small surface combatants by awarding competitive contracts for 10 ships of each version of the LCS.

We will continue to closely monitor our shipbuilding industrial base and especially the planned closure of Avondale shipyard by 2013. Northrop Grumman completed the divestiture of its shipbuilding segment by distributing shares in Huntington Ingalls Industries Inc. to its shareholders on March 31, 2011. After months of discussions and evaluation, the Navy did not object to NGC's spin-off of its shipbuilding business. The Navy's position on the spin-off was based on its conduct of due diligence with respect to proprietary forward-looking projections, including key financial assumptions.

Robust competitive opportunities do exist across our industrial base as evidenced by shipbuilding contract awards for MLP, LCS, and JHSV. A stable shipbuilding industrial base, underpinned by level loading and predictable ship procurement, is critical to meet the Navy's requirements for an affordable and capable future force.

Acquisition Workforce

The Department has embarked on a deliberate plan to increase the size of the Department of Navy's (DoN) acquisition workforce over the FYDP. The Navy's position is to continue its current plan as stated in the DoN Acquisition Workforce (AWF) Strategic Plan, to rebuild the (DON) civilian acquisition workforce. In FY 2010, the DON AWF grew by approximately 3000 people (DAWDF – 499, In-sourcing – 759). The remainder of the growth was in the Warfare Centers (NWCF organizations).

We started last year and aggressively increased our acquisition workforce based upon bottom-up requirements from our PEOs, Systems Commands, and Warfare Centers. In FY 2010, we have added approximately 1000 acquisition personnel (122 DAWDF, 325 In-sourcing and 600 other growth) to support shipbuilding programs at Naval Sea Systems Command (NAVSEA). Approximately 70% of these new acquisition positions were added to our warfare centers across the country. These warfare centers provide critical engineering, integration support, testing, and contracting oversight to all of our sea, air, land, space acquisition programs. These personnel are critical since they represent a part of the pipeline of future Program Managers and Senior Systems Engineers.

We have also taken advantage of the Defense Acquisition Workforce Development Fund (DAWDF), initiated by Congress, and added nearly 400 acquisition interns this past year. We are on target to bring aboard an additional 500 this year and next. About 30 percent of our DAWDF Acquisition Workforce hires are now in shipbuilding organizations. We have also

improved our education and training programs in two critical areas of need: shipbuilding program management and contracting.

We have used DAWDF funds to pilot a shipbuilding program manager's course that was successful enough that we are moving it permanently to our Defense Acquisition University (DAU) program. Other training initiatives include the integration of a "Navy Day" into the current PMT-401 course that introduces all Program Managers to DoN's S&E infrastructure (Warfare Centers/Labs/FFRDCs/UARCs) and the development of an Acquisition War Room focused on shipbuilding programs and acquisition lessons learned. In addition, because of the difficulty in hiring experienced contracting officers, we have implemented an intense accelerated contracting training program at NAVSEA to increase the number of qualified contracting officers as well as increase retention rates among this important group. It will take several years to rebuild and rebalance the DoN's acquisition workforce, but these measures and continuing them with this budget is an important step.

The Navy continues to emphasize the significant value added by having a professional cadre of on-site Supervisor of Shipbuilding (SUPSHIP) personnel co-located with our Nation’s shipbuilding industrial base in an oversight role. Over the last year, the number of onboard SUPSHIP staff reached 1100. This marks a continued growth trend of SUPSHIP staffing from approximately 900 onboard in FY 2007 and marks another successful year of achieving hiring targets, as SUPSHIPs have done every year from FY 2007 - FY 2011. Leadership will work to continue to align resource needs and staffing requirements.

Summary

The Navy’s shipbuilding submission for FY 2012 President’s budget and FY 2012-2016 Future Years Defense Plan supports the requirements addressed in the National Defense Strategy, the Maritime Strategy, and the 2010 Quadrennial Defense Review. The plan sustains an 11 CVN force from 2015 through 2045; sustains VIRGINIA Class build rates at two submarines per year through the FYDP; increases Air and Missile Defense capability with increased DDG 51 construction and Aegis modernization; increases amphibious lift capability with the 11th LPD 17; sustains intra-theater lift capability with JHSV procurement; leverages strong competition in the LCS program to buy additional ships; accelerates procurement of fleet oilers; and continues OHIO Class Replacement design and development by funding Research and Development efforts within the FYDP as well as Advance Procurement funds for detail design in FY 2015. In the near years, this plan relies heavily on your support for our FY 2012 budget.

Through the long range plan for naval vessels, the Navy instills affordability, stability, and capacity into the shipbuilding plan and advances capabilities to meet the most likely evolving threats. The plan continues DDG 51 construction to leverage a stable design and mature infrastructure to achieve affordable capabilities. DDG 1000 technologies will provide long-range, precision naval surface fire support to Marines conducting littoral maneuver and subsequent operations ashore. LCS will address specific and validated capability gaps in Mine Countermeasures, Surface Warfare, and Anti-Submarine Warfare, and our selection of both LCS designs leverages the unique capability delivered by each platform while providing stability to

the shipbuilding infrastructure. Restructuring of our Maritime Prepositioning Force to augment our current MPS squadron with a T-AKE, MLP, and an existing LMSR will enhance the existing capabilities of the MPSs. The Navy has also increased the emphasis for meeting and extending service lives of in-service ships. We are sustaining the CG/DDG Modernization while also providing critical mid-life overhauls of LSDs. We have deferred command ship replacement and intend to sustain the current command ships until 2039.

The Department of the Navy has addressed realism in our shipbuilding plan by incorporating realistic budget projections. The Department has addressed the industrial base in leveraging stable designs to minimize disruption experience with first of class constructions and provides stable production rates within the constraints of requirements and budget. Finally, the Department of the Navy's plan supports the Secretary of Defense's guidance to significantly reduce excess overhead costs and apply the savings to warfighting capability and capacity.