

Stenographic Transcript
Before the

Subcommittee on Seapower

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON NAVY AND MARINE
CORPS INVESTMENT PROGRAMS IN REVIEW OF THE
DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2023
AND THE FUTURE YEARS DEFENSE PROGRAM

Tuesday, April 26, 2022

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8 U.S. Senate

9 Subcommittee on Seapower

10 Committee on Armed Services

11 Washington, D.C.
12

13 The committee met, pursuant to notice, at 2:30 p.m. in
14 Room SR-222, Russell Senate Office Building, Hon. Mazie
15 Hirono, chairman of the subcommittee, presiding.

16 Committee Members Present: Hirono [presiding], Kaine,
17 King, Cramer, Wicker, Rick Scott, and Hawley.
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1 OPENING STATEMENT OF HON. MAZIE HIRONO, U.S. SENATOR
2 FROM HAWAII

3 Senator Hirono: This hearing will come to order. We
4 are waiting for my ranking member to come, and when he does
5 come he will simply have to agree with anything that I
6 suggest. So that is the deal. So we will start, and then
7 when he comes he can certainly make his statement.

8 I would like to welcome our witnesses to the hearing
9 this afternoon to explore various aspects of the Department
10 of the Navy's investment programs: Mr. Frederick Stefany,
11 performing the duties of Assistant Secretary of the Navy for
12 Research, Development, and Acquisition; Vice Admiral Scott
13 Conn, Deputy Chief of Naval Operations for Warfighting
14 Requirements and Capabilities; and Lieutenant General
15 Karsten Heckl, Deputy Commandant of the Marine Corps for
16 Combat Development and Integration. Welcome. Thank you for
17 your service to the nation and for the professional service
18 of the men and women under your commands.

19 I also want to recognize our ranking member, Senator
20 Cramer, and when he comes he will submit his statement, or
21 give his statement.

22 We did have a very productive 2020 year Defense
23 Authorization Act, and I full expect to be working very
24 productively with my ranking member once again. We are also
25 grateful to our military families for the vital role they

1 play in the success of the men and women of our Armed
2 Forces.

3 Sadly, last week we tragically lost three sailors on
4 the USS George Washington. On behalf of this subcommittee I
5 would like to offer my deepest condolences to their family
6 members and to all members of the USS George Washington
7 family.

8 The Navy and Marine Corps face difficult decisions as
9 they seek to balance competing priorities, including
10 modernizing the fleet, maintaining a technological advantage
11 over our adversaries, supporting ongoing operations, and to
12 sustaining today's readiness. The threats we face around
13 the world require us to consider the best ways to get the
14 Navy and Marine Corps the resources that they need.
15 However, it is critical that any shift in priorities for
16 those resources does not come at the expense of important
17 programs that families, including our military families,
18 rely on every day.

19 At today's hearing we will explore various aspects of
20 the Department of the Navy's investment programs. These
21 programs play a critical role in supporting and advancing
22 our country's strategic interest in the Indo-Asia-Pacific
23 region, including bases in Hawaii.

24 This subcommittee plays a crucial role in the oversight
25 of those programs. We must continue to work to ensure we

1 are getting good value for every dollar that we spend, an
2 ongoing challenge.

3 This year the Navy is proposing to retire a number of
4 ships before the end of their useful service lives. This
5 includes a plan to retire nine littoral combat ships early,
6 one of which would only be 3 years old. The Navy's position
7 is that these vessels would not contribute much to a high-
8 end conflict. However, this plan would result in our fleet
9 size shrinking at a time when we are working to achieve a
10 355-ship fleet, established as the goal several years ago.

11 Less than two years ago, former Defense Secretary Esper
12 published Battle Force 2045, an updated, long-term
13 shipbuilding plan. In this plan he called for achieving a
14 Navy force even larger than the 355-ship fleet that had been
15 adopted as national policy in Title 10 U.S.C.

16 This subcommittee is well aware of the Department of
17 the Navy's ongoing challenges facing our air, land, surface,
18 subsurface, and maintenance programs. The Navy has been
19 utilizing multiyear procurement authority to modernize the
20 fleet more efficiently. Congress has approved the use of
21 this authority to procure attack submarines and Aegis
22 destroyers. The two platform had been the largest inventory
23 shortfall compared to the goals outlined in the 2016 Force
24 Structure Assessment.

25 I look forward to hearing today about the Navy's

1 multiyear contract plan for building destroyers over the
2 next 5 years and how the plan will address our concerns for
3 a potential shortfall.

4 We are also well aware of the significant changes the
5 Marine Corps is contemplating in reorganizing itself to deal
6 with operations against near-peer competitors. I expect to
7 hear today how the realignment of the force, to reflect the
8 Commandant's vision for the Marine Corps, is reflected in
9 the plans and programs in fiscal year 2023 budget proposal.

10 I am also interested in hearing from Secretary Stefany
11 about the vital role our public Navy shipyards play in
12 maintaining a ready and capable fleet. And while shipyards
13 are not necessarily within what we call the kuleana of this
14 committee, it is all tied together, because if you build
15 ships you have to repair and maintain them.

16 I am encouraged that the Navy has finally gotten
17 serious about investing in this critical shipyard
18 infrastructure that has been neglected for far too long. I
19 look forward to hearing from you this afternoon about how
20 the fiscal year 2023 budget supports this shipyard
21 modernization plan.

22 I look forward to working with the Navy to ensure that
23 the shipyard plan, as I said, stays on track and that you
24 are requesting the appropriate resources for that plan to
25 proceed.

1 And now -- I just mentioned to them that since you are
2 late you have to do everything I want us to do. Okay? No
3 problem, right.

4 Senator Cramer: From what I have heard it sounds like
5 it is not going to be that far away.

6 Senator Hirono: Yes. I do not think so.

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1 STATEMENT OF HON. KEVIN CRAMER, U.S. SENATOR FROM
2 NORTH DAKOTA

3 Senator Cramer: Thank you, Chairwoman Hirono, and
4 thank you all for your service and for being here today as
5 well.

6 I will agree with a fair bit of what I heard from the
7 chairman. It is obviously a critical time in our country
8 and the stakes are really high, and you are really an
9 important part of all that. So appropriate funding from the
10 Department of Defense in order to keep our nation safe and,
11 frankly, much of the world, and defend our interests is the
12 most critical and highest priority, of course, we have as
13 Members of Congress. We take it seriously.

14 To this end I want to thank the chairwoman for calling
15 today's hearing to examine Navy and Marine Corps programs in
16 the President's fiscal year 2023 budget request. I have to
17 say, like last year, I am concerned. I am concerned that
18 President Biden's defense budget request is woefully
19 inadequate, nowhere near enough to give our Navy and Marine
20 Corps the resources, equipment, and training that they need.

21 Quite simply, because this budget does not keep up with
22 inflation, it is a cut, and I am hopeful that we can come
23 together again to provide the Department with the real
24 budget growth that is necessary to fund critical
25 modernization, readiness, and personnel shortfalls.

1 Regarding the President's budget, I do want to make
2 three technical points. First, we just received the
3 detailed budget justification material on Friday, despite
4 the budget being submitted a month ago. We need to get the
5 NDAA done, and this delay is not helpful.

6 Second, this year's shipbuilding plan's "choose your
7 own adventure" format lacks coherence, and three different
8 outcomes raise more questions than they answer.

9 And lastly, the procurement of the amphibious ship,
10 LHA-9 is double-counted in this budget in contravention of
11 the law. This is something that I have raised with a number
12 of the officers that have come into the office as well. We
13 need an explanation on that, please.

14 More broadly, I am concerned about the state of our
15 Navy and its downward trajectory. It seems to me that the
16 Navy is dealing with the confluence of four key issues.
17 First, President Reagan added a lot of ships to the fleet
18 quickly, nearly a 600-ship Navy. Thirteen of the 24 ships
19 proposed for decommissioning this year were procured in the
20 1980s. The Reagan-era ships are reaching the end of service
21 life in large quantities, just like they were brought in in
22 large quantities. Former Navy officials' promises over the
23 years to modernize and extend the service life of many of
24 these ships or replace them with new ships, of course, have
25 not panned out.

1 Second, as the chairwoman mentioned, the LCS program
2 was planned to be a major portion of our fleet, with 55 of
3 these ships in service by 2018. Instead, we have 24 today.
4 Unfortunately, this class has been plagued with problems
5 from the start, and a key reason for the program, the anti-
6 submarine warfare capability, which was supposed to be
7 operational just 12 years ago, was cancelled altogether in
8 this budget. Nine of the 24 ships proposed for
9 decommissioning are LCSs.

10 Third, we need Navy shipbuilding programs that can
11 scale up. There is a high opportunity cost in time and
12 money for failure in Navy shipbuilding, and again, this is
13 an area where the chairwoman and I agree. It is a key
14 lesson of the LCS, the CGX, the DDX, and DDG-1000 programs.
15 Just think. If the LCS plan delivered as promised, we would
16 have a fleet now of roughly 330 ships, with 55 LCS capable
17 of hunting submarines, neutralizing mines, and conducting
18 surface warfare. Instead, we have 31 fewer ships and no
19 small surface combatants that can hunt submarines.

20 To this end, the new Constellation-class frigate
21 program must succeed if we are to grow our Navy.
22 Unfortunately, the lead ship will not be finished until
23 2026, 11 years after the last of our 51 Oliver Hazard Perry-
24 class frigates was decommissioned, which has resulted in
25 acute and continuing frigate gap in the Navy's ability to

1 escort convoys, hunt submarines, and defend high-value
2 assets.

3 Fourth, we need a consistent commitment from every
4 administration and Congress to provide steady and
5 predictable funding to the Department of the Navy. As bad
6 as the President's 2023 budget request is, the projected
7 cuts to shipbuilding in future years are worse, with the LPD
8 amphibious ship production line abruptly ending with no
9 transition plan. This is simply unacceptable, as it will
10 both further shrink the fleet and starve our Navy
11 shipbuilding industrial base, which is already barely
12 hanging on.

13 I also have concerns related to the health and trends
14 for naval aviation and the extent to which this budget
15 supports the Commandant of the Marine Corps' force design,
16 but in the interest of time I will not belabor that now.

17 The bottom line is this budget sends China and other
18 potential adversaries the wrong message, that we are not
19 willing to do what it takes to defend ourselves and our
20 allies and our partners. And we should be worried about
21 China for a multitude of reasons, but looking at just their
22 navy for a moment, their fleet surpassed our fleet size
23 target of 355 ships 2 years ago, and continues to steadily
24 climb. Meanwhile, this budget proposes to shrink our Navy
25 to 280 ships over the next 5 years. It simply does not make

1 sense, at least not to me.

2 So a few specifics I hope to cover today include, Mr.
3 Stefany, I would like to discuss five shipbuilding issues to
4 better understand how this subcommittee can be helpful, and
5 we will get to those five in my questioning.

6 General Heckl, the Marine Corps appears to be
7 aggressively pursuing air defense and missile systems in the
8 Indo-Pacific. I am interested in better understanding how
9 these systems can both protect forward-postured marines as
10 well as help combatant commanders deny maneuver space to an
11 adversary.

12 And I am also interested in the Commandant's
13 requirement for amphibious ships, and I look forward to your
14 testimony. Thank you.

15 Senator Hirono: Thank you.

16 Mr. Stefany, are you testifying on behalf of the other
17 panelists?

18 Mr. Stefany: Yes, ma'am. One opening statement for
19 the three of us.

20 Senator Hirono: Okay. Please proceed.

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1 STATEMENT OF FREDERICK STEFANY, PERFORMING THE DUTIES
2 OF ASSISTANT SECRETARY OF THE NAVY FOR RESEARCH,
3 DEVELOPMENT, AND ACQUISITION

4 Mr. Stefany: Thank you, ma'am. Chairwoman Hirono,
5 Ranking Member Cramer, distinguished members of the
6 subcommittee, on behalf of myself, Vice Admiral Conn,
7 Lieutenant General Heckl we thank you for the opportunity to
8 appear before you today to address the Department of the
9 Navy's fiscal year 2023 budget request for our seapower
10 capabilities. We would like to thank your subcommittee for
11 your leadership and support of shipbuilding, naval aviation,
12 and ground programs that maintain maritime superiority in
13 defense of our nation.

14 I would like to highlight that this past year we have
15 had a number of significant firsts as we provide new
16 capabilities to the fleet. This year we achieved the
17 initial operational capability, or IOC, of the USS Gerald
18 Ford, and that ship is now, the first of our class is
19 preparing for first deployment later this year.

20 We completed the operational testing of the CH-53K
21 heavy-lift helicopter, and just recently, just a couple of
22 days ago, we declared IOC of that capability.

23 We have been equipping our first platoons of marines
24 with the new amphibious combat vehicles this year, and we
25 expect later this year to do the first deployment of this

1 vehicle later this year.

2 We achieved IOC of the VH-92, the presidential
3 helicopter, and we are starting the commissioning process
4 with the White House to get that helicopter into the White
5 House's fleet.

6 We have also accomplished the first refueling of an
7 operational aircraft with an unmanned air vehicle. In this
8 case it was the MQ-25 prototype aircraft, and we refueled
9 both an F-18, an E-2D, and a Joint Strike Fighter.

10 Of note on the Joint Strike Fighter, this year we had
11 our first deployment of F-35 Charlies. Both the Marine
12 Corps and the Navy deployed for the first time. And then a
13 true measure of interoperability with our partners in the
14 Royal Navy this past year saw the deployment of a squadron
15 of marine F-35 Bravos on the HMS Queen Elizabeth.

16 The Department of the Navy's fiscal year 2023 budget is
17 guided by SECNAV's priorities to strengthen our maritime
18 superiority in defense of our nation, to empower our people,
19 and to strengthen strategic partnerships. It implements the
20 Chief of Naval Operations' navigation plan to expand our
21 fleet capabilities for distributed operations while building
22 on the Commandant of the Marine Corps' Force Design 2030, to
23 rapidly modernize the expeditionary posture of the Marine
24 Corps.

25 Consistent with recent budgets, this budget prioritizes

1 the Navy's contribution to the National Strategic Deterrence
2 while balancing readiness for the fight tonight, new
3 capabilities for the future fight, and capacity across the
4 near and future. The fiscal year 2022 budget continues our
5 investments in more lethal network capabilities integrated
6 into the Joint Force to address our pacing and acute
7 threats.

8 As reflected in the Department's 30-year shipbuilding
9 plan, this budget requests over \$27 billion for shipbuilding
10 programs, more than \$5 billion more than what was requested
11 in last year's President's budget, and includes 51 new
12 construction ships across the 2023 to 2027 FYDP.

13 This budget also invests in 96 fixed-wing aircraft,
14 rotary-wing aircraft, and unmanned aircraft in fiscal year
15 2023, with 420 aircraft across the FYDP.

16 The budget includes funding for Marine Corp force
17 design priorities for equipment modernization and precision
18 fires, resilient communications, and mobility platforms to
19 optimize the force for naval expeditionary warfare in a
20 maritime littoral.

21 To assure we can maintain the forces we have we
22 expanded in our budget the aviation and ship depot funding
23 lines. We also are continuing the OPN funding maintenance
24 pilot, and we are expanding it to the Atlantic fleet and the
25 Pacific fleet.

1 The budget continues, Senator Hirono, to your point,
2 once-in-a-century recapitalization of our national ship
3 infrastructure as part of the Shipyard Infrastructure
4 Optimization Program, SIOP, with a significant increase in
5 funding in 2023, that is sustained -- our commitment is
6 sustained across the FYDP.

7 On the aviation side, the budget funds repairs,
8 overhauls, inspections of our airframes, engines, and
9 aircraft components, and it continues our reform efforts to
10 reduce out-of-reporting aircraft and increase number of
11 mission-capable aircraft we have.

12 With a focus on developing our fully capable future
13 naval forces, this budget invests a record \$24 billion in
14 research and development. It includes investments in our
15 next-generation submarine, our large surface combatant, our
16 air dominance aircraft, as well as investments in hypersonic
17 weapons, directed energy weapons, autonomy, artificial
18 intelligence and machine learning, and the initial
19 instantiation of Project Overmatch.

20 We thank you for the opportunity to appear before your
21 subcommittee today and for the strong support this
22 subcommittee has always provided to our sailors and our
23 marines. And now we look forward to answering your
24 questions. Thank you.

25 [The joint prepared statement of Mr. Stefany, Admiral

1 Conn, and General Heckl follows:]

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1 Senator Hirono: Thank you.

2 So, Mr. Secretary, in my opening statement I referred
3 to the fact that you are responsible for acquisition and
4 sustainment matters, to include maintenance and the
5 importance of our maintenance availability, in both the
6 private and public shipyards. What have you done since the
7 last year to improve the performance of ship maintenance
8 programs and to keep individual overhauls from being late?

9 Mr. Stefany: Yes, ma'am. So we have taken a multiple-
10 pronged approach. We started with the planning phase and we
11 are putting more resources into planning up front for an
12 availability, getting the work packages defined, getting the
13 long-lead material bought sooner in the process than we have
14 in the past.

15 In the contracting phase, we have moved to what we call
16 an A-minus-120, where we try to award the contracts -- I am
17 talking about private shipyards now -- 120 days before the
18 availability, to give the contractor a chance to get up to
19 speed and understand the work before we get into the actual
20 project. And then we have really done a focused effort,
21 what we call "plan to perform" of what are the key criteria
22 for the success of an availability, and then make sure we
23 understand the levers that we would pull in order to be able
24 to succeed, what are the key things, and make sure we are
25 focusing on the most important data to be able to effect the

1 availability once it has started.

2 Except for the contracting part, ma'am, we are doing
3 the same type of items on the public shipyards as well.
4 Looking at the availability of equipment up front at the
5 public shipyards and then doing that "plan to perform"
6 process, where we are really pulling the thread hard on
7 processes within those shipyards.

8 Senator Hirono: So, Mr. Secretary, as with the
9 shipbuilding side, on the maintenance and repair side, you
10 are probably seeing issues of workers, not enough trained
11 workers, and supply chain issues. So what specifically are
12 you doing to address those particular problems?

13 Mr. Stefany: Yes, ma'am.

14 Senator Hirono: On the shipyard, the repair side.

15 Mr. Stefany: Yes. On the repair side, yes, we are
16 seeing both supply chain delays due to COVID impacts as well
17 as workforce, where we are not having the workforce that we
18 need appear, and it is happening in new construction as
19 well, so your point is very valid.

20 We are working with the shipyards, regional shipyard
21 associations, on pipelines for future workforce, to try to
22 get skilled workers from out of the colleges and trade
23 schools into the trade. That is a longer-term thing. It is
24 not happening immediately. But we are seeing younger folks
25 coming into the business through the trade schools we have

1 set up. For the actual work, we actually are, I will say,
2 illuminating. We have tools to illuminate where our supply
3 chain is really having trouble and trying to attack that in
4 advance, ma'am.

5 Senator Hirono: So I think that the lack of trained
6 workers has been an issue long before COVID, and it has been
7 exacerbated by COVID. So I hope that you are doing
8 something to turbocharge the focus on recruiting and
9 retention, shipyard works, both on the shipbuilding side as
10 well as on the repair side. I do not have the answers to
11 the lack of workers, but it is a major concern ongoing. So
12 you are going to get asked those questions every time you
13 come before either SASC or this subcommittee.

14 There is going to be a gap in the number of America-
15 class LHAs, the amphibious ships. So my information is
16 after the force total of the 11 originally planned is
17 finished in 2023, then you are not going to get any more of
18 these LHAs for another 8 years or so. Was that a budget
19 decision, and if so, what happens when you need to resume
20 production or construction of these LHAs and then the
21 shipyard is going to have to ramp up? What happens
22 regarding the construction of these ships at that point,
23 what that kind of a long gap?

24 Mr. Stefany: Yes, ma'am. Quickly, on the last one,
25 for workforce we do have funding in the 2023 budget to

1 actually go and try to accelerate those workforce
2 development programs. I just wanted to finish that last
3 question.

4 With this question, ma'am, yes, the LHA-type ships,
5 about 5 years apart. We call it 5-year centers. So the
6 previous ship was in 2023, and the next ship, most
7 efficiently, would be built in 2028. It is affordability
8 reason of why it is not in as a 2028 ship. It is just in
9 the overall budget, why it is sitting out there in 2031.
10 But we will relook at that in the coming budget cycle,
11 ma'am.

12 Senator Hirono: I would ask that you do that.

13 I have a lot of other questions and I will probably do
14 a second round, but I will turn to Senator Cramer.

15 Senator Cramer: Thanks, Chairwoman, and since you have
16 primed the pump so nicely on shipbuilding strategies let's
17 hang out there for a little bit and maybe drill down a
18 little more, because I appreciated many of the questions.

19 Let's see. Mr. Stefany, I said there are five
20 shipbuilding issues, so I will try to tackle them one at a
21 time here in the first round.

22 First of all -- and by the way, thank you for the
23 DDG(X) acquisition report that you delivered last week. Can
24 you elaborate a little bit on the benefits, potential
25 benefits of, and the Navy's interest in maximizing

1 collaboration and design and early construction between
2 Ingalls shipbuilding, Bath Iron Works, and the Navy for
3 DDG(X) program? Explain why that makes sense.

4 Mr. Stefany: Yes, sir, and it is what we have learned
5 on the submarine program, frankly, where the shipyards
6 working together with the Navy we get the best breed. We
7 get the best engineers and the best planners at both
8 shipyards, working with the Navy to lay out those original
9 specs and to lay out the plan for building it. And which
10 shipyard maybe can do this better, what can do that better,
11 and we take the strengths of each.

12 The other part is we do not have downtime, where we
13 have competitive pressures, where the companies have to go
14 apart, in their separate corners, and do a bidding process.
15 We can continue the design spirals until we can get to the
16 construction of those first two ships. And again, we have
17 committed that each shipyard will be involved in the
18 construction, and so knowing we are going to have them
19 involved, having both companies working together on the best
20 product, using a single design tool, a single computer-based
21 model, is what we have seen in the Virginia program as the
22 best way to design and build, at least build the initial
23 ships of a new, from-scratch program, sir.

24 Senator Cramer: Sure. So let's then talk about multi-
25 ship acquisition and procurement as well. So there are

1 eight Lewis-class oilers to be procured in fiscal year 2022
2 through 2027. It seems like a good opportunity to provide
3 stability to the industry, including workforce, and save
4 some money through the multi-ship procurement, including
5 economic order quantity authorities.

6 Can you support an approach like this, and can you
7 provide a rough estimate of what maybe could be saved with
8 an approach like that?

9 Mr. Stefany: Yes, sir. I would say from an
10 acquisition point of view, absolutely. Buying eight ship
11 sets worth of equipment at the same time, from an economic
12 quantity and items like that would be the most efficient way
13 to buy it. I think when we looked at the amphibious ship
14 multi-ship it was about a 7 percent savings, and that was
15 with two different kinds of ships. So I would expect in
16 this case we would see more than 7 percent, because they are
17 all the same type of ship, right. But I can take for the
18 record, sir, an actual estimate for you.

19 Senator Cramer: No, that sounds great. Thank you.

20 So the chairwoman brought up the issue of workforce. I
21 want to spend a little bit of time on that as well. Is
22 workforce one of the reasons that this budget shows a
23 Virginia-class submarine? Construction durations are
24 extended by 2 years. Is that fair?

25 Mr. Stefany: That is one of a number of reasons, but

1 probably the primary reason, sir, yes.

2 Senator Cramer: So when you talked about workforce
3 development programs, tell me about opportunities that might
4 exist for -- by the way, I am a former state economic
5 development director. I know you think you knew everything
6 about me. I knew you wanted to know that. So
7 unfortunately, in North Dakota, we just do not have any
8 shipbuilders, so I was thinking that if I was the head of
9 economic development somewhere, what kind of incentives can
10 we do together -- local state, you know, along with whatever
11 incentives. When I say "we," the Federal Government could
12 provide. I am sure you have thought through this a couple
13 of times.

14 Mr. Stefany: Yes we have, sir, and even before COVID
15 and our recent issues, local companies with local
16 governments, Senator Kaine and the Virginia waterfront,
17 very, very active, even before we had the COVID-type issues.

18 What we are looking at going forward, though, is to
19 take that across other parts of the country. I think we
20 have -- I will not say "tapped out" but we have kind of
21 maxed out the Virginia and up in Connecticut, that area of
22 the country, from the skilled workers, so we want to expand
23 out to other parts of the country. We have started programs
24 in Danville, Virginia, in Pennsylvania, in the Philadelphia
25 area, that would take local city, state, as well as the Navy

1 working together to come up with pipelines of non-
2 traditional pipelines.

3 And now, sir, we are just now starting to look at, with
4 the influx from Afghanistan and Ukraine coming into the
5 United States, potentially there are skilled workers there
6 as well, that we could take advantage of, sir.

7 Senator Cramer: I appreciate that. Well, I am near
8 the end of my time so I will reserve my next question about
9 the double accounting issue that I brought earlier for you
10 in Round 2. Thank you, Madam Chair.

11 Senator Hirono: Senator Kaine.

12 Senator Kaine: Thank you, Chair Hirono, and to all of
13 our witnesses thank you for your service.

14 So this is just us. I am sure it is on C-SPAN, but I
15 want to dig into an issue that I am confused about. So I
16 want to ask about two things. I want to ask about amphibs
17 and I want to ask about the marine force posture discussion
18 and budgetary ramifications of that.

19 So on amphibs, the Marine Corps continues to state that
20 its minimum amphib requirement is 31, but we are hearing
21 different estimates from OSD and the Navy about that. So if
22 the Marine Corps is the principal end user and they are
23 saying the minimum acceptable is 31, how do we explain
24 confusing messages that I am getting? And I am hoping we
25 can clear up the confusion. And it seems to me like there

1 is either probably one of three options. Either the Marines
2 want 31 and Navy and OSD agrees it should be 31, and we will
3 fund 31. Or the Marines want 31 and Navy and OSD agree with
4 the 31, but say that there is a budgetary challenge that
5 means we are going to have a temporary gap to get to 31. Or
6 the Marines want 31 and Navy and OSD different and do not
7 think 31 are necessary.

8 So maybe there are other forks in the decision tree but
9 it seems like it is one of those three answers. Can I start
10 with you, Mr. Stefany? What is going on?

11 Mr. Stefany: Yes. I would say that Secretary Del
12 Toro, when he came in, kind of had the same question, right?

13 Senator Kaine: Yeah.

14 Mr. Stefany: So he got the NAVY, the CNO staff, and
15 the Commandant's staff together and chartered an amphibious
16 ship study, without OSD, with Navy, Marine Corps.

17 Senator Kaine: Yep.

18 Mr. Stefany: And that study is just completing, and
19 the briefing process, I do not know if the SECDEF has been
20 briefed it is very, very near term. And that will feed into
21 a force structure assessment that we are doing that will go
22 with the National Defense Strategy, the classified version I
23 think you have just seen, right?

24 Senator Kaine: Right.

25 Mr. Stefany: So we do that, and that will ultimately

1 get us to what is the final number of amphibious ships --
2 traditional amphibious ships we are talking about -- and if
3 it is, whatever it is. And we will then resource, given a
4 constrained budget, to at some point get to that number,
5 sir.

6 Senator Kaine: What is the likely timing of this,
7 because obviously our hope on the committee would be to get
8 done with the NDAA probably between Memorial Day and July 4,
9 so we have the capacity to try to shape what we do in the
10 authorizing bill to meet what the recommendation is, and I
11 hope it is a consensus recommendation and not a thug war.

12 But what do you think the timing is?

13 Mr. Stefany: I can tell you I believe that the
14 Commandant and the CNO are on the same page, and they are
15 coming to the committee, I think, in a week and a half, and
16 their plan is to give you the results, or at least to talk
17 about it, all three of them together.

18 Senator Kaine: Okay.

19 Mr. Stefany: That obviously would have to go to OSD
20 and we would update you through the other steps.

21 Senator Kaine: Right. Okay. Good. We will save
22 those questions for then.

23 The other one I want to talk about is the Commandant's
24 force structure ideas, and I am a supporter of them. I like
25 what I see. I know that they are generating some

1 controversy, and that is fine. People have different ideas
2 about the way to do something, and sometimes folks are
3 reluctant to make a change. I get that. I have seen it in
4 organizations I have been part of.

5 But the piece of it I want to ask you about is in the
6 planning guidance that the Commandant put out about 3 years
7 ago he said, quote, "If provided the opportunity to secure
8 additional modernization dollars in exchange for force
9 structure, I am prepared to do so. So I will let go of some
10 force structure if I can modernize to the mission of
11 tomorrow, as we see it."

12 Some do not want to let go of force structure, but
13 there is another question that I am really interested in,
14 which is, if you do let go of force structure to get
15 modernization, I do not want the force structure dollars
16 taken away and then not put to modernization, and I have
17 been hearing that is a concern, that if the Marines make a
18 pivot in this way to try to prepare for tomorrow's battle, I
19 do not want their money taken away on the force structure
20 side. I want the money plowed back into modernization.

21 So if I could ask you, Mr. Stefany, and General Heckl,
22 at this point, you know, April 26th, sitting here, are you
23 comfortable with the direction things are going, that as the
24 Marines pivot and set aside some force structure for
25 modernization they are going to be able to hold onto those

1 resources to actually do what the Corps needs to do?

2 Mr. Stefany: I will start and turn it over quickly. I
3 would say, you know, that has always been a discussion in
4 the building, but I think so far, if you trace the dollars,
5 you would see it has been pretty much money moving from here
6 to there. It has been relatively even. But I will turn it
7 over to the general.

8 General Heckl: Senator, thank you very much for the
9 question, and the bottom line, up front, is yes, we are
10 comfortable. And I actually just met with the money guy for
11 the Marine Corps, Lieutenant General Mahoney, this
12 afternoon.

13 But again, sir, I think -- and really, great thanks to
14 this committee and to others, to include the Navy. We knew
15 there was risk, sir, that that force structure could be
16 harvested, if you will. We have not seen that. But I will
17 simply say that some of the funding that is being
18 reinvested, it is being specified, or as the money people
19 talk, it has been ZIP-coded. So it has been limited in our
20 ability but overall, sir, no, we are not concerned.

21 Senator Kaine: All right. Well, both of these are
22 helpful, and I will obviously get into these questions
23 further when we have the posture hearing in a week and a
24 half, but thank you for shedding light on it. I appreciate
25 it. I yield back.

1 Senator Hirono: Senator Hawley.

2 Senator Hawley: Thank you, Madam Chair. Thanks to all
3 of you for being here.

4 Admiral, if I could just start with you. Can we talk a
5 little bit about the shipbuilding, the three different
6 profiles that are included in the plan released, I think, on
7 April 20th. My question, I guess, is this. Is the Navy
8 confident that each of those profiles would allow it to meet
9 the operational requirements for deterring a Chinese fait
10 accompli, vis-à-vis Taiwan?

11 Admiral Conn: The first two profiles, Alternatives 1
12 and 2, were fiscally constrained in terms of no real budget
13 growth in the types of forces you could have, at the same
14 funding line with differences in manned and unmanned between
15 the two. Alternative 3 was industrial-base limited, as we
16 understand it today, and for an additional \$75 billion -- it
17 equates to about 2 percent a year -- what type of options in
18 force structure could that develop?

19 I will say in the shipbuilding plan itself it says that
20 Alternative 3 most closely approaches the previous
21 analytical work that was used to generate the ship-owning
22 plan.

23 Senator Hawley: But my question -- I appreciate that,
24 but can I just drill down on that a little bit? I want to
25 be clear. Do each of these profiles -- 1, 2, and 3 -- will

1 they allow the Navy -- is the Navy confident that they will
2 allow you to meet the operational requirements necessary to
3 respond to what is the pacing challenge in the pacing
4 theater, the pacing scenario in the pacing theater?

5 Admiral Conn: I would say we have the most confidence
6 in Alternative 3.

7 Senator Hawley: Okay. So not in 1 and 2. You have
8 less confidence in 1 and 2.

9 Admiral Conn: That is correct.

10 Senator Hawley: Okay. Thanks. That is very helpful.

11 General Heckl, can I turn to you? I want to ask you
12 about anti-ship missiles. The Marine Corps has put anti-
13 ship missiles at the top of the unfunded requirements list
14 for the last 2 years, I think, if I have got that right. It
15 did not do so this year. Can you just explain why that is?

16 General Heckl: Sir, the NMESIS, the Navy Marine
17 Expeditionary Strike Interdiction System, which is the naval
18 strike missile you are referring to -- very successful, by
19 the way -- is still our number one priority, sir. Are you
20 referring to the UPL, where the Commandant put the LPD-33
21 for advanced procurement?

22 Senator Hawley: I am sorry. I am having -- can you
23 repeat that, General?

24 General Heckl: Yes, sir. So right now the NMESIS
25 remains our number one priority.

1 Senator Hawley: Yeah.

2 General Heckl: Yes, sir. No question. Are you
3 talking about the unfunded priorities list --

4 Senator Hawley: Yes.

5 General Heckl: -- LPD-33, sir. Obviously, force
6 design, we, the Marine Corps, are very confident, and I
7 think the Navy, they are on a good trajectory. Our concern
8 right now is primarily amphibious ships.

9 Senator Hawley: Okay. I guess what I am driving at
10 here is, are you satisfied that you are getting everything
11 that you need to accelerate fielding the capabilities that
12 you are going to need for the expeditionary advanced base
13 operations?

14 General Heckl: Absolutely, sir. Absolutely.

15 Senator Hawley: Good. And while I have got you here,
16 General, I just want to register my thanks. I think the
17 work on the Force Design 2030 has been outstanding, and I
18 know that, as Senator Kaine alluded to a minute ago, that
19 there is some controversy about that. I know some people
20 are upset that, for instance, Marine Corps is cutting tanks.
21 But, you know, the Indo-Pacific is primarily a maritime
22 theater, and I think you are doing a great job on that, and
23 I really think this kind of a bold rethinking is a model for
24 everybody else.

25 General Heckl: Senator, thank you. And, you know,

1 Liddell Hart, the British strategist, said, "The only thing
2 harder than getting a new thought into the military mind is
3 getting an old one out." So, yes.

4 Senator Hawley: Well, good work. Very good work.

5 Admiral, can I come back to you? I want to ask you
6 about anti-ship missiles as well. It looks like the Navy
7 has chosen not to prioritize them. You have not fully
8 funded requirements related to the SM-6, LRASMs. They are
9 on the unfunded requirement list. I am just wondering why
10 that is.

11 General Heckl: We have LRASM upgrades. Yes, that is
12 part of the unfunded list in terms of capability. But we
13 have tried to get all other important anti-ship weapons, to
14 include SM-16B, which should deliver in the future, if not
15 at maximum capacity but near maximum capacity of the
16 industrial base to produce.

17 Senator Hawley: Okay. So you anticipated my next
18 question. Is it your view then that we are maxing out --
19 Mr. Stefany, weigh in here if you want to -- but are we
20 maxing out the base's ability -- let us stick with the
21 LRASMs if we could -- have we maxed out? Is that your view?
22 Does this request max out the industrial base's ability to
23 produce LRASMs, or are we --

24 Admiral Conn: That is my understanding, sir, that we
25 are maxing out. It is a joint Air Force-Navy --

1 Mr. Stefany: Across all services, right? You have got
2 to look at everybody.

3 Senator Hawley: Right. Right.

4 Mr. Stefany: And same with SM-6, sir. We are at the
5 max, without an investment.

6 Senator Hawley: Okay. So what would it take to expand
7 those production lines further, so we can field as many as
8 possible now and also surge production if have a potential
9 conflict?

10 Mr. Stefany: We have done that analysis. I do not
11 have it with me but I will take that for the record.

12 Senator Hawley: Okay. Would you? That would be very
13 helpful.

14 My time has expired. If we have time later I will come
15 back for a second round. Thank you, Madam Chair.

16 Senator Hirono: Senator Blumenthal.

17 Senator Blumenthal: Thank you, Chair Hirono. As I am
18 sure you know, in fiscal year 2020, the Navy unilaterally
19 reversed a decades-long indemnification policy and stated
20 that going forward it would no longer cover unusually
21 hazardous risks involving conventional weapons that rely on
22 high-energy propellants. This decision essentially shifted
23 a very significant risk to private industry entities working
24 on missiles, for example. It essentially risks losing a lot
25 of private partners who cannot tolerate the risk that is

1 imposed, and possibly the ability to build major weapon
2 systems and technologies essential for future conflicts. In
3 some sense the hazardous risk is a cost of producing the
4 weapon, and under existing law the military services can and
5 do indemnify contractors for unusually hazardous risks.

6 For four decades, the Navy has borne the risk of
7 catastrophic loss for incidents relating to missiles that
8 rely on high-energy propellants, like the Tomahawks.
9 Private industry carries commercial insurance, which will
10 respond first in the case of catastrophic loss. But my
11 question is, Mr. Stefany, can you explain why the Navy
12 reversed its position on this kind of indemnification, and
13 does this change affect major acquisition programs?

14 Mr. Stefany: Yes, sir. I appreciate that question,
15 and as a matter of fact, I was discussing this topic with
16 the president of Electric Boat earlier today, so very much
17 on our mind.

18 Historically, the Department of Navy has provided a
19 blanket indemnification, a blanket -- you know, no matter
20 what the issue is, it is a blanket insurance, if you will,
21 because industry cannot buy it, for nuclear weapons and
22 nuclear propulsion for submarines and aircraft carriers.

23 What happened, of course, over time is particular
24 weapon systems did not have a nuclear warhead anymore and
25 we, as a navy, decided that we would not do a blanket

1 indemnification, but if a company had a specific issue, a
2 specific use case, we call it, we would be happy to walk
3 through exactly where the risk was for that weapon, at that
4 production facility, and we would talk about it with the
5 Secretary. And that is what I relayed to the president of
6 Electric Boat and others. We are not against necessarily
7 indemnification. We are against a blanket, across-the-
8 board, no matter what kind of indemnification.

9 So maybe we are talking with industry maybe past each
10 other a little bit, but I think there is a way ahead here,
11 sir.

12 Senator Blumenthal: And you are actively engaged in
13 discussion, I hope constructive discussions with contractors
14 like Electric Boat.

15 Mr. Stefany: Yes, we are, you know, Lockheed,
16 Northrop, all of the big companies we are having these
17 discussions with. But again, the point is, what is the
18 specific concern you have, not just a blanket
19 indemnification, sir.

20 Senator Blumenthal: Let me ask you a question about
21 the CH-53Ks, Lieutenant General Heckl. I was very pleased
22 to see that the CH-53K has reached initial operational
23 capability very recently, I think, maybe yesterday
24 afternoon. As the CH-53E Super Stallions reach the end of
25 their service lives, the 53K I think is urgently needed, and

1 so I am hopeful that we will remain committed to getting
2 this new helicopter on board, operational, as quickly as
3 possible.

4 Can you speak to how the Marine Corps air combat
5 element will use the 53-K and what its importance is to your
6 capabilities?

7 General Heckl: Sir, that is impossible to answer in
8 the time we have available, I will simply tell you, sir,
9 simply because this is such an incredible aircraft.

10 You know, sir, the Kilo lifts three times what the Echo
11 lifted, its predecessor, and we are the Navy family here,
12 but last September we went up in a 53-K, looked at a downed
13 MH-60 helicopter off of a mountainside in California, at
14 12,500 feet. Unbelievable. The Navy thought they were
15 going to have to cut that thing into thirds or quarters to
16 get it off the mountain.

17 So the 53-K, sir, absolutely vital to what we are doing
18 in the Indo-Pacific. To be able to lift that kind of
19 payload, 27,000 pounds, 120 nautical miles, will be
20 absolutely critical to the intra-theater mobility, sir, that
21 is so important to the Marine Corps, particularly from the
22 organic mobility perspective, which is what is unique to the
23 Marine Corps. The KC-130J, the 53-K, the MV-22, and our
24 surface lift, absolutely vital, sir. So the Kilo is going
25 to be a critical asset, sir, and we are seeing a lot of

1 success with it right now.

2 Senator Blumenthal: Thank you. Thanks, Madam Chair.

3 Senator Hirono: Senator Scott.

4 Senator Scott: Thank you, Chair.

5 I know it is your responsibility, I guess, to defend
6 the President's budget, but I guess what surprises me is
7 there is a substantial cut to the force structure of the
8 Navy. You are going to retire nine combat ships. The most
9 recent was commissioned less than 2 years ago.

10 So with fewer ships -- is that right?

11 Mr. Stefany: That is right.

12 Senator Scott: So with fewer ships, a combatant
13 commander, how are you going to deal with any requests? I
14 mean, it does not seem like we have fewer problems. I mean,
15 you have got Russia and what China is doing. So how are you
16 going to deal with fewer ships? Are you just going to send
17 fewer ships to request, or is there some way you are going
18 to make them work longer, which is very difficult to do? So
19 how are you going to do this?

20 And I know your job is you have to defend the
21 Administration.

22 Mr. Stefany: Sir, certainly the number of ships will
23 increase the risk to meeting the COCOM's requirements, but
24 we never meet 100 percent of the COCOM's requirements. But
25 I will turn it over to the Admiral to give more of the

1 specific look at that.

2 Admiral Conn: So in looking at specifically the LCS,
3 that ship was designed or thought about in 2002, over 20
4 years ago, and the world has changed. And when we looked at
5 the LCS, is it not that it has no military value. It has
6 less military value in a high-end fight with China, in the
7 Pacific. And when you look at all the bills we have to pay,
8 and when you look at where proprietary investments in some
9 of our weapons between conventional prompt strike, which we
10 are delivering in the middle part of the decade on DDG-1000,
11 the investments we have to make in LRASM, in JASMMM, other
12 investments we have to make in our unmanned systems, if we
13 were to buy back those LCS, our estimate is it would be \$4.2
14 billion inside the FYDP, and we believe that those resources
15 are better spent on high-end capabilities that we are going
16 to need to fight and win. And some of those investments
17 deliver inside the decade, in the decade of concern.

18 Senator Scott: Do you feel comfortable that you have
19 the resources to be able to do when you watch what China is
20 doing, expanding their navy, when you look at the
21 expectation we are going to be able to defend Taiwan? When
22 you look at all these problems, do you really believe you
23 are going to have the capability to be able to do the job
24 you are going to be asked to do?

25 Admiral Conn: I would talk to CNO's Nav Plan, which

1 the revision will come out here shortly, which in it there
2 is a Nav Plan Implementation Framework that describes, in
3 concert with Distributed Maritime Operations, which is how
4 we must fight in the Pacific, what are the investments that
5 we need to make in terms of how we shoot; how we intend to
6 shoot from multidomains and from long-range fires; how we
7 maneuver, not just in terms of physical space in maneuvering
8 in the domains but how we maneuver in the electromagnetic
9 spectrum to deny, deceive, delay our opponent? How are we
10 going to resupply? How are we going to defend terminal
11 defense for our ships, and looking for other means other
12 than missile-on-missile, which is a cost-imposing strategy
13 on ourselves? We have to come up with different solutions.

14 And then the investments we have to make in all the
15 enablers, in our networks, in Project Overmatch, and moving
16 information around the task force differently. How unmanned
17 systems are going to be force multipliers across the
18 domains, whether in the air, on the surface, or undersea.
19 And then live virtual constructive investments, to making
20 sure our people, our sailors that are going to be operating
21 forward can actually use those weapon systems to their
22 designed limits and beyond.

23 And then artificial intelligence. What are the
24 specific use cases we need to go after to deliver those
25 capabilities, that software, those algorithms, and the

1 bottom line is to drive simplicity down to the tactical
2 edge?

3 That is in the CNO's Nav Plan. Those are some of the
4 priority investments they were going after and reason,
5 because we are a multidomain force that works from the
6 seabed to space, and we have to be able to produce effects
7 across all of them.

8 Senator Scott: But do you believe you are going to
9 have the resources to be able to do the missions that you
10 anticipate we are going to have?

11 Admiral Conn: As always, we will have more
12 requirements than resources, and within this budget we will
13 make do with the resources we have to be able to fight and
14 win.

15 Senator Scott: This morning we heard, at another Armed
16 Services Committee, that -- there was testimony that we
17 could save 30 to 50 percent of the money that DoD spends on
18 procurement. Do you believe that, and what are you all
19 doing to try to get some of that savings so we can allocate
20 the money to make our military big and lethal?

21 Admiral Conn: In the essence of time I think we have
22 to drive our costs across everything we do.

23 Senator Scott: Thank you.

24 Senator Hirono: Senator King.

25 Senator King: Thank you, Madam Chair.

1 First, Mr. Stefany, I want to compliment you. These
2 hearings are not always about compliments, but both houses
3 asked for reports about the transition to DDX and you issued
4 two, one to the House and one to the Senate. They were
5 excellent -- succinct, clear, written in plain English, and
6 I think very important.

7 Madam Chair, I would like to have both of those
8 reports, 117-39 and 117-118, inserted in the record of this
9 hearing.

10 Senator Hirono: Without objection.

11 [The information follows:]

12 [COMMUNITY INSERT]

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1 Senator King: The important part of the reports are
2 that you talked about lessons learned, from the Columbia,
3 from the Nimitz, to the Ford, and how that will apply to the
4 DDX. And I would like to ask about a couple of those.

5 One of the important things is that this is handled in
6 such a way that we do not have a trough in the industrial
7 base between DDG and DDX. Can you speak to me about that?

8 Mr. Stefany: Yes, sir. That is maybe a fault that we
9 have had in the past, right? You stop one program and you
10 start the next one, not recognizing it is going to take a
11 little time for that second program to get going and you
12 have a workforce that atrophies, if you will, in between.

13 So in the DDG-51 to DDG(X) case, we recognized that in
14 the first couple of years where we buy a DDG(X) we also need
15 to buy a DDG-51 for the other shipyard, so that they can
16 keep their workforce going and avoid that trough, keep the
17 skills up so that ultimately we can get to two DDG(X)s per
18 year, one at each shipyard.

19 Senator King: Well, my comment is hold that thought,
20 because I think that is critically important. I have seen
21 the graphs at Bath Iron Works, for example, that show DDG,
22 and then you have got a loss of a couple thousand workers,
23 and you cannot just turn that off and on, particularly in
24 this economy where workers are in short supply.

25 And I think the other piece that I wanted to touch upon

1 is the industrial base itself and their involvement in the
2 development of the new ship, so that we do not have the Navy
3 handing something to the yards and saying, "Here it is.
4 Build it." Comment on that too, because I know Huntington
5 Ingalls and Bath are in discussions. I think it is a very
6 productive way to avoid some of the problems that have been
7 incurred in the other programs.

8 Mr. Stefany: Yeah, it is a lesson, sir, that we
9 learned in the Virginia submarine program -- bring the two
10 shipyards and the major suppliers, the engine-makers and
11 others in, up front. Talk to the Navy as we are putting
12 together the spec and come up with the design criteria to
13 take the best of all, and to learn from each other and come
14 up with a single computer model and a single design that
15 then both shipyards could build to. That is the most
16 efficient way we have seen to actually get -- we call it the
17 collaborative design process -- to get to a final state that
18 has the least errors, the least defects in it.

19 Senator King: And as I have sat through hearings on
20 the Ford, I could not help but notice the provisions in the
21 report that talked about, let's not do all new technology at
22 one time, and let's test it on the ground first. I think
23 clearly that is an important lesson learned.

24 Mr. Stefany: Yes, sir. And we actually, in the 2023
25 budget, funded the land-based test facility for DDG(X), to

1 do that land-based testing.

2 Senator King: Finally. At the hearing that Senator
3 Scott mentioned this morning, Former Secretary Lord was one
4 of the witnesses, and she confirmed the importance of
5 multiyear, multiyear procurement. She used a term, frankly,
6 I had not heard before, but maybe I have not been around
7 this stuff enough. She said the problem is "lumpy"
8 procurement. And you want procurement that can provide some
9 continuity to the industrial base so that they can make the
10 investments necessary.

11 Do you share the importance of multiyear? I think it
12 is also better for the taxpayers, frankly.

13 Mr. Stefany: I want to completely agree that planning
14 for investment and planning for the workforce and those
15 other things that the shipyards and the suppliers need to do
16 completely benefits from a long-term, 4- or 5-year
17 commitment on multiyear type process. I totally agree with
18 Ms. Lord on that case.

19 And to the previous question about cost, that is one of
20 our main ways to reduce the cost of our programs is to make
21 those long-term, multiyear contracts and put them in place.

22 Senator King: Well, there is no question. We have
23 built three Zumwalts, and the learning curve just on those
24 three -- and there should have been a dozen -- but those
25 three was quite remarkable, from ship to ship to ship. And

1 you are not going to ameliorate those learning curve costs,
2 particularly on DDX, without a long-term, multiyear
3 procurement.

4 Mr. Stefany: Yes, sir. I agree with you completely.

5 Senator King: Thank you. Let the record show that the
6 witness said he agreed with me completely.

7 Mr. Stefany: You complimented me to start with, sir.

8 Senator King: Thank you.

9 Senator Hirono: Senator King, I note that every time
10 one of our testifiers agrees with you, you make a point of
11 noting that.

12 [Laughter.]

13 Senator Hirono: So noted.

14 We will start on round two of our questions. Just to
15 make sure, regarding the funding for the shipyard
16 modernization, does your fiscal year 2023 budget fully fund
17 this year's plan for the shipyard modernization plan?

18 Mr. Stefany: Yes, ma'am. The budget this year
19 increased almost \$1.8 billion and fully funds all of our
20 plans for 2023 through 2027. Yes, ma'am.

21 Senator Hirono: When we talk about a multiyear
22 contract, is inflation an issue with regard to how you are
23 going to come up with the negotiations for these multiyear
24 contracts? How do you account for inflation and some of the
25 other factors that may need revisions to the contract?

1 Mr. Stefany: Yes, ma'am. So in our shipbuilding
2 contracts we have an economic price adjustment clause, a
3 special clause we put in that accounts for inflation. It
4 actually makes an assumption, and then if it gets outside of
5 that, higher or lower, we can adjust the contract as we go.
6 So in our shipbuilding contracts, we do not have that in
7 other places, but in our shipbuilding contracts we do have
8 what we call an EPA clause, to protect the company from
9 risks going up or down.

10 Senator Hirono: That is good because Asia had come up
11 in the SASC hearing this morning.

12 The Navy has presented a 5-year shipbuilding plan that
13 includes two destroyers per year for a total of 10 ships,
14 and I understand that the Navy intends to request another
15 round of multiyear procurement authority for destroyers but
16 for nine ships, with an option to add another ship to the
17 multiyear contract at some point in those 5 years and an
18 option to buy a third each year for a maximum possible of
19 15. That is what you are contemplating.

20 Mr. Stefany: Ma'am, yes. We are modeling the planned
21 multiyear after the one we have right now, and the one we
22 have right now has 10 ships in the multiyear with a
23 competitive option for a third ship in each year. That is
24 the basis for what we plan to do in the future one, the one
25 exception, as you noted, being that we would have 9 firm

1 ships instead of 10 firm ships in that baseline contract.

2 But otherwise the terms that we are anticipating for the new
3 contract will be the same for the one that is in place right
4 now. And that has not been approved yet. That is just our
5 initial, you know, plan as we are going forward.

6 Senator Hirono: Just so I understand then, I know that
7 there is interest in this committee for 15 destroyers
8 instead of the 10. So you are creating a situation where we
9 can get to 15 if you exercise that option, provided that we
10 fund that option, which means that you will request funding
11 for that option to be exercised. Is that correct?

12 Mr. Stefany: It is.

13 Senator Hirono: Am I understanding this?

14 Mr. Stefany: It is our Navy plan at this point to go
15 forward so that if we did request a third ship we have the
16 ability to buy it. But again, we are in the early stages,
17 ma'am. I do not want to make that commitment from the
18 Department yet.

19 Senator Hirono: Okay. When you say "commitment from
20 the Department," does that mean that you do have to request
21 the money for the addition 5?

22 Mr. Stefany: We would have to request the money for
23 the additional 5, yes.

24 Senator Hirono: And would you do that?

25 Mr. Stefany: It is a budget process.

1 Senator Hirono: You said if there is an interest in --

2 Mr. Stefany: You have seen the 2023 budget, ma'am, and
3 2024 we will have to play out through the normal
4 requirements process. So I cannot make a commitment on 2024
5 and out, and you have seen our budget proposal for 2023,
6 which is only 2 ships in 2023.

7 Senator Hirono: Okay. But going forward, though --

8 Mr. Stefany: We are kind of in a little --

9 Senator Hirono: You see what I am getting at, right?
10 I think some of us would like to get you to 3 ships instead
11 of 2 ships.

12 Mr. Stefany: So our plan is to have a contract that
13 will allow that, but we would have to discuss in the budget
14 process actually how it gets paid for, if we were to do
15 that.

16 Senator Hirono: Okay. I personally would encourage
17 that, because I assume that we need more of these ships,
18 right? We need more destroyers.

19 Mr. Stefany: I will have to let the Admiral discuss,
20 actually, the requirements for destroyers.

21 Senator Hirono: Admiral?

22 Admiral Conn: The requirements for Large Surface
23 Combatant is 96, at least from the latest INFSA and the -- I
24 am sorry, the Integrated Naval Force Structure Assessment
25 that was done in 2019. And then the Future Naval Force

1 Study reduced that number a little bit, and in Alternative 3
2 we get up to 80, and again that was based on our
3 understanding of industrial capacity. But it is Large
4 Surface Combatants, Small Surface Combatants, to number of
5 frigates, I do not look at any particular capability. I
6 have to look across a task force, if you will, and how we
7 are going to employ that force, with our submarines, and the
8 dominance they have in the undersea domain, with the Large
9 Surface Combatants, the Small Surface Combatants, and the
10 carrier and the carrier wing.

11 Senator Hirono: So do I understand you correctly,
12 Admiral, that Option 3 of the three options you laid out,
13 that Option 3 gets you where you would like to be?

14 Admiral Conn: It gets us closer to where we need to
15 be.

16 Senator Hirono: But how realistic is that option
17 compared to the other two options, in terms of the funding
18 that would be made available, and other considerations?

19 Admiral Conn: The fiscal certainty of that option I
20 really cannot speak to right now. I can say in terms of
21 where we are today the answer would be no. But again, this
22 is starting growth per the shipbuilding plan in 2028 and out
23 in order to get to the, whether it be three DDGs per year,
24 three frigates per year, three submarines per year, getting
25 into an SSN(X) by the 2040s. I mean, all that, I will say,

1 there is some uncertainty in that path forward.

2 Senator Hirono: Thank you. Senator Cramer, would you
3 like to do a second round.

4 Senator Cramer: Yes, I would. Thank you.

5 So, Mr. Stefany, as promised I am going to come back to
6 the issue I mentioned in my opening statement about the
7 double-counting of the LHA-9. And just for everyone's
8 clarity I am just going to go through the history real
9 clearly, as best as I can.

10 So the LHA-9 was previously authorized in fiscal year
11 2020, when we approved the procurement of the ship with
12 incremental funding authority in the NDAA and added \$650
13 million in the final appropriations bill.

14 Subsequent appropriations bills have provided
15 additional funding. After the 2021 budget request showed
16 LHA-9 as a future procurement in 2023, the 2021 NDAA removed
17 the ship to avoid double-counting it, and clarified in
18 Section 126 that any ship added by Congress may not be
19 specified as a new procurement quantity in future budget
20 submissions.

21 So the simple question is why does this budget request
22 again show the LHA-9 as a new procurement in fiscal year
23 2023, and how is this consistent with Section 126?

24 Mr. Stefany: Yes, sir. So I would say the 2023
25 budget, the goal of the folks who put together the budget

1 was to show the year that we are going to award the contract
2 for the ship, to construct the ship, which we are planning
3 to do at the end of this year, at the beginning of fiscal
4 year 2023. So those who put together the budget exhibits
5 had the best intentions of showing when we are going to
6 award the contract for the ship, and I believe, with the
7 change in administration, not all were aware of the NDAA
8 language that actually told us to do something different.

9 So I do not think there was anything, you know,
10 purposeful here. I think it was really just different parts
11 of the Department not communicating well on providing you
12 the budget exhibits that showed the ship as a 2023 ship in
13 what was provided.

14 What I do know is we would like to discuss with you
15 further, you and the staff, when we do an incremental-funded
16 ship, what the right metric is for that one in the
17 accounting process. Is it when we order the contract? Is
18 it when it is funded initially? What is the right method?
19 CVN-81 is a little different story. CVN-80, a little
20 different story. We would like to have a consistent
21 approach. And I know the Department, at the comptroller
22 level, and we in the Navy want to get to a common
23 understanding with you, so we would love to have that
24 conversation, sir.

25 Senator Cramer: Well, I think going forward that would

1 be very helpful. If we did have a consistent pattern,
2 protocols, that would help you. That would help the
3 Congress. That would help the taxpayer better understand
4 and have the type of transparency.

5 In this case, I mean, it was so clear, I think so
6 clearly laid out that to see this has been problematic.

7 Mr. Stefany: Exactly. And what matters to me is we
8 are going to start construction later this year and deliver
9 that ship in 2028. That is what really matters to me.

10 Senator Cramer: Well, I appreciate that and we
11 appreciate the clarification. We will see whether something
12 else can be done to improve going forward, for sure.

13 General Heckl, I want to follow up on a line of
14 questioning that Mr. Stefany had answered earlier, relating
15 to the Commandant's requirement for traditional amphibious
16 ships. What was his requirement?

17 General Heckl: Sir, the Commandant's absolute
18 requirement for traditional L-class amphibious warships is
19 31, more specifically, 10 LHA/LHD class and 21 LPD.

20 Senator Cramer: So how important is continuing the LPD
21 amphibious ship production line to meeting the Commandant's
22 requirement?

23 General Heckl: It is critical, sir, to meet that
24 requirement.

25 Senator Cramer: And you have already answered how many

1 more LPDs are needed.

2 I see that the Commandant's top unfunded priority is
3 \$250 million in advanced procurement funding for LPD-33.
4 Can you explain how critical that request may be?

5 General Heckl: So sir, again, within force design is
6 our ongoing requirement as a Marine Corps by law to be the
7 crisis response force for the nation. Without those LPDs,
8 sir, and the other amphibious, traditional L-class
9 amphibious warships we cannot be there, and we are already
10 struggling now. Case in point was the 22nd Marine
11 Expeditionary Unit off the East Coast. General Wolters, the
12 Supreme Allied Commander, Former Supreme Allied Commander of
13 Europe, requested that that MEU, that Marine Expeditionary
14 Unit and that amphibious unit sortie early to be on-station
15 as the Ukrainian situation evolved or devolved, and we were
16 not able to sortie the ship. When a reality, sir, based on
17 the way we typically conducted heel-to-toe deployments, the
18 MEU should have been on-station and available for combatant
19 commander tasking, and it was not.

20 Senator Cramer: Thank you, General, and I yield.
21 Thank you.

22 Senator Hirono: Senator King, would you like round
23 two?

24 Senator King: I am going to submit a question for the
25 record of a classified response to the admiral and the

1 general in terms of defensive capabilities to emerging
2 Chinese capabilities. I do not think I need to say more
3 than that. I want to understand better what our strategy is
4 for defending our forward-deployed naval and the marine
5 littoral regiment. So I will be submitting that question.
6 I look forward to your response.

7 Thank you, Madam Chair.

8 Senator Hirono: Senator Hawley.

9 Senator Hawley: Thank you, Madam Chair. Just two more
10 quick things. Mr. Stefany, I want to ask about Quickstrike
11 mines if I could and then vertical launch tubes. On the
12 Quickstrike mines, I see that they are at the bottom of the
13 unfunded priorities list. Can you just walk me through
14 that? This seems like an important defensive capability.
15 Offensive mining is certainly important for the pacing
16 scenario in the pacing theater, namely the fait accompli
17 scenario. So can you help me understand the thinking here,
18 or Admiral, if you prefer.

19 Mr. Stefany: Yeah, I think since this is the CNO's
20 list --

21 Senator Hawley: Yeah. Go ahead. Go ahead, Admiral.
22 That is fine.

23 Admiral Conn: The Quickstrike extended-range mine is
24 what is on the unfunded list, which gives you -- I cannot
25 talk ranges here but it is a little bit different system

1 that is still under R&D.

2 Senator Hawley: That is why it is at the bottom of the
3 unfunded list --

4 Admiral Conn: Correct.

5 Senator Hawley: -- because it is still in R&D?

6 Admiral Conn: Correct.

7 Senator Hawley: Okay. Fair enough. Let me ask you
8 about vertical launch tubes. The Navy plans to cut a large
9 number of these. Admiral Davidson has testified before the
10 full committee and others that they expect the coming years
11 to be particularly a dangerous zone, let us say, for Chinese
12 aggression. How does the Navy plan to offset the loss here
13 of strike capacity between now and the late 2020s, so end of
14 this decade?

15 Admiral Conn: In terms of the VLS tubes we have to be
16 careful. A comparative view is part of Appendix 7, which is
17 a classified annex to the shipbuilding plan. So you get the
18 full view of not just we will have but what intel tells us
19 China will have. So you have to look at that. And we must
20 be careful that we do not go domain-versus-domain and make
21 that comparison. We have significant advantages in the
22 undersea domain that we will continue to make modernization
23 to maintain that dominance, and how, through operational
24 art, we use our submarines and the capabilities they have to
25 open up maneuver space for the air wing coming off the

1 carriers and the long-range fires from our surface ships and
2 distributed maritime operations. Yes, are taking risk in
3 VLS between now and about 2030.

4 I will say we have, with the DVGs that are delivering
5 inside the FYDP, it is about 1,344 VLS tubes on new ships
6 that are coming into the fold.

7 So I fully acknowledge we are taking risk in VLS, but
8 the investments we are making by getting rid of those VLS
9 gives us a more capable, a more lethal Navy inside the FYDP.

10 Senator Hawley: And I guess what I am driving at,
11 Admiral, is between now and 2030, when we are in this
12 potential danger zone, are you confident -- you are taking a
13 chance and you have to make tough decisions -- are you going
14 to be able to offset any loss of striking ability? That is
15 what I am driving at here.

16 Admiral Conn: As part of the broader Joint Force, if
17 you are asking me to characterize that risk, I do not think
18 I would say it in a public hearing. But it is a fair
19 question and I can take it for the record if you would like.

20 Senator Hawley: Yeah, I appreciate that. Thank you,
21 Madam Chair. That is all I have got.

22 Senator Hirono: Thank you. I would like to thank all
23 of you for coming before this committee, and this hearing
24 will come to a close. The record will remain open for 5
25 days. Thank you very much, everyone.

1 [Whereupon, at 3:49 p.m., the subcommittee was
2 adjourned.]

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