HEARING TO RECEIVE TESTIMONY ON NAVY SHIPBUILDING PROGRAMS
IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL
YEAR 2017 AND THE FUTURE YEARS DEFENSE PROGRAM

Wednesday, April 6, 2016

U.S. Senate
Subcommittee on Seapower
Committee on Armed Services
Washington, D.C.

The subcommittee met, pursuant to notice, at 1:59 p.m.
in Room SR-222, Russell Senate Office Building, Hon. Roger
Wicker, chairman of the subcommittee, presiding.
Committee Members Present: Senators Wicker
[presiding], Sessions, Ayotte, Rounds, Blumenthal, Hirono,
Kaine, and King.
OPENING STATEMENT OF HON. ROGER WICKER, U.S. SENATOR
FROM MISSISSIPPI

Senator Wicker: This hearing will come to order, and thank you all for being here.

This is the Senate Armed Services Subcommittee on Seapower, convenes this afternoon to examine Navy shipbuilding programs. We welcome three distinguished witnesses, the Honorable Sean Stackley, assistant secretary of the Navy for Research, Development, and Acquisition; Vice Admiral Joseph P. Mulloy, deputy chief of Naval Operations for Integration of Capabilities and Resources; and Lieutenant General Robert S. Walsh, deputy commandant for Combat Development and integration, as well as commanding general, Marine Corps Combat Development Command.

Our subcommittee is grateful for the decades of service to our nation from these three witnesses. We are grateful for the sacrifice also of our sailors and marines serving around the globe.

With nearly 100 ships deployed on any given day, our Navy and Marine Corps continue to provide a critical front line of defense for our country. Now, more than ever, a strong Navy and Marine Corps are central to our nation's ability to deter adversaries, assure allies, and defend our national interests. Our sailors and marines are at the
foreground of our rebalance to Asia, our ongoing operations
against the Islamic State, our responses to a resurgent
Russia, and efforts to deter rogue states such as Iran and
North Korea.

However, our current fleet of 272 ships is
insufficient to address these critical security challenges.
Even with recent shipbuilding increases, many of which were
initiated in this subcommittee, the Navy will not achieve
its requirement of 308 ships until 2021. There is also no
plan to meet the bipartisan National Defense Panel's
recommendation for a fleet of 323 to 346 ships.

This afternoon, I would like to hear from our
witnesses on what I consider five key issues our
subcommittee will review this year: first, vitality of the
industrial base. The vitality of the 30-year shipbuilding
plan is essential to the strength of our shipbuilding
industrial base. The U.S. Navy's dominant maritime
position would not be possible without the unique skills,
capabilities, and capacities inherent in new construction
shipyards and weapons systems developers.

I would like our witnesses to describe how they
carefully weighed the effects on the shipbuilding
industrial base when they balanced resources and
requirements in the shipbuilding plan.

Number two, best use of taxpayer resources: It is
critical that this subcommittee conduct rigorous oversight of shipbuilding programs to ensure the Navy is making the best use of limited taxpayer dollars. Congress expects Navy shipbuilding programs to deliver promised capability on time and on budget. Schedule delays and unsatisfactory test results too often result in cost growth and strains on the legacy platforms these ships will replace.

Specifically, I am interested in understanding why the delivery of the USS Gerald R. Ford, as well as its advanced arresting gear testing have slid day for day since last September. Delivery is now slated for September instead of last month.

I am also concerned about delays in littoral combat ship mission package testings. Since 2009, the surface package has been delayed 2 years, the antisubmarine package for 3, and the mine countermeasures package for at least 8 years.

Additionally, after years of debating early retirement or inactivation of a number of cruisers and docked landing ships, last year, Congress authorized and appropriated the Navy's request to execute this so-called 2/4/6 plan. This means no more than two cruisers may be inactivated per year. A cruiser may not be inactivated for more than 4 years, and no more than six cruisers may be in the program at any given time, 2, 4, and 6.
However, in this year's budget the Navy has changed course and now wants to inactivate seven cruisers instead of two and keep these ships out of service for up to 10 years rather than 4 before reactivating and re-manning them. I hope the witnesses will explain the merits of this plan, and perhaps there are merits.

Thirdly, building the future force: This subcommittee also has a duty to shape the future of our Navy. Each of our classes of surface combatant ships, cruisers, destroyers, and littoral combat ships will begin retiring within the next 20 years. Now is the time to determine the requirements for our future service combatants, as well as the munitions they will carry.

I am concerned that the extraordinary cost of the Ohio-class submarine replacement program will place tremendous stress on our already strained shipbuilding budget unless funding from outside this account is provided.

I am also interested in better understanding the Department's decision to down-select to one variant of the littoral combat ship frigate. Specifically, what analysis supports reducing procurement from 52 to 40 of these ships?

Number four, amphibious ships: The Navy and Marine Corps will serve as the lynchpin of the American force projection around the globe. I am interested in ways we
can ensure the Navy shipbuilding plan addresses the demand from our combatant commanders for amphibious ships. This demand is greater than 50 amphibious ships on a day-to-day operational basis, but the current inventory is just 30 amphibious ships. To this end, our subcommittee would like to know to what extent the next amphibious assault ship known as the LXR could be accelerated.

Finally, budget constraints: Although the Bipartisan Budget Act has provided some measure of short-term relief, sequestration remains the law of the land regrettably and will return in fiscal year 2018 unless Congress acts. Even with these additional funds, the Department of the Navy continues to face significant budget challenges that are forcing hard choices between readiness and modernization.

The Department's 2017 request is $8 billion, or 5 percent less than the 2017 value presented in last year's budget. As a member of both the Armed Services Committee and the Budget Committee, I know that tough decisions must be made across the Federal Government. However, I would remind everyone that national defense is solely a Federal responsibility. Defense spending is also known as a twofer, supporting both our national security and our high-tech manufacturing workforce.

As such, I hope our witnesses today will elaborate on the hard choices in this budget and how a return to
sequestration would impact the shipbuilding plan.

With that in mind, I look forward to the testimony of our witnesses, and I am delighted to recognize our ranking member, Senator Hirono, for any opening remarks she might have.
STATEMENT OF HON. MAZIE HIRONO, U.S. SENATOR FROM HAWAII

Senator Hirono: Thank you very much, Mr. Chairman, and I certainly share the aspects of this program that you have articulated. And of course I, too, want to thank our witnesses for being here. And we are certainly grateful to each of you for your service to the Nation and for the truly professional service of the men and women under your command. And we also pay tribute to their families because, of course, the work that the people under your command do is very much involved with the support of their families.

Today, our witnesses face huge challenges as they strive to balance the need to support ongoing operations and sustained readiness with the need to modernize and keep the technological advantage that is so critical to military success. These challenges have been made particularly difficult, as the chairman has mentioned, by the spending caps imposed in the Budget Control Act, caps that were modestly relieved for fiscal year 2016 in the Bipartisan Budget Act, but they will resume in fiscal year 2018 and beyond unless we do something about it.

These caps already seriously challenge our ability to meet our national security needs, and have already forced all of the military departments to make painful tradeoffs.
Unless modified for the years after fiscal year 2018 and later, I believe that these caps will threaten our long-term national security interests.

With that in mind, a continuing focus of this subcommittee has been to see that we improve our acquisition stewardship and thereby ensure that we are getting good value for every shipbuilding dollar that we spend.

We are very pleased to see continued stability and performance in the Virginia-class attack submarine production at a level of two per year. We have seen that stability helps drive down costs and improves productivity.

We also support the Navy's continuing efforts to drive costs out of the Ohio replacement SSBN program. SSBNs will remain a vital leg of the nuclear triad for the foreseeable future. Establishing and achieve cost-reduction goals in these Virginia-class and Ohio Replacement Programs will yield significant stability to our nation's submarine industrial base, which will ensure the Navy has a modern, capable submarine fleet for many years to come.

And as Admiral Harris noted when I met with him a couple of days ago, it is our submarine force that really provides us with the asymmetric advantage over other countries.

Aircraft carrier programs are another important area
for discussion as well. We need to hear about the progress
the Navy and the contractors are making to deliver CVN-78
within the cost cap and what progress is being made on
reducing the production cost for CVN-79 and the later
carriers.

Another topic that we should address is the discussion
within DOD of changes to the LCS program. The Navy had
planned, as the chairman mentioned, to procure 52 LCS
vessels with 20 of these in a new frigate configuration,
responding to direction from former Secretary Hagel. This
year, Secretary Carter has directed that the Navy truncate
the LCS program to 40 ships. And under this revised plan,
only 11 of LCS vessels will be in the frigate
configuration. We need to understand how all of these
changes relate to Navy requirements.

Also, since last year, there have been significant
problems in moving to operational testing of the mine
countermeasures mission packages for the LCS. I know,
based on poor results in developmental testing, the Navy
has changed plans for development of mine countermeasure
mission module. I look forward to hearing more about the
new plan and when we can expect to field that capability.

This year, the Navy will be implementing an
engineering change proposal for the DDG-51 destroyer
program to include the Air and Missile Defense Radar, or
AMDR, on one of the ships in the fiscal year '16 shipbuilding program. And we need to assess whether the Navy and contractors are making significant progress, sufficient progress on the AMDR program to support that production schedule.

I know that the Navy will be moving an engineering development model of the radar to Kauai PMRF for testing, and I hope we can hear from Secretary Stackley on this important program as well.

In our country's current fiscal environment, it is very unlikely that we will have much money to spend as the 30-year shipbuilding plan assumes, and fundamentally, that is why these hearings are important. We need to focus on managing these important programs in ways that are efficient and effective in delivering the capability the country needs from the Navy. We need to improve quality and efficiency in all of our shipbuilding programs not only because of the direct savings but also because we need to demonstrate to the taxpayer that we are using every dollar wisely.

Thank you very much. I look forward to your testimony. Thank you, Mr. Chair.

Senator Wicker: Thank you, Senator Hirono.

Gentlemen, the three of you have submitted an extensive joint statement consisting of 28 pages. At this
point, that statement will be placed into the record.
Without objection, that is so ordered.

[The prepared statement of Mr. Stackley, Admiral
Mulloy, and General Walsh follows:]
Senator Wicker: And so we will recognize each of you for as much as 5 minutes each. And Secretary Stackley, we will begin with you and then followed by Vice Admiral Mulloy and Lieutenant General Walsh.
STATEMENT OF SEAN J. STACKLEY, ASSISTANT SECRETARY OF
THE NAVY, RESEARCH, DEVELOPMENT, AND ACQUISITION

Mr. Stackley: Yes, sir. Mr. Chairman, Ranking Member
Hirono, distinguished members of the subcommittee, thank
you for the opportunity to appear before you today to
address Navy's shipbuilding.

And on behalf of the Navy and the Marine Corps, I
would like to start by thanking the Seapower Subcommittee
for your strong support in the 2016 defense bill not only
as Congress fully supported our request, but you have
increased funding for our ship programs, sending a strong
signal regarding the priority you place on the role of the
Navy and Marine Corps.

And we are committed to make good on that investment
to uphold our end of our shared responsibility to protect
the Nation, to take care of our men and women in uniform,
and to do so in the most cost-conscious manner possible to
protect the taxpayer. We have been faithful to our fiscal
responsibilities leveraging every tool available to drive
down cost.

However, fiscal challenges remain. Across the past 4
fiscal years, the Navy's budget has been reduced by $30
billion compared to the funding that we determined was
necessary to meet the defense strategic guidance. This
fiscal environment continues to drive tough choices, and it
requires new thinking in order to improve the balance
between capability, capacity, readiness, and the vital
industrial base.

Independent of the fiscal environment, the demand for
naval presence remains high. Today, greater than half of
our fleet is at sea and near 80,000 sailors and marines are
deployed. From the Sea of Japan to the eastern
Mediterranean, they are our first defense against the
threat of ballistic missiles. And from the Strait of
Hormuz to the Strait of Malacca, they are the providers of
maritime security.

They are engaged in expeditionary maneuver from the
Western Pacific to West Africa, ready to move ashore should
conditions on the ground call for it or provide
humanitarian assistance, disaster relief wherever disaster
may occur. They are training and operating with coalition
partners in all corners of the globe, and below the surface
of the sea, they are our nation's surest deterrent against
the use of strategic weapons.

Consistent with these demands, we have placed a
priority on forward presence, near-term readiness,
investment in those future capabilities critical to our
long-term technical superiority and stability in our
shipbuilding program. And today, with greater than 60
ships under contract and construction, we are on track to
meet our requirement for a 308-ship Navy by 2012.

We are preparing CVN-78, the Gerald Ford, our first new design aircraft carrier in 40 years for sea trials in June and continue construction of her sister ship CVN-79, the John F. Kennedy. And in doing so, we have been successful in our drive to control and improve cost on these capital ships, and we will continue to do so.

We are also proceeding with planning and material procurement to refuel CVN-73 George Washington scheduled to start next year. The Zumwalt destroyer, DDG-1000, our first new-design destroyer in 30 years, successfully completed her builder's sea trials in March and is preparing for acceptance trials later this month.

Meanwhile, DDG-51 construction is progressing well with a first restart ship DDG-113 on track to deliver this year and follow ships 114 and 115 in the water.

We recently awarded the two fiscal year 2016 ships of the DDG-51 multiyear contract, and we are intent on awarding the additional DDG incrementally funded by the 2016 defense bill pending determination regarding the balance of funding for this ship.

We are also on track to award the Flight III destroyer upgrade with the Air and Missile Defense Radar later this year as modification to the latter of these FY '16 ships.

The Littoral Combat Ship construction program
continued its strong cost improvement with the delivery in 2015 of USS Milwaukee and USS Jackson and with the award in 2016 of the final three ships of the 2010 block buy contract.

As you are aware, we revised the program one year ago to upgrade the LCS with increased capabilities consistent with a frigate. The first of these frigates is on track to award by fiscal year 2019. As a result of the budget reductions since that decision, this year's request downsizes the program from 52 to 40 ships total. The two ships requested in 2017 are the minimum necessary to maintain a healthy industrial base until we can run the down-select competition for the frigate. We will keep you advised as we formulate the acquisition strategy for this revised program.

In submarines, the Virginia program continues to deliver below budget and ahead of schedule, and we are accelerating the pace of design on the Ohio Replacement Program to support her critical schedule, releasing the contract solicitation for detailed design and construction of the lead boat earlier this year.

In other major programs, the 10th LPD-17 class ship John P. Murtha is on track for acceptance trials this month. The big-deck amphibious assault ship Tripoli LHA-7 is on track towards her 50 percent milestone, and we are
continuing excellent learning curve performance with construction of Hershel "Woody" Williams, our second expeditionary staging base.

Meanwhile, we are evaluating proposals for three major new programs to be awarded this year: the fleet oiler T-AO(X), the next big-deck amphib LHA-8, and the design for the LSD-41 class replacement LXR.

It is also worth noting that we are proceeding with execution of our cruiser and LSD modernization programs. The first four of 11 remaining cruisers have entered modernization, and this budget requests an additional $521 million across the Future Years Defense plan, in addition to the $1.6 billion prior appropriated funding to support cruiser modernization.

This falls well short of the $3.5 billion that would have been required in the 2017 through 2021 years to continue cruiser modernization per our congressional direction in 2016 and DAA. We are unable to fund this approach while our top line was decreasing. Nonetheless, we are committed to modernize these ships to perform their defense commander mission into the 2040 time frame, and the Navy submission provides an affordable path to do so.

In summary, the Department's 2017 budget request has balanced the resources provided by the Bipartisan Budget Act with our requirement to provide the capacity, the
capability, and the readiness necessary to uphold national policies, to protect our nation, and assure our allies. We look for your continued strong support for this budget request as you have shown in this year's 2016 budget.

Mr. Chairman, thank you for the opportunity to appear before you today, and we look forward to answering your questions.

Senator Wicker: Thank you very much.

Vice Admiral Mulloy, do you have a statement?

Admiral Mulloy: Yes, sir, I do.
STATEMENT OF VICE ADMIRAL JOSEPH P. MULLOY, USN,
DEPUTY CHIEF OF NAVAL OPERATIONS FOR INTEGRATION OF
CAPABILITIES AND RESOURCES (N8)

Admiral Mulloy: Chairman Wicker, Ranking Member
Hirono, and distinguished members of the subcommittee, I am
honored to be here today to testify on the Navy's 2017
budget request and our shipbuilding programs. I look
forward to working with all of you during the year.

As detailed in the chief of naval operations' recently
issued design for maintaining maritime superiority, the
emerging security environment is rapidly becoming
increasingly globalized with accelerating change and rapid
advances and proliferation of technology. We must continue
to invest in sustaining our ability to outpace our
adversaries and fight with decisive capability across the
full range of operations at sea, from the sea, and across
all domains.

However, the fiscal realities drove tough choices,
particularly in 2017 where the Navy had to balance over a
$4 billion reduction on the Bipartisan Budget Act. After
integrating strategic guidance, operational context, and
fiscal constraints, I do believe that our 2017 budget
provides the best balance between capability, capacity, and
readiness within our fiscal guidance.

We made focused investments, hard prioritized choices,
and innovation reform efforts to deliver a global sea-based force that can fight and win against our five major challenges, and we invested in advanced capabilities that increase our lethality for both our current and our future force. We remain committed to the Asia-Pacific rebalance and we will achieve 308 ships by the end of 2021.

In prioritizing advance capabilities, our hard choices came with some increased risk, primarily in capacity, military construction, and some readiness. In shipbuilding, this risk is primarily seen in the reduction of the LCS and frigate's small service combatant force from 52 to 40. We also had to reduce weapon inventories by almost 900 munitions over our 5-year plan.

This reduced capacity in readiness in our presence options slows our time to arrive in a combat zone, which could result in longer timelines to achieve victory should we have to engage in war. However, absent fiscal relief, our 2017 investments and critical capabilities strengthen our naval power at and from sea not only to address today's threats but also tomorrow's.

On behalf of all our sailors and civilians, I thank the subcommittee for the immense support you have shown the Navy over many years. We are very grateful. We again ask your support for our 2017 budget request and the balance provides under the Bipartisan Budget Act.
I look forward to answering your questions.

Senator Wicker: Thank you, sir. Lieutenant General Walsh?
STATEMENT OF LIEUTENANT GENERAL ROBERT S. WALSH,
USMC, DEPUTY COMMANDANT FOR COMBAT DEVELOPMENT AND
INTEGRATION; COMMANDING GENERAL, MARINE CORPS COMBAT
DEVELOPMENT COMMAND

General Walsh: Thank you, Chair Wicker and Ranking
Member Hirono. Just a few comments I would like to make.

I would like to first thank the committee for the
strong support you have given to our Navy and our marines
over the years, especially last year with LPD-28 and the
acceleration of the LX(R) has gone a long way towards
meeting our requirements, our global requirements that we
have got across the world.

I think as you look at the shipbuilding plan, I think
we are on a strong path right now on our amphib ship
program. I think we have reversed the downward decline to
30, and we have got a strong path with LXR coming online.
The LPD-28 is that bridge ship as we are calling it, going
from an LPD-17 to the LX(R). We are excited about the LHA-
6 America that we have got out and our LHA-7, which Tripoli
is right behind, and the contract negotiations that we are
soon to have on LHA-8, which will follow with bringing oil
deck back into our big-deck amphibs.

I think as you look across the connector force, I
think there are a lot of good things going on there as we
have got our amphibious warships, our marines on those
ships, which are a landing force, and then we have got to
get those marines ashore. And we are replacing our aged
LCACs with the ship-to-shore connector program, which is
moving in the right direction and is going to bring us
tremendous capability as it replaces those LCACs. Right
behind that is replacing our old landing craft units with
the new LCU 1700, which is going to bring us also good
capability.

I think, Chairman, as you discussed balancing
readiness and modernization, I think that is a challenge we
all have. We have talked about the budget and the pressure
that is on the budget. I kind of compare it to looking
back at the cold war a little bit and where we are at
today, two completely different times. What we have got
today is our marines, even though we have reduced
operations in Afghanistan and Iraq, we are still deployed
at about a 1-to-2 deployment-to-dwell ratio.

You mentioned requiring to meet commander demands over
50 amphibious ships. The demand is very high for our Navy
and Marine Corps all across the globe, and we see that. No
change really at all in how hard our sailors and marines
are working across the globe, and like I said, it is really
seen in that 1-to-2 deployment-to-dwell ratio.

The thing that I will say, though, that is changing in
my mind is for the last 14 years we have been against a
fairly steady state threat in Iraq and Afghanistan, and we have had a clear focus on that. What we see is that threat continues to stay out there and is not diminishing, but at the same time we see a rise in China in East and South China Seas. We see a tremendous growth in their modernization and their military capability. At the same time we see Russia and Syria, in Georgia, Crimea, and Ukraine and some of the activities. They have gotten high-end capabilities that they are delivering out there.

All those would be a challenge to our force today with the capabilities that we have been focused on for the last 14 years. I think that is going to take a change in the modernization strategy that we are on right now. We all see that to be able to operate on tomorrow's battlefield with those complex and hybrid threats that we are going to see in a very complex world that we are seeing out there today.

So that balance between that readiness and modernization, as I look back to the cold war, we stayed very focused on a high-end threat, and it was a gradual increase in our capabilities after really World War II that we just continued to ramp up those high-end capabilities. This is more of a coming out of Iraq and Afghanistan and now seeing that threat right in front of us, we have not had that time to ramp up that capability while the
threats have continued to modernize and increase their capability.

I think that is the difference is looking at the threats we see today are a lot of the same type of threats that we saw back in the cold war that we in the Marine Corps certainly and I think also our Navy partners had not focused on the high end that had been in the electromagnetic spectrum, signals intelligence, some of those areas there to be able to defeat a higher-end threat.

So our focus is really changing. That balance between trying to maintain that high-end for deployed forces, along with modernizing a force is that balancing that risk that we are under right now.

And again, I thank the committee's support for all you are doing for our Navy and Marine Corps.

Senator Wicker: Well, thank you, all three of you, for your very impressive opening statements and your insights.

General Walsh, you began by talking about the LX(R) and our teamwork in accelerating that program. How important is this class of ship to the Marine Corps in meeting your requirement, and how important is it to our marines?

General Walsh: Sir, that is a great -- you know, we talked about the demand on the amphib force right now and
in the Navy in general about the ships. What we are seeing right now is -- I would say specifically an example would be we used to have an amphibious-ready group in the Mediterranean years ago when we had a larger-size force. I think over the last 14 years or so it has kind of been quiet in that area, but things have gotten a lot more complex off of African and the Mediterranean region. We would like to have a capability of the ships that are there.

As you are well aware, if we put a Special-Purpose MAGTF, Special Purpose Marine Air-Ground Task Force in Moron, Spain, that operates out of Moron, Spain; Sigonella, Italy; and also Souda Bay, Greece, we kind of work out of those three places because we do not have enough amphib ships in that area.

So I think as we look at the amphibious ships we have got right now, we went from a time and place where we had three amphibious ships tied together in an amphibious-ready group with our Marine Expeditionary Unit, always worked up together, trained together, deployed together. We are expected to stay together. Those commanders loaded those ships to be able to expect to operate and work together.

Recently, we have written a concept of operations for disaggregated ARG MEU concepts to be able to allow us to train in advance, to be able to split those ships up in
advance when they deploy and be able to operate that way.

The LSD ships that we have today are really cargo trucks that we have to be able to carry the gear that goes with those amphibious ready groups. The LPD-17 class ship is able to -- because it is a newer ship, brings tremendous aviation capability, medical capability, along with probably most important command-and-control capability to those ships. By allowing it to have that capability, we can split that ship off with an aviation debt with a pretty good significant punch to go with it to be able to deploy independently and sail whether it is on an independent deployment or away from the ARG MEU. The LSDs do not really have that capability.

By going to the LX(R) with a derivative of that or if we are using the same hull form, we are going to have pretty close to the same capability that is going to allow us to be in more than one place at the same time with the capabilities that that ship brings.

Senator Wicker: All right. And, Secretary Stackley, both you and General Walsh mentioned that we work together, we are able to get an extra $279 billion above the President's request. To what extent did that help us accelerate based on last year's congressional action?

Mr. Stackley: Yes, sir. It helped in a couple of ways. First, the dollars that were provided in the 2016
bill and the authorizations that came with us allowed us to first go after the planning activities, which is the first thing you have to do with a new ship program, get the planning activities going. We are working in parallel with what we refer to as preliminary design for the ship, and then perhaps most importantly is to start ordering long-lead-time material that will support, one, the vendor base, and then two, will start an earlier start of construction for the ship.

Senator Wicker: From when to when?

Mr. Stackley: Right now, it is at 2020 procurement. The advanced procurement material that you have allowed us to go ahead and go forward with in 2016 we believe that we can pull construction to the left by a year, and this year's budget reflects --

Senator Wicker: So 2019?

Mr. Stackley: Effectively, we are on the same schedule for construction as though we were going to procure the ship in 2019. In other words, when you award the ship, typically, you do not start construction right away. But with the advanced procurement, we will have enough material ready and the planning ready and the design ready that the shipbuilder can in fact accelerate construction by a year. So it has the effect of accelerating the program by a year.
Senator Wicker: What if anything could we do in the NDAA this year to further accelerate?

Mr. Stackley: Additional advanced procurement dollars, buying additional material will not further accelerate the LX(R). As I look at the issue --

Senator Wicker: Is there any way to further accelerate?

Mr. Stackley: So the critical path today is the design, leading to a competitive award. The design would support an award in 2019. We believe that we could support a 2019 contract award, and with the advanced procurement would allow us to then double-down on the acceleration. So the AP in '16 would provide one year's acceleration. Design would support a second year's worth of acceleration. The challenge becomes the budget.

So as we have already discussed in our opening statements, the challenges that we have in the budget today stand as a hurdle between us and pulling that ship to the left another year. So what I would propose is that we take a hard look at what the funding stream would be required to support that additional year's worth of acceleration, and without pulling the whole ship to the left, what additional funding, with incremental funding authority, would allow the acceleration without breaking our budget.

Senator Wicker: So there is additional acceleration
that could be had if we work together and are smart?

Mr. Stackley: Yes, sir. Critical path is designed --
the design right now, we are on a path to support and award
as early as 2019. We have budget challenges associated
with doing that. A way to mitigate the budget impact would
be looking specifically at the funding requirements on a
year-by-year basis and look to see if it would make sense
to incrementally fund that ship to allow it come to the
left a year.

Senator Wicker: Okay. Well, I am way past my time,
but let me ask one other aspect of this program since we
are on it, and that is are we going to have a production
gap between the LPD and the LX(R) as we did when we paused
the DDG destroyer program, and upon restarting production
there, costs increase by perhaps 25 percent? Are we
looking at the same thing possibly happening because of a
gap between the LPD and the LX(R) and what efficiency and
cost losses could we avoid in that regard looking forward?

Mr. Stackley: Yes, sir. The first place where a gap
would occur is the vendor base. And so again, we are
taking the advanced procurement dollars that you have
provided and we are serving the vendor base to identify any
potential breakage that would occur to make sure that we
are first addressing those issues between now and when
LX(R) starts.
Now, recognize that the acquisition strategy for LX(R) is to compete the program, and so today, Ingalls is building the LPD-17 class. If Ingalls were to win the competition and we were not able to further accelerate the LX(R), then there would not be the overlap that you want on a shipbuilding program to retain efficiencies and retain the skilled workforce. The impact would not be the same that we saw on DDG-51, but there would be an impact.

Senator Wicker: Thank you.

Senator Hirono?

Senator Hirono: Thank you very much.

As long as we are on the subject of the LX(R), I know that the Navy announced an intention to compete a package of ship contracts, including the T-AO(X) oiler, the LHAR, and the LX(R) ships. So there is a desire to accelerate the LX(R). So, you know, could Congress accelerate the LX(R) program in a responsible way and avoid undermining your acquisition strategy? And if so -- you have spoken you could accelerate by 1 year, by 2 years -- can we do this in a responsible way and maintain your strategy of competition?

Mr. Stackley: Yes, ma'am. You touched on two topics. One is the pending contract to award for the combined solicitation for the LHA-8 and the T-AO(X). In the chairman's opening remarks, he wanted us to address what we
are doing to help provide stability for the industrial base. That acquisition strategy goes exactly at stability for the industrial base while also preserving competition on the two programs.

So we have two shipbuilders that are competing for two separate shipbuilding programs, and in the end, we will receive the competitive pricing that we desire, but we are going to be providing stability to both those builders because they both recognize that they will get -- that that work will be split between then.

Now, after we complete that award in about the June time frame, we will have a clear picture of what the workload looks like at the same two shipbuilders that will be competing for the LX(R) contract. So we will understand what the workload picture looks like.

Your question regarding the ability to accelerate and preserve competition, we can accelerate a year without impacting the competition. So from 2020 to 2019, that work that needs to be done for design we could accelerate a year and we would not harm either competition or the maturity of the design that we want for the LX(R). And then the second year we effectively gain by simply having the material available so construction can start to an earlier schedule. That is the potential in terms of 2 years of acceleration to construction while also preserving competition.
Senator Hirono: I think that is a worthy goal to follow.

Regarding the 308 ships that is our goal, and we are told that by 2024 we will get there, and with the rising of China, I did want to ask Admiral Mulloy, how are you incorporating the shift to the Asia and the Pacific in reviewing requirements for the number of ships that you will need and where they will be based? Because you also mentioned that, yes, we have a continuing commitment to the rebalance to the Asia-Pacific.

Admiral Mulloy: Yes, ma'am. As we currently move the ships we currently have and as we build more, the focus is getting to 60 percent of the Navy by platforms in the Pacific. We are currently at about 57 going on 58 percent, so we still have some more ships to move. And we are also moving as they are new out there also. We just moved two more DDGs to Japan that have the ballistic missile defense capability. We put a fourth submarine in Guam. We moved a second submarine tender to Guam to be able to maintain the submarines and be able to actually assist all the Pacific ships. As one of the tenders leaves Guam, it can also go be repaired.

We are putting the most modern airplanes out there. We are putting -- the first Joint Strike Fighter squadron will be in Lemoore, California. We are putting -- right
now, we have one LCS in Singapore. We will have four LCS by 2019.

So as we focus on the newest platforms, the newest technologies, we position them in the Pacific and the numbers go up. So across the board in every aspect of the Navy, once again, new is there and also more numbers are there.

We have to balance slightly, though, as we look at the new world order only because what I could is the more rapid reemergence on the world scene of Russia and their ability to move their product and dangerous equipment around, in Syria they have now installed missile systems which are a tremendous threat.

So as we look at what do we have to have in the Pacific, in many cases we have to deal with the same electronic warfare high-speed weapons or similar on a Russian technology. It implies the four DDGs in Rota, we need those for ballistic missile defense. We also need to make sure they can survive cruise missile attacks, which are similar but different than China.

So it is a constant tension, as we talked to the CNO and the Secretary of the Navy where to put these ships. Generally, the Pacific will get more, but you still have to put a Baseline 9 AEGIS ship in the Atlantic such that it can go to the Mediterranean because if you are in the
eastern Med or the Black Sea or near Russia, you need to be also very aware of a dangerous missile system.

Senator Hirono: So with both Russia and China really increasing and modernizing and adding to their military assets, one wonders whether 308 ships is really, you know, what we should be talking about.

Admiral Mulloy: Yes, ma'am.

Senator Hirono: But it is all a function of money, I realize.

Admiral Mulloy: Yes, ma'am. It is a function of money and also looking at the world. The 308-ship Navy was based upon the 2014 force structure assessment. Chief of Naval Operations has commissioned me to do another one, and we are in process now, which will take into account changes in China but largely the changes in, as General Breedlove has talked about as he looks at the world and advises the chairman and the President on the status in Europe and Russia, we will also look at it.

I think the CNO in testimony before you hearing of the whole committee talked at very length that that number would probably go up over time. But we actually need to go through that and do our analysis, and we will come back in next year's budget, lay out what we think the Navy really is necessary for national defense.

Senator Hirono: I look forward to that.
Regarding the Littoral Combat Ship program --
Senator Wicker: Can I interject? Do you want to give Senator Hirono a sneak preview about what that number might be later on this year? Come on.

[Laughter.]
Admiral Mulloy: Sir, you know, I will not even have a number until September, so perhaps --
Senator Wicker: Okay.
Admiral Mulloy: I cannot really commit to any "sneak peeks," sir. I mean, we certainly will come over and talk to the committee as we go through this process. We can talk about it, but we really have to deliver that to the CNO first, and I am not expecting to have that discussion with him until the end of August.

The teams are actually in the process of arranging flights out to the numbered fleets as I speak, sir.
Senator Wicker: She is pretty correct. It is likely to go up?
Admiral Mulloy: Yes, sir. The CNO did kind of say at his hearing that as he looks across the world as more dangerous, the size of the Navy very likely will have to go up in that world, sir.
Senator Wicker: Senator Hirono?
Senator Hirono: Thank you very much. My time is up, Mr. Chairman.
Senator Wicker: Thank you, ma'am.

And Senator Sessions is next.

Senator Sessions: Thank you, Mr. Chairman. And I thank all of our witnesses.

And, Mr. Stackley, we are glad to have you with us. I think the country is blessed to have someone with your experience in this work and your integrity.

I want to focus on the LCS, littoral combat ship. The way I look at the numbers, our Navy procurement plan in 2016 was for 48 ships, for 2017 it was 38 ships over 5 years to be procured, and that is a fundamental reduction of the 10 ships from the LCS, a rather dramatic change, one of the most dramatic changes in shipbuilding I have seen in a number of years here in the Congress. So I think we need to talk about that.

Admiral Mulloy, the 52 LCS ships that were Navy requirements, a requirement is done through a formal process, is it not?

Admiral Mulloy: Yes, sir. It is done through that process, the force structure assessment, as we look at the needs of the commanders of the Navy around the world.

Senator Sessions: And as a result of -- and that requirement has never been altered by the Navy?

Admiral Mulloy: No, sir. That number is still 52.

We will go and probably verify it, but I do not see that
number changing as we work through our next force structure assessment.

Senator Sessions: And, Secretary Stackley, Secretary Hagel wanted a more combat-oriented ship, and he made an evaluation and decided to use an up-armored -- as might call it -- LCS, and that would be 52 ships, but 20 of them would be classified as frigates, is that correct?

Mr. Stackley: That is correct. We were specifically tasked with coming up with an alternative that would be more lethal, more survivable, and that at least 20 of the 52 small service combatants would be this frigate-type ship.

Senator Sessions: And that was the recommendation that was made to Secretary Carter from the Navy to maintain the 50 ships with 20 frigates when he made his decision to reduce the number from 52 to 40.

Mr. Stackley: The way I would describe it was we spent the prior year, the 2016 -- as we built the 2016 budget, going through our requirements review, effectively an analysis of alternatives arriving at the frigate design, and we carried that exact plan into our 2017 budget. So the 2017 budget that the Navy built included 32 LCSs, 20 frigates, and the frigate would start in 2019.

Senator Sessions: And you wrestled with that and you made your priorities on the amount of money you had, and
you still recommended that the LCS be a total of 50, but
the Secretary decided otherwise?

Mr. Stackley: Well, I would say that our requirement
for 52 small service combatants was unchanged. Our budget,
as we built it for 2017, supported the 52 plan just as it
was presented in 2016 to Congress. And then with the
reductions to the budget, in the budget process the final
decision was made that we would truncate the program to 40
and effectively reduce the rate at which we procure the
LCSs in the Future Years Defense plan.

Senator Sessions: Well, if you go to a -- so the plan
calls for a down-select to one shipyard, in effect a
closing of the other shipyard, is that correct?

Mr. Stackley: Yes, sir. The profile that has come
across in the budget, it is insufficient to support two
builders, and that would drive a down-select decision.

Senator Sessions: You know, Marinette, Wisconsin, and
the shipyard in Alabama, I assume, are similar. There are
4,000 people working at this shipyard in Alabama producing
a fabulous new ship, I think.

With regard to the capabilities of the ship, is it not
ture that essentially the framework -- the ship itself is
performing well?

Mr. Stackley: Yes, sir. The ship has been performing
well.
Senator Sessions: And there have been -- we heard mentioned a little earlier some of the packages that had some difficulties, but it is really not as bad as some have suggested with the packages. But the difficulties you have had do not question the viability of the ship itself, do they?

Mr. Stackley: No, sir. I would characterize the packages -- we have three mission packages today. What is referred to the anti-surface warfare mission package, that is what is deployed today on USS Fort Worth over in the Western Pacific. There are future increments. We will continue to upgrade the mission package with missile systems as we complete those developments.

There is an antisubmarine warfare mission package that I will describe as the best ASW capability that we will have afloat. It is a combination of what is referred to as variable depth sonar plus a towed array sonar that its performance and developmental testing has been unlike anything else that we have afloat today. And we look forward to completing that and going through the operational testing per plan in 2018.

The mine countermeasure mission package is the one that has garnered the most attention. In 2015 we did technical evaluation of the mine countermeasure mission package. In fact, in four series of runs about 3 weeks
each, we demonstrated the system's ability to meet our overarching requirement for detecting, identifying, and clearing mines.

The one part of the system, however, referred to as remote multi-mission vehicle, the one part of the system that did not meet its reliability requirements, we canceled that in order to move forward with other alternatives that promise to be able to perform that function in a more affordable fashion.

Senator Sessions: Well, thank you. I think you do well. I think you manage toughly. You are not satisfied with that one aspect, and you are demanding it be fixed. But I do think it is fair to say, do you not, that the ship is performing well, all the bugs are out, and it is performing at the level that you would hope it to perform at?

Mr. Stackley: Both platforms have completed what they refer to as our initial operational capability meeting our requirements.

Senator Sessions: My time is up, Mr. Chairman.

Senator Wicker: Thank you, Senator Sessions.

Let me just ask Vice Admiral Mulloy. Did you earlier say that in going from 52 to 40 of these LCSs there would be a substantial delay in our ability to respond? Did you make that statement?
Admiral Mulloy: I was talking about the total size, but part of it revolved around this --

Senator Wicker: To what extent -- could you sort of give us an example there?

Admiral Mulloy: The actual specifics we can bring over in a classified discussion, but it was involved as the ships are deployed and then respond to an area -- let us say the central area commander has a need for suddenly a flow of Navy, some country in his area may be doing something, he would then use the ships he has and then have a flow of ships from the United States. The same would happen in the Pacific.

Well, when you have only 40, not 52, you have fewer ships than America to flow. You have to take more from areas where you are worried about another country now. So that is essentially the risk we are taking is tradeoffs between our combatant commanders because they have no longer the force back in the United States to flow forward that we have to then start making trades in areas -- what I would then call you have an emergent competitor or someone who is taking advantage of a situation, which happens in the world. That is when I talk about the flow of risk.

Also, in any major event, we would have to then -- if we do not keep our Navy at 308 and keep growing, we worry about the entire force. But LCS is part of that, sir.
Senator Wicker: Delays that affect security and the level of risk we are prepared to take?

Admiral Mulloy: Yes, sir. It would be days of delay of the ships arriving and then also the risk of the ships would not be in the other theater where they might be. So it is a combination of -- and the actual specifics we could come back over and see you and your staff with some classified analysis on the risk taken. That was part of this calculus, and the decision was some risk -- you know, as people have talked about, the combatant commanders would like to have a 450-ship Navy and they would like to have 50 amphibs.

Everyone takes some risk. This is one area that was drilled down in the fall that was determined was this is a risk that we thought the Navy would be able to take to be able to spend the weapons on aircraft for other areas.

Senator Wicker: Thank you.

Senator King?

Senator King: Thank you, Mr. Chairman.

A couple of preliminary comments: First, I just heard on the way over that the Navy has made a decision to name the DDG-120 the Senator Carl Levin, which I compliment. That is a wonderful decision and certainly will look forward to participating in the commissioning of that ship. I just think that is great news.
Secondly, I think it is important in this discussion about budget to put it into some kind of context. We often hear about the size of our defense budget and it is very large relative to the discretionary budget. The reality is defense spending as a percentage of GDP is the lowest today that it has been in 70 years, the lowest today that it has been in 70 years.

And going back just -- I have some data going back to the '60s. Defense spending as a percentage of GDP was about 8.6 percent in the '60s. It fell to 5.2 percent in the early '90s. Today, it is 3.3 percent. And yet we are now being bound by numbers derived 5 years ago in the summer of 2011 before Syria, before ISIS, before Russia's incursion into the Ukraine, before Russia's militarization of the Arctic, before the rise of the danger of cyber attacks, before China's military modernization, before North Korea's nuclear capabilities.

All of those things have happened since we locked ourselves into a number that we are now trying to squeeze all of our response to these threats in the context of this lowest percentage of GDP for defense spending in 70 years. I just think we need some fundamental rethinking of what we are trying to do here and the threats we are trying to meet.

Jim Clapper said that it is the most complex and
dangerous world he has seen in 50 years, and yet we are still trying to budget and work within a constraint that was defined in the summer of 2011 before all those other things happened.

So, Mr. Chairman, I think we have got to really start to make the case here in the Congress and to the people of America that we are not fully meeting our fundamental responsibility in the preamble of the Constitution to provide for the common defense.

If you can find a question in there, you are welcome to.

[Laughter.]

Mr. Stackley: Well, can I make a comment?

Senator King: Yes, please. This is a shipbuilding hearing. The defense budget, 3.3 percent of the gross domestic product, shipbuilding is about 3.3 percent of the defense budget. And so we are talking about a small percentage of a small percentage.

Mr. Stackley: That is right. So that is one of the things that we try to keep before everybody is we are talking about force structure, the size of the Navy, the mission of the Navy, and the tax or the burden that places on the overall economy, it is a small, small portion of the overall economy, and yet it has a big impact in terms of national security.
Senator King: And yet when we are going to need it, we are going to really need it, and if it is not there, we are going to suffer the consequences.

You mentioned, Secretary Stackley, in your remarks the importance of the DDG program. I mentioned the Carl Levin. The additional DDG that was partially funded in the prior year, where do we stand on that? What needs to happen in order to award that ship and move that forward?

Mr. Stackley: Yes, sir. First, I appreciate the significant add in 2016. It was not just the $1 billion towards the additional destroyer but also incremental funding authority. Now, that add came across the line after we were done our 2017 budget. So today, we have no funding in the 2017 budget to complete the ship.

We have included it on our unfunded priorities list the balance of funding that would be required, $433 million. And we are proceeding with planning, and we have modified our acquisition strategy to account for the additional destroyer.

But absent Congress addressing that unfunded priority, then we are tied to the 2018 budget process, and we will have to -- we are just at the front end of that budget process.

So we are moving forward with the intent of executing on the 2016 schedule, but we are doing that absent the
balance of funding required to complete the ship. So
between your action in '17 and our deliberations in '18, we
need to get it the rest of the way there.

Senator King: Thank you. Next year is the year that
you would normally address the multiyear procurement.
Would there be any advantages to authorizing the multiyear
to start in '18 to start in this budget, in the '17 budget
rather than waiting until '18.

Mr. Stackley: There is always a benefit in terms of
certainty because what we are in the process of doing is we
are putting together all of the analysis in terms of the
benefits, the substantial savings that are going to be
required associated with the multiyear. And as we do that,
it leaves a degree of uncertainty in terms of planning on
the part of the shipbuilders in terms of the vendor base.
And so if in fact we had authorization at this point in
time, we can press on, focused on the execution and
capturing the savings as opposed to the analysis preceding
that effort.

Senator King: And of course a multiyear is always
going to be better for the taxpayer than one at a time.

Mr. Stackley: The DDG-51 program has been inside of a
multiyear since 1998, and this again goes back to the
chairman's initial comments regarding stability for
shipbuilding. The stability that the multiyear brings not
just for the shipbuilders but throughout the vendor base, we have been able to capture no less than that 10 percent target that we have for savings in shipbuilding. So we have done it on the DDG-51 program, we have done it with the Virginia program, and we have effectively done it on the LCS program with the block buy approach.

Senator King: Thank you. Thank you very much, gentlemen. Thank you, Mr. Chairman.

Senator Wicker: Secretary Stackley, get back to us on the record about where that percentage of the total defense budget shipbuilding has been, where it has been historically. That might be helpful to us. So if you will supply that to us on the record --

Mr. Stackley: Yes, sir.

Senator Wicker: -- I would appreciate that.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]
Senator Wicker: Also, Senator King, thank you for that pleasant news item about the Carl Levin. I think you saw heads nodding on both sides of the table. Senator Levin is a distinguished and thoughtful American statesman and was as evenhanded a chairman as I have ever served with in my 21 years in the House and Senate, so that is excellent news.

Senator Ayotte?

Senator Ayotte: Thank you, Chairman.

Let me just add my congratulations to Senator Levin, who, as a new member on this committee, I just enjoyed his leadership and well he treated all of us and how well he handled his position. So I cannot think of a better person to name this ship after, so it is great.

I wanted to follow up, Admiral Mulloy, on -- you were talking about the requirements overall for the size of our fleet. Well, one of the issues that I am concerned about as we look at all the threats that we are facing and all the challenges that were certainly outlined well by Senator King is the Navy's requirement for the attack submarine fleet was actually established, as I understanding it in -- I think it was around 2006.

And given all the things that have changed since 2006 and the challenges that we face and in particular obviously even in the Asia-Pacific region, is the Navy going to
undertake establishing a new requirement for the attack submarine fleet as well? We already know that 50 to 60 percent of our combatant commanders' requests for the attack submarines is not being met.

Admiral Mulloy: Yes, ma'am. As part of that force structure assessment, there are actually nine analyses of carriers, large-surface combatants, and one of those is SSNs and SSBNs as well. And clearly, the number is 48. It has been since the 2006 study. Unfortunately -- and we are slightly above it right now. But based upon the decommissioning rate of the 688 class submarines, we built them at four or five a year with the tremendous support of Congress back in the '80s. We will go down to a number of 41 in 2029, and we will stay below 48 for over 10 more years.

So it is important to execute that multiyear, and one item that we have been asked by the House Armed Services Committee and we are looking at now in next year's budget is in FY '21 we go to one Virginia because we start the first Ohio replacement.

Senator Ayotte: You are reading my mind.

Admiral Mulloy: Yes, ma'am.

Senator Ayotte: I love this.

Admiral Mulloy: That is clearly -- we are now looking at what are the advantages that would come from the
authorization of more of those ships and that multiyear. Could we get further savings out of the hulls? We will have to come back next year. But clearly, the first submarine that fills in that divot is buying the '21 submarine.

Mr. Stackley had commissioned a group and he will probably be able to talk more about it, the Submarine Unified Build Strategy that looked at Virginia class, Virginia payload, and Ohio replacement, and we think we would be able to do that.

Senator Ayotte: Well, Secretary Stackley, I would certainly love your comment on that of what Admiral Mulloy just said because this is also something that has been raised by -- both the chief and the vice chief have expressed a real interest in not going down to one Virginia class submarine in 2021 and our ability to keep it at two. Even with two, you know, we have a gap, but with one, it is just -- it is not sensible.

Mr. Stackley: Yes, ma'am. We have been building two submarines a year since 2011, and this year is actually the first year we start delivering it two per year. So we have got stability in the line. Admiral Mulloy referred to the Submarine Unified Build Strategy. 'Twenty-one is a challenge year because of the high replacement.

We have spent a lot of time this past year working
with industry taking a look at how can we best build the Ohio Replacement Program so that we can leverage the best of our two submarine builders, Electric Boat and Newport News. And as we worked through that, what we are uncovering is opportunity and capacity across the two builders.

So one of the challenges was capacity and imposing potential risk on the Ohio replacement. We think we have the capacity to address that. A second challenge is design associated with the Ohio replacement. We have that on track today. A third challenge then becomes cost, and so as we look at building the Virginia multiyear and as we look at driving down costs, frankly, in the Ohio Replacement Program, we are finding more opportunities.

So we are working. This is a top priority in our 2018 budget build to be able to come back and fill in that 2021 submarine. Because of all the decisions going forward to mitigate the shortfall that Admiral Mulloy described, that boat is the first and best mitigation effort that we can have.

So it is a priority. We think we have tools available to address it as opposed to just bringing it back to large build and a lot of risk associated with it, and we look forward to continuing to work with you all in the course of this year and with next year's budget to do so.
Senator Ayotte: Well, I think that is excellent, and I look forward to working with you both on that issue.

I had one final question for Admiral Mulloy and General Walsh. Russia has provided advanced anti-craft and anti-ship systems to Syria that pose a challenge to our most sophisticated ships and aircraft, as well as partners in the region like Israel. How has the deployment of advanced Russian systems like the S400 anti-aircraft and the P800 Yakhont anti-ship cruise missiles changed how U.S. naval forces are operating in and around Syria? General?

General Walsh: Senator Ayotte, I do not know if I could specifically say. I will defer to Admiral Mulloy in how the ships, the fleet is operating right now around Syria. But I will tell you that one of the things the CNO and the commandant has us looking at -- one of the other things I do, I co-chair the Naval Board, and one of the things they asked us to do is look at how we would operate in a contested environment. So with Naval Development Warfare Center and Combat Development and Integration down in Quantico, we are working together on writing a concept for littoral operations in a contested environment, which takes into all -- across all the globe places we would look at. One of the areas is the scenario you just talked about.

And as we look at that, how those type of threats
would affect fleet operations, specifically how we would conduct, whether it is a noncombatant evacuation or it would be high-end conflict and how those threats, we have to deal with that.

What we are definitely seeing is those threats impact us, and we are going to have to work much closer and integrate with the rest of the battle force, that the amphibious ready group is certainly not going to have all the capabilities to be able to operate independently and is going to need the rest of the battle force to integrate and operate closely and work together with the high-end threats that the cruisers, destroyers bring, the carriers bring, along with the submarine force.

Admiral Mulloy: Yes, ma'am. A lot of the specifics would be very classified. We can come back in a separate session.

Senator Ayotte: Sure.

Admiral Mulloy: What I can tell you is that items such as the decoys you have on board, we have done -- above-threshold reprogramming is a great support from your committee to fund next-gen jammers. So the focus the fleet has to put on is ranges and distance to the coast, where we have to be for our operations, and then the level of the ships you bring. If you have an E-2D, the Advanced Hawkeye airplane, that has the ability to link up with our cruisers
to block 9, if that is the force you have, you can be closer or be able to survive. Other times, you have to be farther away.

So it is combination we call CONOPS, the ability to operate, and then the equipment you bring. But the more modern that we can bring in terms of the better airplanes, more advanced AEGIS, a ship can look up for missiles and look close at water for missiles -- I know there is a modern ability to search both areas -- one ship can defend itself and others around it better.

So it is a combination technology and operations, but it clearly, as I said, was at the very beginning operations in the eastern Med, the Black Sea near Russia are as much of a threat as they are being operated near the China coast. Both can bring tremendous change. We need to look at, once again, the modernization we talked about to get the advanced electronics, as well as the weapons to deal with it.

Senator Ayotte: Thank you.

Mr. Stackley: Can I exhaust the topic a little bit here?

Senator Ayotte: Chairman's permission.

Senator Wicker: Absolutely.

Mr. Stackley: We have gone forward with deploying four AEGIS destroyers to the Mediterranean in part dealing
with the phased adaptive approach for ballistic missile
defense for Europe.

In doing that, we sent over our more advanced
details to have basically the ability to deal with both
the ballistic missile threat but also the AAW threat. As
these other threats emerged, we basically prosecuted, you
know, I will call it rapid deployment of capabilities. We
went to a naval research lab and we brought their best and
brightest, and within a cycle of a year were able to
develop a thing called the Transportable Electronic Warfare
Module to specifically deal with the threat that you
described.

And then this past year, we followed up with
installing and testing overseas what is referred to as
C-RAM, which is a combination of a close-in weapon system
and the rolling airframe missile.

So we have been able to put electronic warfare, as
well as self-defense capabilities on these advanced
destroyers, four deployed in the Mediterranean in response
to these threats as they emerge. This type of turnaround
as the threat emerges, frankly, what we need to be doing
every day, every day.

Senator Ayotte: Absolutely. Thank you for the
information on that. And, you know, Russia said it was
being so helpful in Syria. I think we know the truth.
Thanks.

Senator Wicker: Thank you, Senator Ayotte.

Senator Blumenthal?

Senator Blumenthal: Thank you, Mr. Chairman. Thank you all for your service.

And I want to focus on the Ohio Replacement Program, which you have identified as the Navy's top priority with the lead delivery plan for 2028, I believe. Considering that around that time there will be a shortfall or a fall below the desired 48 minimum boat level for the Virginia class reaching the low point of 41 boats in 2029, I would expect that you were planning to produce essentially three boats a year for some period of time after 2020 because the Virginia class will have to continue with two boats a year and you will have to be building the Ohio Replacement Program. Is that expectation correct?

Mr. Stackley: Not yet. What you have described is the problem because we need both. First, our top priority is Ohio replacement, and that is scheduled for her delivery and her patrol in 2031 is chiseled in stone. So everything that we are doing on the program and things around the program are to support that schedule. And frankly, what we need to be doing now is we need to be moving left, building margin back in that schedule because it is as tight as it is.
Now, in doing that, what we have heard is a long-range shipbuilding plan, a 30-year plan. It proposes that we build two submarines per year for the next 30 years, but those two submarines are going to be -- in years where you have an Ohio replacement, it would just be one Virginia. And that is a fiscal issue, and it is a capacity issue. And I discussed earlier what we are doing to address the capacity issue. But it still remains a budget issue largely because of the significant cost associated with the Ohio Replacement Program. So the first boat is just entering this Future Years Defense plan in 2021.

What we have been describing and we are being very clear about this is if we have to build out the Ohio replacement on the back of our current shipbuilding total obligation authority, our shipbuilding budget, if we do not get relief, then we are going to be a very different Navy in the late 2020s and 2030s.

Senator Blumenthal: So essentially, what I hear you saying is that $100 billion, which is the cost of the Ohio Replacement Program, somehow has to be addressed, that significant challenge. But at the same time, will the program for the Virginia class lead to replenishment of the shortfall that is anticipated when the number drops from 48 to 41?

Mr. Stackley: Yes, sir. So today, we are first
focused on the year 2021. That is the first year when Virginia drops down from two to one boat. And we will spend this budget cycle coming to grips with what it will take to keep Virginia up to two per year. And we are making that -- as I described earlier, we are making that a priority in our budget build.

So in the near term we are going to address 2021. The next year that we drop down to one Virginia is 2014. Our success in being able to sustain two Virginias through the Ohio Replacement Program cycle is going to depend on our success in getting two in '21, that first year, and executing it, and then our success in getting some relief, some help in terms of financing the Ohio replacement during the 15-year period of that program.

Senator Blumenthal: And what you are describing is the financing challenge, not the capacity challenge? Because I am assuming that the capacity challenge can be addressed. That is a shipbuilding challenge that Electric Boat and Newport News are going to have to address, and I am of the view -- it may be overly optimistic -- that they are up to that task. They can address it. They can do it. So really what you are posing to us is the financing challenge.

Mr. Stackley: Yes, sir. The challenge on the shipbuilder side -- that is the Navy and that is industry
-- to ensure that that ramp, because it is a tough ramp, that we climb that ramp smartly. And it is also bouncing across the two boat builders because there is significant capacity available across the two. What we need to do is balance that capacity with the risk and separately address the funding requirements.

Senator Blumenthal: But you would agree with me, considering you acknowledge it in your testimony, that the shipbuilding program for submarines has operated on budget, on schedule, perhaps even under budget, ahead of schedule, that so far the capacity would seem to be available? But the important point, I think, that is raised here is that your plan is to continue building two Virginia classes through 2021, you need to do it through 2024, the lead delivery is going to be 2028, and you need to develop a financing plan very soon to meet, in effect, those two programs?

Mr. Stackley: Yes, sir. We have got to nail down what it is going to cost to add a second Virginia in 2012. In POM '18 we have got to come to grips with that funding requirement because it is going to come out of somewhere else. And in terms of the capacity issue, I agree with exactly the way you described it.

Senator Blumenthal: Thank you. Thank you, Mr. Chairman.
Senator Wicker: So there is not a capacity problem; it is just a financing problem. In that respect you are agreeing with Senator Blumenthal?

Mr. Stackley: I am agreeing that we have to manage the growth that is going to be required because we are going to double the amount of submarine work. That is significant growth. And we are going to have to manage that. But when we talk about maintaining two Virginias per year, once we get up on that plateau, we are there. Then we have to sustain it.

So the near years is going to be growing our submarine workforce to go with the increased volume of work that will be required, and we are set about managing that across our two boat builders. That is our responsibility.

And then there is a funding challenge associated with adding that second Virginia in 2021, and we are working that in POM '18.

Senator Wicker: Okay. And, Mr. Clerk, we are going to take a second round, so you can start my clock.

But following up on the Ohio class, and I am sorry Senator Blumenthal has to leave, but I think you told him if we do not find an innovative way to pay for the Ohio class, the Navy is going to look far different. Did you say words to that effect?

Mr. Stackley: Yes, sir.
Senator Wicker: Okay. And so could you elaborate on that? And instead of 308 ships, what does that do to that number? And what did you mean specifically?

Mr. Stackley: Yes, sir. In our long-range shipbuilding plan, we lay out the ships that we need to procure, the period that we need to procure them, and we also described the funding that will be required to do that. And in the period of the Ohio Replacement Program starting about 2021 until about 2035, that 15-year period, there is $100 billion of additional procurement required for that program.

So today, when you look across the '17 FYDP, the average funding for new construction is about $16.5 billion per year. That is about on average. That has to go up to north of $20 billion per year to support the Ohio replacement over that period of time.

If the Navy is going to have fund that within our notional shipbuilding budget, then that is going to put pressure on all of our procurement accounts. And we will look --

Senator Wicker: Pressure is a euphemism.

Mr. Stackley: Yes, sir.

Senator Wicker: So what is your suggestion, sir?

Mr. Stackley: Well, in this FYDP, in the budget that we have submitted to Congress, we have been working with
OMB to get that type relief. And in 2021, first, we have proposed to incrementally fund the first boat over 3 years so we do not have a huge spike associated with the first boat of the class. And the dollars in '21 with the lead boat is about $3.6 billion in 2021. OMB has provided relief for about two-thirds of that. So in the first year of a 15-year procurement plan, we did receive relief. We have to continue to work this OMB and POM '18 and each year going forward.

Senator Wicker: All right. Okay. Well, are you finding that OMB acknowledges that this is something they are going to have to help you solve? Are you getting all the help you need at OMB?

Mr. Stackley: The first year was the easy year, and we have got two-thirds of our need.

Senator Wicker: Okay. Well, keep us posted. I think I need to follow up on a couple things I mentioned in my statement that you still have not touched on. Which one of you wants to discuss the deviation from the 2/4/6 plan?

Admiral Mulloy: I can certainly talk about that, sir. As Mr. Stackley pointed out in his opening remarks, to fund the Navy back to 2/4/6 would be about between 3.2 and $3.4 billion I did not have in this FYDP. So as I looked at the money to then -- because those ships would then
require more crewing, more operations, and more maintenance faster.

I also then -- but my bigger issue as I laid out with the CNO and the Secretary of the Navy last summer is this idea of force structure size. We have 22 cruisers. If we operate all those cruisers to their end and in fact we execute 2/4/6, we actually cause block retirement. All the cruisers will retire in '35 and '36 and one more in '37. So effectively, a cruiser decommissioning rate of five per year, the same as the Burkes, rapidly, and the large-surface combatant numbers that we talk about in our FSA were over right now, we would be under and we would have a shortfall of large-surface combatants as deep and longer than the submarine shortfall we have right now.

So our cruiser plan allows us to continue to build the Flight III Burkes and start looking at where during this period of time when we are building the Ohio replacement not to be building three or four DDGs a year. Once again, the DDGs decommission at three to five a year, just like the SSNs did. They were all built in the '80s and early '90s. And so that is the conundrum in front of us.

As we looked at this force structure issue, that is as much -- it is a bigger problem but it is further away. I also look at the money problem nearby. The best way to keep effectively of these cruisers -- we have 11 battle
groups and I need one cruiser per battle group now. I put
11 I operate now, the other 11 is I put then in phase
modernization, I de-man down to a level, and then I bring
them back. You know, as other ships retire, I am able to
put that out there.

If an emergency happened in the world in 9 to 12
months, I could bring those ships back, but if I burn them
out and I get to '35, nothing will bring them back. I will
have a permanent shortfall of ships. That is --

Senator Wicker: Did you voice these concerns last
year?

Admiral Mulloy: Yes, sir, we did, and we got the
2/4/6. I voiced the same concerns, but it is even more
emphatic as I stated the force structure issues and came
back again because we talked about the Virginia class.
When we stop building 688s and we delayed starting Virginia
and we delayed going to two a year, we made that bathtub.
This is going to be the same thing again.

Senator Wicker: Senator Hirono?

Senator Hirono: Thank you.

There was some discussion about the mine
countermeasure testing that we are doing. Secretary
Stackley, can you describe the modified mine
countermeasures program for the subcommittee a bit more and
give us an estimate of what impact this restructuring has
on being able to provide LCS space mine countermeasures

capability to the fleet? And when can we expect to get the
initial operating capability of this module?

Mr. Stackley: Yes, ma'am. First, to briefly describe
the module itself, the first thing you need to do is find
the mines. And the workhorse for finding the mines is an
unmanned vehicle, a remote multi-mission vehicle that tows
a sensor. And the sensor is basically detecting the mines.

The technical evaluation that we performed last year
demonstrated that we successfully found the mines and then
followed up to classify the mines and destroy the mines at
the rate that is required of the mission package. But in
doing that, that remote multi-mission vehicle did not prove
reliable enough for our purposes. The failure rate was not
where it needs to be.

So we had a couple of choices. One is to proceed with
building the new design that would improve the reliability.
That would be about a 3-year program, and then to go back
into testing. That had cost and uncertainty associated
with it.

Second is to utilize a different unmanned vehicle
called an unmanned surface vehicle that is currently being
built and will be delivered this summer as a part of the
mission package for the LCS.

What we are planning to do is rather than build the
upgraded design for the RMMV and 3 years later go back into
testing, to utilize the unmanned surface vehicle that we
get this year that has other functions and make it dual-
purpose. And one of the purposes would be to tow the
sensor.

So this summer we will get the unmanned surface
vehicle, and we will proceed with demonstrating the ability
of the surface vehicle to tow the sensor where the sensor
has already proved its performance. Assuming success, that
mission package would be ready for IOC in about the 2020
time frame.

Now, in the meantime, we have 10 other remote multi-
mission vehicles that are already built. What we plan to
do is we plan to upgrade those with fixes for reliability
to improve their reliability. It will not get up to the
full level that we require, better than what was
demonstrated in technical evaluation, and better than
anything we have out there today, and have them deployable
because the rest of the mission package around it is ready
to go.

So it is not the long-term solution, but it is an
interim solution using the RMMV. We expect the midterm
solution to be the unmanned surface vehicle, which is
already a part of the mission package. We believe the
long-term vehicle is simply an unmanned underwater vehicle
that does not require a separate tow but in fact carries the sensor on the front end called the Knifefish. The Knifefish today is deploying. However, it does not have the endurance that we need.

So we have a short-term fix associated with the RMMV upgraded; midterm, unmanned surface vehicle; and what we are exploring for the longer term is simply a vehicle like the Knifefish, which works today, but getting the endurance that we need for the mission itself.

Senator Hirono: So all this is going to be taking place within a year or so?

Mr. Stackley: These are three --

Senator Hirono: All these different components that you are putting together?

Mr. Stackley: Yes, ma'am. These are three parallel efforts we expect that the mission package with the upgraded RMMVs would be ready for deployment in 2018. We expect that the mission package with the unmanned surface vehicle will be going through the formal IOT&E testing to support this operational capability in 2020. And during this time, we are already working with the Knifefish. This is not -- the endurance requirements that we are going to try to impose on the Knifefish are not as mature, and this is a longer-term vision that we are going to try to get to.

Senator Hirono: We will stay in touch with you on all
of that.

I did have one question regarding the Air and Missile Defense Radar that will be tested at PMRF on Kauai. Are you confident that the radar will be ready to install in one of the fiscal year '16 DDG-51 destroyers without causing any delays in that shipbuilding program?

Mr. Stackley: Yes, ma'am. The radar that we are sending out to PMRF that you referred to as an engineering development model radar, that is a production-representative radar. You will not see differences in terms of production of the radar that is going to PMRF and the radar that is ultimately going to the ship.

The radar has completed its critical design review last year. It is on track. The efforts today are the ship-integration portions of the design that we are working, and the ship critical design review is scheduled for November. So the radar, we have got a lot of testing to complete, but we have very high confidence in the radar's performance and its design.

The ship design, we do not see that as risk. We see that as a lot of work to complete leading up to its critical design review in November, which well supports the 2016 construction schedule.

Senator Hirono: Thank you very much.

Senator Wicker: Senator King?
Senator King: Just some comments and questions about the Ohio bow wave. I call it the Ohio bulge. It is a bulge in the budget, and just some quick notes. It looks like it is about a 40 percent increase in the basic levels of $16 billion a year, $6 billion a year for 15 years. It seems to me that we and the Congress have to really be talking about this because -- and you are already thinking obviously very deeply about it talking to OMB, but if we do not deal with this and there is not a significant bump up in the shipbuilding budget, it is going to really decimate the remainder of the shipbuilding program during that period. There has to be a recognition that this is a sort of class-by-itself expenditure, is that correct?

Mr. Stackley: Yes, sir. And I think there is recognition that it is a class by itself, but that does not take away the challenge associated with funding it. But historically, going back to our first ballistic missile submarine referred to as 41 for Freedom, if you look at the Navy's budget and shipbuilding budget, in fact, they were increased during that period.

And the next instantiation was the Ohio itself. And if you look at our shipbuilding budget during that period of time, it also was increased --

Senator King: It was increased to accommodate that cost?
Mr. Stackley: Let us just say that cost was inside of the increases. That was the Reagan buildup as well, so there was a lot of increase during that period of time. But you would see significant increase in terms of our shipbuilding budget. And so when we look ahead at the Ohio replacement, if we do not likewise see that type of increase to our shipbuilding budget, then we will not be able to execute the long-range plan that we have laid before Congress that builds and sustains our 308-ship Navy.

Senator King: Yes. Good. Thank you.

Thank you, Mr. Chairman.

Senator Wicker: Thank you all. And without objection, we will leave the record open for questions for the record for 4 days. And thank you, gentlemen. I thank the members of the committee. I think it has been very helpful to us.

And the hearing will be closed.

[Whereupon, at 3:39 p.m., the hearing was adjourned.]