

NOT FOR PUBLICATION UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE
PROJECTION FORCES SUBCOMMITTEE

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BEFORE THE

PROJECTION FORCES SUBCOMMITTEE

OF THE

HOUSE ARMED SERVICES COMMITTEE

ON

FY 2005 NAVY SHIP CONSTRUCTION PROGRAMS

MARCH 10, 2005

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PROJECTION FORCES SUBCOMMITTEE

Mr. Chairman, distinguished members of the Subcommittee, thank you for this opportunity to appear before you to discuss the Department of the Navy's Fiscal Year 2006 Shipbuilding programs.

In multiple theaters in the Global War on Terror (GWOT) today, your Navy and Marine Corps Team is involved in a range of operations, from combat ashore to Extended Maritime Interdiction Operations (EMIO) at sea. EMIO serves as a key maritime component of GWOT, and its purpose is to deter, delay and disrupt the movement of terrorists and terrorist-related materials at sea. Your Team has conducted over 2,200 boardings in this last year alone, even as it has flown more than 3,000 sorties while dropping more than 100,000 pounds of ordnance from sea-based tactical aircraft in Iraq; and providing nearly 5,000 hours of dedicated surveillance in and around Iraq to coalition forces.

At the same time, our Nation took advantage of the immediate global access provided by Naval forces to bring time-critical assistance to tsunami victims in South Asia. By seabasing our relief efforts in Operation UNIFIED ASSISTANCE, the ABRAHAM LINCOLN Carrier Strike Group (CSG) and the BONHOMME RICHARD Expeditionary Strike Group (ESG) -- with Marines from the 15th Marine Expeditionary Unit -- delivered more than 6,000,000 pounds of relief supplies and equipment quickly, and with more political acceptance than may have been possible if a larger footprint ashore might have been required.

The Fiscal Year 2006 Budget request maximizes our Nation's return on its investment by positioning us to meet today's challenges -- from peacekeeping/stability operations to GWOT operations and small-scale contingencies -- and by transforming the force for future challenges.

Your Future Navy and Marine Corps Team

We developed the Sea Power 21 vision in support of our National Military Strategy. The objective of Sea Power 21 is to ensure this nation possesses credible combat capability on scene to promote regional stability, to deter aggression throughout the world, to assure access of Joint forces and to fight and win should deterrence fail. Sea Power 21 guides the Navy's transformation from a threat-based platform centric structure to a capabilities-based, fully integrated force. The pillars of Sea Power 21 -- Sea Strike, Sea Shield, and Sea Base -- are integrated by FORCEnet, the means by which the power of sensors, networks, weapons, warriors and platforms are harnessed in a networked combat force. This networked force will provide the strategic agility and persistence necessary to prevail in the continuing GWOT, as well as the speed and overwhelming power to seize the initiative and swiftly defeat any regional peer competitor in Major Combat Operations (MCO).

The Navy and Marine Corps Team of the future must be capabilities-based and threat-oriented. Through agility and persistence, our Navy and Marine Corps Team needs to be poised for the "close-in knife fight" that is the GWOT, able to act immediately to a fleeting target. The challenge is to simultaneously "set the conditions" for a MCO while continuing to fight the GWOT, with the understanding that the capabilities required for the GWOT cannot necessarily be assumed to be a lesser-included case of an MCO. Our force must be the right mix of capabilities that balances persistence and agility with power and speed in order to fight the GWOT while prepared to win a MCO. To do so, it must be properly postured in terms of greater operational availability from platforms that are much more capable as a distributed, networked

force. While the fabric of our fighting force will still be the power and speed needed to seize the initiative and swiftly defeat any regional threat, FORCEnet's pervasive awareness (C4ISR) will be more important than mass. And, because of its access from the sea, the Navy and Marine Corps are focusing significant effort and analysis in support of joint combat power projection by leveraging the maneuver space of the oceans through Seabasing. Seabasing is a national capability that will project and sustain naval power and joint forces, assuring joint access by leveraging the operational maneuver of sovereign, distributed and fully networked forces operating globally from the sea, while accelerating expeditionary deployment and employment timelines. The Seabased Navy will be distributed, netted, immediately employable and rapidly deployable, greatly increasing its operational availability through innovative concepts such as, for example, Sea Swap and the Fleet Response Plan. At the same time, innovative transformational platforms under development such as MPF(F), LHA(R) and High-Speed Connectors, will be instrumental to the Sea Base.

To this end, the technological innovations and human-systems integration advances in future warships are critical. Our future warships will sustain operations in forward areas longer, be able to respond more quickly to emerging contingencies, and generate more sorties and simultaneous attacks against greater numbers of multiple aimpoints and targets with greater effect than our current fleet. The future is about the capabilities posture of the fleet. Our analyses is unveiling the type and mix of capabilities of the future fleet and has moved us away from point solutions towards a range of 260 - 325 ships that meet all warfighting requirements and hedges against the uncertainty of alternate futures.

Developing Transformational Joint Seabasing Capabilities

The Naval Power 21 vision defines the capabilities that the 21st Century Navy and Marine Corps Team will deliver. Our overarching transformational operating concept is Sea Basing; a national capability, for projecting and sustaining naval power and joint forces that assures joint access by leveraging the operational maneuver of sovereign, distributed, and networked forces operating globally from the sea. Seabasing unifies our capabilities for projecting offensive power, defensive power, command and control, mobility and sustainment around the world. It will enable commanders to generate high tempo operational maneuver by making use of the sea as a means of gaining and maintaining advantage. The Fiscal Year 2006 Shipbuilding Budget request reflects the investments that will most improve our warfighting capability by investing in future sea-based and expeditionary capabilities for the Navy and Marine Corps.

Sea Shield is the projection of layered defensive power. It seeks maritime superiority to assure access, and to project defense overland.

Sea Strike is the projection of precise and persistent offensive power. It leverages persistence, precision, stealth, and new force packaging concepts to increase operational tempo and reach. It includes strikes by air, missiles, and maneuver by Marine Air Ground Task Forces (MAGTF) supported by sea based air and long-range gunfires.

Sea Base is the projection of operational independence. It provides the Joint Force Commander the ability to exploit EMW, and the capability to retain command and control and logistics at mobile, secure locations at sea.

SHIPBUILDING PROGRAMS

There has been considerable activity within shipbuilding over the last year. Currently, there are 38 Naval ships under construction in the United States: 1 CVN, 16 DDGs, 1 LHD, 5 LPDs, 8 T-AKEs, 1 LCS and 6 VIRGINIA Class submarines. In 2004 the Department delivered and commissioned the lead ship of our newest Class of submarines, USS VIRGINIA, initiating a new era of undersea capabilities that are aligned to the littoral regions. The lessons learned in constructing and testing the first submarine in more than six years are being rolled into the follow ships. In addition, USS JIMMY CARTER, the third and final SEAWOLF Class submarine was delivered to the Navy at the end of 2004 and was commissioned on February 19, 2005. The Navy also commissioned five DDGs in 2004. We also laid the keel for the 8th ship of the LHD Class, the first LEWIS & CLARK Auxiliary Dry Cargo Ammunition ship (T-AKE), and the third VIRGINIA Class submarine. In Calendar Year 2004, the Navy completed three Engineered Refueling Overhauls (ERO) of SSN688 Class submarines.

Fiscal Year 2006 will be a transformational year as the Department continues the shift to next generation warships. Transformation is most apparent in Fiscal Year 2006 where new construction is limited to four ships as we focus on shifting to the next generation of surface combatants and sea basing capabilities. The total number of new ships procured over the FYDP is 49, averaging 8.2 ships per year including DD(X), the Littoral Combat Ship, T-AKE, VIRGINIA Class SSN, CVN 21, MPF(F), LPD 17, T-AOE(X), and LHA(R).

Our Fiscal Year 2006 Budget request calls for construction of four ships: one VIRGINIA Class submarine; one SAN ANTONIO (LPD 17) Class Amphibious Transport Dock ship; one LEWIS & CLARK (T-AKE) Class Auxiliary Cargo & Ammunition ship; and one Littoral Combat Ship (LCS). In addition, we have requested funding for advance procurement of the ninth and tenth VIRGINIA Class submarines, Economic Order Quantity (EOQ) material procurement for the ninth and tenth VIRGINIA Class submarines, advance procurement for the first and second DDX, advance procurement for CVN 21 construction, the first increment of CVN 70 refueling complex overhaul (RCOH) funding, advance procurement for the first LHA Replacement ship, funding for the fourth SSGN conversion, ERO of an SSBN, continued funding for LHD 8, funding for TICONDEROGA Class cruiser modernization, and the service life extension for six Landing Craft Air Cushion (LCAC) craft.

These shipbuilding programs are the leading edge of our Naval transformation to the SEAPOWER 21 concept, which is modularly constructed on four capability pillars. These include the three warfighting pillars, Sea Shield, Sea Base, and Sea Strike and ForceNet. Sea Shield is made up of those components that provide protection and assured access to our forces. Sea Base is the pillar of capabilities that allows naval forces to exploit the maneuver space provided by U.S. control of the sea. Sea Strike includes all of the capabilities within the force that provide offensive fires and maneuver in a complementary synergistic fashion. This includes strike aircraft, missiles, surface fires, and expeditionary maneuver elements. ForceNet is the network that ties these disbursed platforms together through C4ISR nodes to provide robust battle space awareness, precise targeting, rapid precise fires and maneuver and responsive logistics.

We have grouped our programs into each of the four Seapower 21 pillars based on their primary missions.

Sea Shield

Littoral Combat Ship (LCS)

LCS will be built from the keel up to be a part of a netted and distributed force. The key warfighting capability of LCS will be its off-board systems: manned helicopters and unmanned aerial, surface and underwater vehicles. It is the off-board vehicles -- with both sensors and weapons -- that will enter the highest threat areas. Its modular design, built to open-systems architecture standards, provides flexibility and a means to rapidly reconfigure mission modules and payloads. Approximately 40% of LCS's payload volume will be reconfigurable. As technology matures, the Navy will not have to buy a new LCS seaframe, but will upgrade the mission modules or the unmanned systems. LCS will be different from any warship that has been built for the U.S. Navy. The program provides the best balance of risk with affordability and speed of construction. We have partnered with the Coast Guard. LCS will share a common three-dimensional radar with U.S. Coast Guard cutters, and in addition, there are other nations interested in purchasing the seaframe.

Two contracts were competitively awarded in May 2004, for detail design and construction of two different LCS Flight 0 seaframes. . Flight 0 is comprised of four ships that will develop and demonstrate several new approaches to Naval warfare including suitability of large-scale modular mission technologies and new operational concepts in the littoral. The detail design and construction of the first LCS flight 0 ship began in Fiscal Year 2005. To date, all milestones have been met on schedule. Detail design for the second ship is ongoing with construction starting in Fiscal Year 2006. The two remaining seaframes for LCS Flight 0 will be requested in Fiscal Year 2007. The LCS spiral development acquisition strategy will support construction of multiple flights of focused mission ships and mission packages with progressive capability improvements. Procurement of the three mission packages (Mine Warfare, Surface Warfare and Anti Submarine Warfare) is also planned in Fiscal Year 2006. The Department is well positioned to proceed with LCS and deliver this needed capability to Sailors as soon as possible.

VIRGINIA (SSN 774) Class Attack Submarine

The Fiscal Year 2006 Budget request includes \$2.4B for the eighth ship, advance procurement for the ninth and tenth ships of the VIRGINIA Class, and Economic Order Quantity (EOQ) material procurement for the ninth and tenth VIRGINIA Class submarines. There are a total of ten VIRGINIA Class submarines under contract. This year's ship will be the third ship in the five-ship Multi Year Procurement (MYP). This MYP contracting approach provides the Navy savings of \$80M per ship for a total savings of \$400M compared to "block buy" procurement. These ships currently continue to be built under the teaming approach adopted by Congress in 1998, which maintains two capable nuclear submarine shipbuilders at a cost to the Department.

Submarine Technology Development and Insertion

This program is comprised of Advanced Submarine System Development (ASSD) and VIRGINIA Class Technology Insertion RDT&E and SCN funding lines. ASSD develops and demonstrates the most promising submarine transformational technologies for rapid incorporation into fleet units, including combat systems, payloads and sensors. Its focus is Sea Trial and the three warfighting pillars of SEA POWER 21, including capabilities to gain and

sustain battle force access, develop and share knowledge, deter conflict, counter weapons of mass destruction and project power with surprise. In addition, the Fiscal Year 2006 Budget request includes \$50M of RDT&E funding to pursue the design of a future Undersea Superiority system, providing an alternative to the reduced VIRGINIA Class submarine build rate including consideration of alternate propulsion methods. Initial efforts will examine the spectrum of undersea capability areas and trade off the existing and future systems in determining how best to address undersea capability gaps and shortfalls. This program also provides Navy contribution to the joint DARPA/Navy "TANGO BRAVO" initiative to overcome selected technological barriers to enable design options for a reduced-size submarine.

SSN/SSBN Engineered Refueling Overhauls (EROs)

In Calendar Year 2004, the Navy completed 3 EROs of SSN688 Class submarines. The Fiscal Year 2006 budget requests advance procurement funding for long lead time materials to support future EROs in 2007 and 2008. The refueling and overhaul of USS ALABAMA (SSBN 731) is budgeted in Fiscal Year 2006. This is the second SSBN ERO that will continue to sustain our strategic forces well into the future.

TICONDEROGA (CG 47) Cruiser Modernization Plan

Last year, Congress did not approve the \$179M request for modernization of the TICONDEROGA Class cruisers and rescinded \$56M of unobligated prior year funding. The CG Modernization program has been restructured in Fiscal Year 2006 in accordance with Congressional direction. Under the restructured plan, the older Baseline 2 and 3 ships will be modernized first. Funding begins in Fiscal Year 2006 for long lead-time procurements for a Fiscal Year 2008 Baseline 2 modernization availability of USS BUNKER HILL (CG 52). The Navy's plan will substantially increase the service life and capability of those CG 47 Class ships equipped with the Vertical Launch System. This modernization will reduce combat system and computer maintenance costs, replace obsolete combat systems, and extend mission relevance and service life. It will also incorporate manpower improvements and quality of service enhancements from the smart-ship program.

DDG Modernization

The Fiscal Year 2006 Budget request includes \$29M across several appropriations to begin the process to bring needed mid-life DDG modernization enhancements to the mainstay of our surface fleet. DDG 51 is scheduled to be the first legacy destroyer to receive the modernization upgrade in Fiscal Year 2010.

ARLEIGH BURKE (DDG 51) Class Destroyer

The Fiscal Year 2006 Budget request includes \$225M to begin funding program completion and shutdown costs. All 62 ships have been contracted for and the final ship will deliver in Fiscal Year 2011.

Sea Strike

DD(X) Destroyer

DD(X) is the centerpiece of a surface combatant family of ships that will deliver a broad range of capabilities. It is already providing the baseline for spiral development of technology and engineering to support a range of future ship classes such as CG(X), LHA(R) and CVN-21. This advanced multi-mission destroyer will bring revolutionary improvements to precise time-critical strike and joint fires for our Expeditionary and Carrier Strike Groups of the future. It expands the battlespace by over 400%; has the radar cross section of a fishing boat; and is as quiet as a LOS ANGELES Class submarine. DD(X) will also enable the transformation of our operations ashore. Its on-demand, persistent, time-critical strike revolutionizes our joint fire support and ground maneuver concepts of operation so that our strike fighter aircraft are freed for more difficult targets at greater ranges. DD(X) will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces.

The Fiscal Year 2006 Budget request includes \$1.1B in RDT&E for continued technology development and \$716M in SCN advance procurement funds for the first and second DD(X). DD(X) will dramatically improve naval surface fire support capabilities available for joint and coalition forces. Planned technologies, such as integrated power system and total ship computing environment in an open architecture, will provide more affordable future ship classes in terms of both construction and operation. DD(X) will be the first forward-fit surface combatant with an open architecture combat system. This investment will be leveraged to other surface ship procurements, including CVN 21 and LHA(R).

The FYDP includes full funding for the first DD(X) in Fiscal Year 2007 and construction of one ship per year in each follow on year. DD(X) will provide the hull form and propulsion for the future generation of surface combatants that provide an array of 21st Century Naval capabilities.

SSGN

The Fiscal Year 2006 Budget requests \$287M of procurement funding for the conversion of the fourth and final submarine to be converted to SSGN. When completed, these submarines will provide transformational warfighting capability carrying up to 154 Tomahawk cruise missiles and support deployed special operating forces. The four SSGN conversions are being executed utilizing a public-private partnership conducting the work in Naval Shipyards, and are scheduled for delivery by Fiscal Year 2007. The Navy has experienced minor scope changes as we have refueled and converted these submarines. The Navy is working to resolve these issues, but any changes are difficult to address with the rules and constraints of short duration modifications relying on procurement funds.

Sea Base

LPD 17

The SAN ANTONIO (LPD 17) Class of amphibious transport dock ships is optimized for operational flexibility and designed to meet Marine Air-Ground Task Force lift requirements and represents a critical element of the Navy and Marine Corps future in expeditionary warfare. The Fiscal Year 2006 Budget includes \$1.3B to fully fund the construction of the eighth ship of the class. The Navy plans to build nine LPD 17 ships with the procurement of the ninth ship planned for Fiscal Year 2007. The lead ship is approximately 93 percent complete with delivery

scheduled for summer 2005. In addition to the lead ship, four follow on ships are currently under construction. NEW ORLEANS LPD 18 was christened on November 20, 2004, and MESA VERDE LPD 19 was christened January 15, 2005. Construction also continues on GREEN BAY LPD 20 and NEW YORK LPD 21. Advance procurement contracts for LPD 22 and 23 have been awarded to support long-lead time material purchases for these ships.

LEWIS and CLARK Class Auxiliary Dry Cargo Ammunition Ship (T-AKE)

The Fiscal Year 2006 Budget request includes \$380M for the ninth ship. The first eight ships have are under contract. Exercise of the option for the seventh and eighth ships occurred in January 2005. Lead ship construction commenced in September 2003, with a projected delivery date of January 2006. Projected delivery dates for the other ships are as follows: second ship Fiscal Year 2006; third, fourth and fifth ships Fiscal Year 2007; sixth and seventh ships Fiscal Year 2008 and the eighth ship Fiscal Year 2009.

CVN 21 Class

The CVN 21 program is designing the aircraft carrier for the 21st Century, as the replacement for the NIMITZ Class nuclear aircraft carriers. Overall, CVN 21 will increase sortie generation rate and increase survivability to better handle future threats. The new design nuclear propulsion plant and improved electric plant together provide three times the electrical generation capacity of a NIMITZ Class carrier. This capacity allows for the introduction of new systems such as Electromagnetic Aircraft Launching System, advanced arresting gear, and a new integrated warfare system that will leverage advances in open systems architecture to be affordably upgraded. Other features include an enhanced flight deck, improved weapons handling and aircraft servicing efficiency, and a flexible island arrangement allowing for future technology insertion.

The Fiscal Year 2006 Budget request includes \$565M of advance procurement for continued development of CVN 21. The program received Milestone B approval in April 2004. The construction contract is scheduled for award in Fiscal Year 2008, with ship delivery in Fiscal Year 2015.

NIMITZ Class (CVN 68 Class)

The Refueling Complex Overhaul (RCOH) program refuels, repairs, and modernizes NIMITZ Class aircraft carriers to provide up to 50 years of service life. CVN 68 Class was originally based on a 30-year design life with refueling at an estimated 14 years. Ongoing analysis of the reactor cores show a nominal 23 year life prior to requirement to refuel allowing the RCOH schedule to be adjusted accordingly. The RCOH Program recapitalizes these ships in lieu of procurement and is fundamental to sustaining the nuclear carrier force structure. RCOHs provide a bridge between maintaining current readiness requirements and preparing the platform for future readiness initiatives in support of Sea Power 21. They leverage technologies from other programs and platforms that support RCOH planning and production schedules for advantageous insertion during this major recapitalization effort.

In 2004, considerable progress was made on the EISENHOWER (CVN 69) RCOH. Restructuring of the contract in December 2003, reset target cost and fee, established performance incentives, reduced minimum fee, modified shareline ratios, and extended the

RCOH duration by 11 weeks. Since the contract restructuring, the shipyard's performance improved considerably, resulting in an estimated \$29M underrun at completion. This underrun has allowed the "buy back" of work that was previously descope to avoid contract cost overruns. Significant work items reinstated included the refurbishment of the forward crew galley and 03 level ward room, embarked Flag officer spaces habitability upgrades, installation of several refurbished antennas, and combat systems electronic upgrades. Delivery of EISENHOWER back to the Fleet is scheduled for 2005.

The Fiscal Year 2006 Budget request includes \$1.5B in the first of two funding increments for the USS CARL VINSON RCOH. The Fiscal Year 2006 Budget also includes \$20M in advance procurement funding for the USS THEODORE ROOSEVELT (CVN 71) RCOH scheduled to start Fiscal Year 2010.

Maritime Prepositioning Force (Future) (MPF(F))

These future Maritime Prepositioning Ships will serve a broader operational function than current prepositioned ships, creating greatly expanded operational flexibility and effectiveness. We envision a force that will enhance the responsiveness of the joint team by the at-sea assembly of a Marine Expeditionary Brigade that arrives by high-speed airlift or sealift from the United States or forward operating locations or bases. The MPF(F) will support the forcible entry. These ships will off-load forces, weapons and supplies selectively while remaining far over the horizon, and they will reconstitute ground maneuver forces aboard ship after completing assaults deep inland. They will sustain in-theater logistics, communications and medical capabilities for the joint force for extended periods as well.

The Fiscal Year 2006 Budget request includes \$66M of RDT&E funds to develop technologies to support future sea basing needs in MPF(F). The first MPF(F) ship is planned for Fiscal Year 2009 with advanced procurement award scheduled in Fiscal Year 2008. It is critical to the Nation's Naval capabilities and our shipbuilding industrial base that we proceed with MPF(F) definition and experimentation efforts and maintain a fully funded MPF(F) program.

Landing Craft Air Cushion (LCAC) Service Life Extension Program (SLEP)

Our fleet LCACs saw dramatically increased operational tempo supporting worldwide operations during the past year, underscoring the need for the LCAC SLEP. SLEP is a vital, ongoing effort to OMFTS and STOM options for the Naval forces. This will provide continued critical surface lift for the Marine Corps for the future as these upgrades offer greater flexibility and endurance options that allow Naval forces to continue to remain expeditionary and versatile in support of GWOT and into the future. The program, designed to extend the service life of LCACs to 30 years, had several notable accomplishments during the past year: LCAC 2 and LCAC 4 delivered ahead of schedule. The award of the Fiscal Year 2004 contract for four craft occurred in March 2004. In 2004, the SLEP effort received a DoD Value Engineering Award for the revised acquisition strategy that will deliver the required LCAC capability and service life while providing a cost savings of \$104M through the FYDP for the program. The first SLEP craft, LCAC 44, rendered assistance to tsunami victims in Indonesia as part of Operation UNIFIED ASSISTANCE. The Navy is continuing the strategy of refurbishing vice replacing the buoyancy boxes and will competitively select the Fiscal Year 2005 and Fiscal Year 2006 SLEP work. The Fiscal Year 2006 Budget request includes \$111M for SLEP of six craft.

LHD 8

The MAKIN ISLAND (LHD 8) last ship of the LHD 1 Class of big deck amphibious ships represents a critical element of the Navy and Marine Corps future in expeditionary warfare. LHD 1 Class platforms provide critical lift and an expeditionary capability allowing rapid Naval Force response to differing crises. Offering the Joint Force Commander (JFC) a variety of options, LHD 1 Class platforms are critical power projection and C4ISR platforms capable of embarking JFC staffs. The flexibility and versatility of the LHD 8 in Seabasing circumvents the challenges on obtaining land-basing privileges and over flight permissions in support of U.S. GWOT missions. In accordance with Congressional direction to incrementally fund LHD 8, the Fiscal Year 2006 Budget requests \$198M for the last increment in the continued construction of LHD 8. LHD 8 will be the first big deck amphibious ship that will be powered by gas turbine propulsion, and all of its auxiliary systems will rely on electrical power rather than steam. This change is expected to realize significant lifecycle cost savings. Ship construction is proceeding as scheduled with a contract delivery date of Summer 2007.

LHA(R)

The Fiscal Year 2006 Budget requests \$150M of advance procurement funds for LHA(R) that support an accelerated ship construction start in Fiscal Year 2007. LHA(R) is the replacement program for four aging LHA Class ships that reach the end of their administratively extended service life between 2011 and 2015. LHA(R) Flight 0 is a modified LHD 1 Class variant with improved aviation capabilities designed to accommodate aircraft in the future Marine Corps Air Combat Element including JSF and MV-22 and provides adequate service life for future growth.

Joint High Speed Vessel (JHSV)

The Navy High Speed Connector has been merged with the Army Theater Support Vessel to form the JHSV program. This program will provide a high-speed intra-theater surface lift capability gap identified to implement Sea Power 21 and the Army Future Force operational concepts. The JHSV will be capable of supporting Joint Force needs for flexible, fast transport of troops and equipment for the future. Today's only alternative to meeting this gap is through the leasing of high speed vessels for rapid troop and equipment transport is airlift. The WestPac Express is a high-speed surface vessel currently being leased by the Military Sealift Command and used to transport Marines in the Western Pacific operating area. With the Navy designated as the lead Service, the Navy, Marine Corps and Army are working together to develop the required documentation to meet a Milestone A decision in February 2006 with a lead ship contract award planned for Fiscal Year 2008.

Cobra Judy Replacement

The Cobra Judy Replacement ship acquisition is tailored to meet the Cobra Judy Replacement mission requirements and will be built to commercial shipbuilding standards. The mission equipment interface requirements are incorporated in the industry Request for Proposal. The contract, planned for award in Fiscal Year 2005, will focus primarily on the ship concept preliminary design phases. The ship production contract is planned for Fiscal Year 2006 award. The Program completed the System Design Review for the radars and other mission equipment

to replace the aging Cobra Judy surveillance platform. The Program leverages Navy, Missile Defense Agency, and other investments in radar technology to acquire this essential National capability while demonstrating solid-state phased array radar technology needed for the Navy's future cruiser, CG(X).

COMPLETION OF PRIOR YEAR SHIPBUILDING CONTRACTS

In contrast to last year's zero growth on ship construction, the Navy experienced growth in ship construction cost totaling \$1.368 billion allocated to the CVN 77, SSN 774, and LPD 17 programs. Unbudgeted cost growth results from a multitude of factors, and the Navy and shipbuilding industry are striving to eliminate these factors. Detailed program reviews with industry have resulted in the Navy revising program cost estimates based on unbudgeted escalation, increased labor hours resulting from contractor inefficiencies, increased overhead rates from revised shipbuilder workload projections, and increased material costs due to unfavorable market conditions. The allocation of prior year cost across the FYDP is: \$870 million for CVN 77, \$343 million for SSN 774 Class and \$155 million for LPD 17.

CVN 77 construction is approximately 45% complete. Following several detailed program evaluations with the shipbuilder over the course of the last year, the Navy revised the CVN 77 program cost estimate to \$6.057 billion from the current \$5.025 billion. The \$1.03 billion in CVN 77 cost increases were the result of unbudgeted escalation funds, increased labor hours to construct the ship, increased material costs, and additional funding required to cover the government's maximum contractual liability. The Navy is working aggressively with the shipbuilder to contain cost and deliver a mission capable ship at the lowest possible price.

VIRGINIA class unanticipated labor requirements and first-of-a-class issues with the lead ship final assembly and testing led to construction delays and increased costs. The Navy has taken action to descope a small amount of non-critical testing to help offset the increased construction costs and to reduce the net shortfall. To deal with the need for additional funds, the Navy made use of Special Transfer Authority provided by Congress to reprogram funds to the VIRGINIA programs SCN accounts. For follow on contracts Navy is aggressively managing funds while working with the Shipbuilders to improve labor performance. Changes between Fiscal Years 2005 and 2006 are the result of increased cost estimates for ship construction identified by the Department in the summer of 2004.

LPD 17 program cost growth is driven by performance issues associated with completion of lead-ship construction and testing, overhead rates increases due to health care premiums, Workman's Compensation, and pension plans all being significantly higher than OSD indices, and the need for unplanned subcontracted skilled labor. Other significant factors include increased overhead rate projections resulting from revised shipbuilder workload forecast.

SUMMARY

Our mission remains bringing the fight to our enemies. The increasing dependence of our world on the seas, coupled with growing uncertainty of other nations' ability or desire to ensure access in a future conflict, will continue to drive the need for Naval forces and the capability to project decisive joint power by access through the seas. The increased emphasis on the littorals and the

global nature of the terrorist threat will demand the ability to strike where and when required, with the maritime domain serving as the key enabler for U.S. military force.

Accordingly, we will execute the GWOT while transforming for the future fight. We will continue to refine our operational concepts and appropriate technology investments to deliver the kind of dominant military power from the sea envisioned in Sea Power 21. We will continue to pursue the operational concepts for seabasing persistent combat power, even as we invest in technology and systems to enable Naval vessels to deliver decisive, effects-based combat power in every tactical and operational dimension. We look forward to the future from a strong partnership with Congress that has brought the Navy and Marine Corps Team many successes today. We thank you for your consideration.