

NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE SEAPOWER AND
EXPEDITIONARY FORCES

STATEMENT
OF

VICE ADMIRAL BARRY MCCULLOUGH
DEPUTY CHIEF OF NAVAL OPERATIONS
FOR INTEGRATION OF CAPABILITIES AND RESOURCES

AND

MS. ALLISON STILLER
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(SHIP PROGRAMS)

BEFORE THE

SUBCOMMITTEE ON SEAPOWER AND EXPEDITIONARY FORCES

OF THE

HOUSE ARMED SERVICES COMMITTEE

ON

SURFACE COMBATANT REQUIREMENTS AND ACQUISITION STRATEGIES

July 31, 2008

NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE SEAPOWER AND
EXPEDITIONARY FORCES

Chairman Taylor, Ranking Member Bartlett, and distinguished Members of the Seapower and Expeditionary Forces Subcommittee, the Department is committed to executing the Cooperative Maritime Strategy, modernizing our fleet, and building the fleet of tomorrow. The Navy urges your support to fully fund the Department's 2009 shipbuilding request. The Navy requests the Committee's support for the Navy's recent plan to truncate the DDG 1000 program at two ships and reopen the DDG 51 line to better align our surface combatant investment strategy with our nation's warfighting needs. The Navy continues to address the dynamic capability requirements of the Fleet while balancing the demands placed on limited resources and producing a plan that provides maximum stability for the industrial base. Modernizing the Fleet's cruisers and destroyers and executing an affordable shipbuilding plan are crucial to constructing and maintaining a 313 ship Navy with the capacity and capability to meet our country's global maritime needs. In an age of rapidly evolving threats and fiscal constraints, we must ensure we are building only to our highest priority requirements and that the mission sets we envision for the future represent the most likely of those potential futures.

Surface combatants are the workhorses of our Fleet and central to our traditional Navy core capabilities. Our cruisers, destroyers, and the new littoral combat ships bring capabilities to the fleet, that enable us to deter our enemies, project power, deploy forward and control the seas.

Strategic Environment

Rapidly evolving traditional and asymmetric threats continue to pose increasing challenges to Combatant Commanders. State actors and non-state actors who, in the past, have only posed limited threats in the littoral are expanding their reach beyond their own shores with improved capabilities in blue water submarine operations, advanced anti-ship cruise missiles and ballistic missiles. A number of countries who historically have only possessed regional military capabilities are investing in their Navy to extend their reach and influence as they compete in global markets. Our Navy will need to outpace other Navies in the blue water ocean environment as they extend their reach. This will require us to continue to improve our blue water anti-submarine and anti-ballistic missile capabilities in order to counter improving anti-access strategies.

The Navy remains committed to having the capability and capacity to win our Nation's wars and prevent future wars. The rise of violent extremism has become a greater threat as it rapidly evolves with diverse and adaptive capabilities. These often stateless organizations pose further challenges with their aspirations of weapons of mass destruction development and desire to proliferate missiles and other highly, technologically advanced weapons. All of these threats require the Navy to have the capacity to build partnerships and continue our efforts of investing in maritime domain awareness; intelligence, surveillance, and reconnaissance programs; and having both kinetic and non-kinetic effects capabilities. We call on our surface combatants to conduct these operations and execute the Maritime Strategy today, and we will continue to call on

them to provide maritime supremacy from the ungoverned spaces of the littorals to vast expanses of our world's oceans.

Challenges

The challenge for the Navy is to maintain traditional core naval capabilities while simultaneously enhancing our ability to conduct expanded core roles and missions to ensure naval power and influence can be applied on the sea, across the littorals, and ashore. It is no longer feasible or affordable to purchase the most capable, multi-mission platform and then limit its use to execute tailored mission areas or focus on specific threats. As asymmetric threats continue to evolve, so will traditional threats. The Navy must find affordable and adaptable ways to fill current and future warfighting gaps.

Beyond addressing capability requirements, the Navy needs to have the right capacity to remain a global deterrent and meet Combatant Commander warfighting requirements. Combatant Commanders continue to request more surface ships and increased naval presence to expand our cooperation with new partners in Africa, the Black Sea, the Baltic Region, and the Indian Ocean and maintain our relationships with our allies and friends. Therefore, we must increase surface combatant capacity in order to meet Combatant Commander demands today for ballistic missile defense, theater security cooperation, steady state security posture and to meet future demands as we standup Africa Command (AFRICOM) and the FOURTH Fleet in SOUTHERN Command. The Navy also continues to remain committed to our Ballistic Missile Defense partners around the globe, including Japan, Korea, the Netherlands, and Spain.

Future Force

The 30 year ship building plan was designed to field the force structure to meet the requirements of the national security strategy and the Quadrennial Defense Review meeting the FY 2020 threat. The 313-ship force floor represents the maximum acceptable risk in meeting the security demands of the 21st century. In the balance of capability and capacity, the Navy has found that there are increased warfighting gaps, particularly in the area of integrated air and missile defense capability. Capacity also matters, and capacity is capability for the Irregular War we are in today.

The DDG 1000 program is developing a capable ship which meets the requirements for which it was designed. The DDG 1000, with its Dual Band Radar and sonar suite design are optimized for the littoral environment. However, in the current program of record, the DDG 1000 cannot perform area air defense; specifically, it cannot successfully employ the Standard Missile-2 (SM-2), SM-3 or SM-6 and is incapable of conducting Ballistic Missile Defense. Although superior in littoral ASW, the DDG 1000 lower power sonar design is less effective in the blue water than DDG-51 capability. DDG 1000's Advanced Gun System (AGS) design provides enhanced Naval Fires Support capability in the littorals with increased survivability. However, with the accelerated advancement of precision munitions and targeting, excess fires capacity already exists from tactical aviation and organic USMC fires. Unfortunately, the DDG 1000 design sacrifices capacity for increased capability in an area where Navy already has, and is projected to have sufficient capacity and capability.

The DDG 51 is a proven, multi-mission guided missile destroyer. She is the Navy's most capable ship against ballistic missile threats and adds capacity to provide regional ballistic missile defense. DDG 51 spirals will better bridge the ballistic missile defense gap to the next generation Cruiser. Production costs of DDG 51s are known. The risks associated with re-opening the DDG 51 line are less than the risks of continuing the DDG 1000 class beyond 2 ships when balanced with the capability and capacity of pursuing the 313 ship fleet.

Current Execution

The Department is committed to executing the acquisition plan for our future force. Acquisition Professionals and Requirements Officers are working closely to maintain the Department's commitment to an affordable shipbuilding and modernization plan.

DDG 51 Destroyer Program and Production Restart Assessment

The capability of DDG 51 Class ships being built today is markedly more advanced than the initial ships of the class. The DDG 51 Class was developed in three incremental flights, with upgraded technology and capability built into each subsequent hull. Ships are currently being constructed at both General Dynamics (GD) Bath Iron Works (BIW) and Northrop Grumman Shipbuilding (NGSB). 62 ships have previously been authorized and appropriated, with the most recent procurement of three ships in FY 2005. A total of 53 ships have been delivered to the Navy. Five ships remain under construction at GD BIW, and 4 at NGSB. The last ship currently under construction, DDG 112, is scheduled

for delivery in FY 2011. All material for DDG 51 Class ships currently under construction has been procured, with the majority of the long lead material purchased in an Economic Order Quantity buy in FY 2002.

DDG 51 class production has been extremely stable, with successful serial production at both shipbuilders. Despite some setbacks, such as the impacts of Hurricane Katrina at NGSB, the costs associated with DDG 51 class shipbuilding are well understood. The Aegis Weapon System has been incrementally developed successfully to add increased capabilities and transition to the use of open architecture and increased use of commercial systems.

Additionally, the DDG 51 modernization program is currently modernizing the Hull, Mechanical, and Electrical (HM&E) and Combat Systems. These combined upgrades support a reduction in manpower and operating costs, achieve expected service life, and allow the class to pace the projected threat well into the 21st century.

Based upon a Navy assessment, including discussions with both current shipbuilders, to explore any subcontractor issues, a restart of DDG 51 procurement in FY 2009 is feasible. However, several ship and Government Furnished Equipment vendor base issues (including configuration change issues and production line re-starts) must be addressed in order to award and construct additional ships, which will increase ship costs above the most recently procured ships. The most notable being the restart of the DDG 51 reduction gear production. The Navy is confident that these issues can be resolved to

support a FY 2009 restart. DDG 51 class restart beyond FY 2009 presents significant risks and therefore additional costs.

However, both shipbuilders have indicated to the Navy that these lead time challenges can be mitigated with advance procurement and an adjusted build sequence, and that DDG 51 restart in FY 2009 is executable in both shipyards. Regarding the combat systems, the last production contracts were awarded in 2006. The cost and ease of restarting those production lines is a function of time, and part availability on military specification items which would need to be addressed.

Given the truncation of the DDG 1000 program at two ships, the Navy estimate for procurement of a single DDG 51 class ship in FY 2009 is \$2.2 billion. This estimate utilizes the latest audited Forward Pricing Rate Agreements (FPRAs) rates. Impacts for production line restart and contractor furnished equipment/government furnished equipment obsolescence are included. The Navy has not finalized the acquisition strategy for a FY 2009 DDG 51 and follow-on procurements. The Navy will carefully consider stability of the industrial base during the planning of the specific strategy.

DDG 1000 Class Destroyer Program

The Navy remains ready to begin construction of DDG 1000. A rigorous systems engineering approach for the program has been employed to mitigate the risk involved with building a complex lead ship surface combatant. This approach included successful building and testing of the 10 critical technologies via Engineering Development Models.

Naval Vessel Rules were also fully incorporated prior to commencing detail design. Design of the Mission Systems is now nearly 100 percent complete. Detail design will be approximately 85 percent complete prior to the start of fabrication, and will be more complete than any other previous surface warship.

The systems engineering approach for DDG 1000 has been well conceived and well executed. However, overall, the remaining program risk involved in integrating the Mission Systems, 10 EDM's, and the ship detail design is still moderate. Particularly, the Dual Band Radar and Integrated Power System have further land-based testing to complete, and the software development for the Total Ship Computing Environment continues. Careful planning has been conducted so that where further development does continue on systems, these have been partially tested to the point that any potential changes are not likely to affect software or system interfaces, with a low risk of affecting either detail design or software development.

As such, the maturity of the ship design, critical technologies, and mission systems support commencement of production. However, it is accurate that the integration of a complex, lead ship, surface combatant with significant new technologies always entails risk. And though the Navy cost estimate for DDG 1000 is based on a detailed, bottoms-up approach, this complex integration does increase the cost risk.

Truncation of the program at two ships will result in cost impacts due to program shutdown, continuation of required class service tasks, and potential increased costs for DDG 1000 and 1001 and other programs. Additionally, the RDT&E efforts for the DDG

1000 program, which include software development and other critical efforts, must continue in order to deliver completed ships and in the CVN 78 Class.

Conclusion

Your Navy remains committed to building the fleet of the future and modernizing our current fleet. The Navy's top shipbuilding priority remains achieving a surface combatant shipbuilding program that is equally capable of assuring peace today and access to the global economy tomorrow regardless of the threats posed in an uncertain future. To accomplish this, we are steadfast in our intention to not use procurement accounts for other Navy program offsets. Procurement and R&D investments made today will serve our country and fleet well beyond 2020 as we modernize the fleet we have and build the fleet we need. Continuing to build DDG 51s enables us to expand warfighting capacity and capability in areas needed by Combatant Commanders and allows us to reach the 313 ship level sooner. Meeting evolving blue water and near-land threats that the DDG 51 can match provides less risk to the joint warfighter. There is less risk associated with the affordability of maintaining DDG 51 line versus continuing the DDG 1000 line. The Navy is ready to restart DDG 51 production, and is committed to successfully delivering DDG 1000 and 1001 from which, we will inform new ship class designs. The Navy has not finalized the acquisition strategy for FY 2009 DDG 51 and follow-on procurements, however acquisition planning is fully underway to execute this change in the Navy's shipbuilding requirements. The Department urges the Committee's support for full funding of the surface combatant procurement account for FY 2009 and approving our proposal regarding DDG's. Thank you for your continued

support and commitment to our Navy. I look forward to continuing to work closely with you to make our maritime services and nation more secure and prosperous.