EVALUATING THE EFFICACY OF THE

DEPARTMENT OF DEFENSE'S

30-YEAR SHIPBUILDING AND AVIATION PLANS

TO CONGRESS

Prepared Statement

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My name is Mackenzie Eaglen. I am a Research Fellow at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Thank you, Chairman Wittman, Ranking Member Cooper, and members of the Oversight & Investigations Subcommittee for the opportunity to evaluate the usefulness of the 30-year shipbuilding and aviation plans submitted to Congress annually.

Forcing leaders in the Department of Defense (DoD) to think longer-term is an important tool for Congress to serve as a partner in strategic planning. There are many strategies and plans that have been requested by Congress over the years that have served to greatly inform the debate, including defense strategies, roles and missions reports, long-term shipbuilding and aviation plans, and various commissions and outside reports. Yet too often, the requirements of the budget calendar have marginalized the more deliberate policymaking process. Congress needs to ensure that the policy process is the driving force in defense planning.

Soliciting periodic long-term aviation and shipbuilding plans is a useful way for Congress and the services to more thoughtfully evaluate requirements beyond the annual budget request and five-year Future Years Defense Plan (FYDP). These documents also allow Congress to identify broad trends, identify shortfalls, and help determine priorities of these investment portfolios.

Strategy always changes faster than force structure. When demands change, strategy can be modified—but it may take years to field forces adequate to implement abrupt changes. Because the lead time on development and procurement—including training on new systems—is measured in years, if not decades, the U.S. military must often hedge when making budgeting decisions. Gaining insight into these plans by the services is essential for Congress to know as they deliberate the President's annual defense budget request.

Benefits of Annual 30-Year Shipbuilding and Aviation Plans

Defense officials are seeking a reprieve from Congress on the annual requirement to submit long-term shipbuilding and aviation plans. While any report to Congress imposes a manpower, cost, and analytical burden, the benefits of these reports clearly outweigh the costs of preparing them. DoD officials have argued the plans do not fluctuate much year-over-year, yet a quick glance over the past three years shows that is not exactly the case.

Examples of some key programs that have benefited from the knowledge of a longer defense planning horizon for congressional oversight include the now-abandoned next-generation cruiser for the U.S. Navy, the *Ohio*-class ballistic missile submarine replacement program, the Littoral Combat Ship, and the Air Force next-generation bomber, as well as numerous legacy programs and their planned retirements or service-life extensions.

Congress has also learned of several critical brand new programs that the military will begin design and development sometime in the coming decade, including the Navy's Next Generation Air Dominance Aircraft after 2019 and the Air Force's new cargo jet starting in 2015.

Crucial information gained from these annual reports also includes cost goals, fleet size goals, and planning shortfalls. The first-ever long-term aviation plan submitted to Congress in fiscal year 2011 forecasts 3 percent average annual real growth for aviation programs over the next decade. This was a worthy goal that Congress may still use as a benchmark by which to measure future budget submissions and track progress. The FY2012 aviation report changed investment assumptions, however, and predicts a zero real growth aviation budget after 2017.

It is unclear how this significant funding reduction prediction has specifically changed the composition of future fleets. It appears that fighter/attack, strategic lift, and bomber aircraft all declined as a result of this year-over-year change in planned funding. The 2011 aviation plan assumed spending totaling \$268 billion whereas the 2012 spending plans dropped to \$259 billion over the next decade. Congress will want to seek clarity from the Department of Defense about the changes in the aviation force inventory from 2011 to 2012 due to reduced funding assumptions.

These long-term plans show Congress that the U.S. Air Force, for example, intends to enter a period in the early 2020s when several major recapitalization programs will be underway, calling into question whether future projected budgets will be enough. The Air Force will be buying at full-rate production a new tanker during that time, as well as the Joint Strike Fighter at 70 to 80 per year, and the next-generation bomber will likely enter full-rate production by the middle or

end of that same decade. Congress will need to work with the Air Force today to help determine how it will afford this bow wave of planned spending starting in just seven fiscal years.

Predictability is another key benefit of these annual plans. Avoiding budget spikes provides stability in defense planning and offers a steadier workload for industry. When budget requests change so dramatically year to year—particularly when requirements stay the same—the industrial base cannot plan ahead, and this increases the cost of individual systems. The national security of the U.S. is well served by a competitive industrial base, and defense budget predictability and transparency provided as part of these 30-year planning documents contribute to this effort.

Key Program Examples Benefitting From Annual Long-Term Plans

Legacy Ships and Aircraft. The 30-year shipbuilding and aviation plans are useful to understand the Department of Defense's ever-shifting plans to retire ships and aircraft while extending the service lives of others based on modernization priorities and budget projections.

The Navy's long-term shipbuilding plan submitted in FY2011 shows an ambitious growth of the overall fleet to 324 by 2021. Key ingredients to making this plan become reality include predictability, the opportunity to block-buy multiple ships, increased and sustained funds for shipbuilding, and ensuring various legacy ships do not retire too soon.

The assistant secretary of the Navy for Research, Development and Acquisition, Sean Stackley, recently told *National Defense*, "The program to build back the navy to 313 from 286 ships faces a lot of challenges. The most important thing we have to do is ensure that the fleet we have doesn't retire early." ¹

Joint Strike Fighter. The F-35 Joint Strike Fighter (JSF) program has changed in many ways over the past three years due to restructuring and other reasons. The Department of Defense announced this year that schedule delays have caused the Initial Operating Capability (IOC) date of all three services' JSFs to slip by several years. As a result, the services have had to alter investment plans for the purchase of new fourth-generation fighter aircraft and service life extension programs of some legacy fleets.

The Navy, for example, plans to purchase additional new F/A-18E/Fs to bridge the gap due to the delayed IOC of the F-35. The Navy will also extend the service lives of select F-A-18A-D aircraft, reduce Unit Deployment squadrons from 12 to ten aircraft per squadron, accelerate the transition of ten legacy F/A-18C squadrons to F/A-18E/Fs, and purchase 67 new F/A-18E/Fs between now and 2014.

Due to the delayed procurement schedule of the JSF, the Air Force plans to invest in "some late block F-16s." Air Force leaders plan to modernize some late block F-16C/Ds with "improved

¹ Sandra Erwin, "Navy's Shipbuilding Forecast Gets Chilly Reception on the Hill," *National Defense*, March 11, 2011, at

 $[\]frac{http://www.nationaldefensemagazine.org/blog/Lists/Posts/Post.aspx?List=7c996cd7\%2Dcbb4\%2D4018\%2Dbaf8\%2D8825eada7aa2\&ID=347.$

radars, avionics, and electric countermeasures" to keep them in the inventory through the 2030s. Congress should press Air Force leaders as to why the service is not considering the purchase of additional new fourth-generation aircraft to help bridge the growing transition to the Joint Strike Fighter as the Navy is doing today.

New in the 2012 long-term aviation plan is the announcement that the Department of the Navy is currently evaluating whether its cap on F-35B/C production capacity at 50 per year should be changed. Congress should seek additional insight into the original argument for the cap and the potential justification for changing full-rate production numbers. Congress should also learn if there will be any impact on the Air Force production plans when all three services are engaged in full rate production of the Joint Strike Fighter later this decade.

Littoral Combat Ship. The 2011 shipbuilding plan told Congress of the new increase in the number of LCS ships the Navy planned to buy. The report also told Members, however, that the Navy planned to slow the rate of construction from four or five Littoral Combat Ships per year to four a year, then three, two, and eventually just one per year.

Had Congress received a 30-year shipbuilding plan from the Navy in FY2010, it would have offered valuable information when Members were later asked to approve a dramatic shift in purchasing plans for the LCS. The Navy abruptly changed its acquisition strategy for the Littoral Combat Ship in November 2010, after planning to down-select to just one design. Under the revised acquisition plan, the Navy asked Congress for authority to award 10-ship contracts to both LCS bidders. With a long-term plan in hand ahead of time, Congress would have better understood the Navy's plans for maximum LCS procurement rate in FY2011 and the effects of a new acquisition strategy that may allow more LCSs to enter the fleet sooner than previously planned.

Bomber Fleet. The Air Force will need to keep just over 160 B-1s, B-2s, B-52 bombers until the next-generation bomber enters the inventory. At least, that was the Air Force prediction in the 2011 aviation plan. The number dropped in one year to 156. Congress must get clarity from the Air Force as to why the bomber fleet has been reduced and the implications of these changes in retirement plans.

As part of its plan to develop a next-generation bomber, the Air Force informed Congress as part of its 2012 aviation plan that the goal will be for the new bomber to have an average procurement unit cost goal of roughly \$550 million.

F-22. Modernizing the F-22 fleet was projected to cost \$1.9 billion as part of the 2011 aviation plan. The cost of modernization of the F-22 fleet jumped dramatically to \$4.5 billion in the current 2012 aviation plan. The price tag of modernizing the F-22 fleet has more than doubled in

² U.S. Department of Defense, "Aircraft Investment Plan: Fiscal Years 2011-2040," February 2010, chart 15, "Bomber Inventories and Investments, FY 2011-2020," p. 23.

³ Department of Defense, 'Aircraft Investment Plan: Fiscal Years 2012-2041," March 2011, chart 14, "Bomber Inventories and Investments, FY 2012-2016," p. 22.

one year with a \$2.6 billion increase from the 2011 to 2012 plans. Congress must identify why there has been massive cost growth in the planned modernization of F-22s.

The Air Force is considering retirement of the F-22s as early as 2025. This is crucial information for Congress to use in order to work backward and determine when the Air Force must begin research, design, and development of a new air superiority fighter jet. The service vaguely identifies the need for "follow-on capabilities to the F-22"—needed by 2025—but offers no specifics or funding timeline. The Navy, however, clearly identifies the need for a next-generation air dominance fighter with funding expected to being in 2019. The report lists options for the Navy, including replacing the F/A/-18E/F with F-35s, developing a new manned or unmanned platform or a combination of both. Congress should demand more detail from the U.S. Air Force about research, design and development—as well as funding plans—for capabilities beyond the F-22.

SSBN(X). The Under Secretary of Defense for Acquisition, Technology and Logistics testified before the House defense appropriations subcommittee on April 13, 2011, stating that

"by conducting engineering tradeoff analysis with the commencement of the *Ohio*-class replacement, essentially looking at the submarine design and figuring out what you could do to change that design in the interest of lower cost, the Navy has already reduced the estimated average procurement cost by 16 percent with the goal of fully 27 percent."

Members are concerned by this recent revelation. The current House Armed Services Committee version of the FY2012 defense authorization bill seeks to limit the expenditure of select funds for the *Ohio*-class ballistic missile submarine replacement program to not more than 90 percent until the Secretary of Defense submits a report summarizing the analysis that supported the Department's decision to reduce the planned number of missile tubes per submarine to 16.

While Congress may disagree with these changes to the program in its early stages, the fact that policymakers are able to have this conversation with the Defense Department and have the opportunity to weigh in at all are the direct result of the request for annual long-term shipbuilding forecasts.

New Programs. As part of the 2011 aviation plan, the Air Force announced a new cargo aircraft when disclosing it is "investigating options for meeting future intratheater lift needs, including potentially the acquisition of a family of airlift systems that would provide complementary capabilities with respect to maneuverability and sustainability."

Included in the 2012 aviation plan was the Navy announcement that "in the far term," the service "will need to replace its F/A-18E/F fleet, with analysis ongoing to define the Next Generation Air Dominance (NGAD) aircraft." Research and development is scheduled to begin in 2019.

⁴ U.S. Department of Defense, "Aircraft Investment Plan: Fiscal Years 2011-2040," February 2010, p. 20.

⁵ U.S. Department of Defense, "Aircraft Investment Plan: Fiscal Years 2012-2041," March 2011, p. 16.

As part of the 2011 aviation plan, the Air Force acknowledged that the Air Force must begin planning now for a new air superiority fighter. The plan notes future research and development efforts will focus on follow-on capabilities to the F-22 Raptor—needed about 2025.

The Air Force's plans seemed to have changed slightly in the next annual report, provided to Congress this year. The 2012 long-term aviation plan states, "It is anticipated that a family of systems—mixes of manned and unmanned aircraft, with varying stealth characteristics and advanced standoff weapons—will shape the future fighter/attack inventory." Congress should ask the Air Force for additional information about what changed between FY2011 and 2012 regarding the need and requirements for a follow-on air superiority fighter jet.

The 2012 aviation plan shows a possible follow-on Unmanned Aerial System sometime after 2016. The Navy also plans to employ an ISR "family of systems" to retain EP-3 Aries II and special projects aircraft capabilities during their transition out of the fleet around 2019. Congress may want to learn more about the potential plans and requirements for these capabilities.

Case Study: Tactical Fighter Shortfall

Members of Congress and Department of Defense officials have warned for years of an impending "fighter gap" and its implications for U.S. national security. A fighter shortfall is essentially a deficit between the services' fighter aircraft inventories and their operational requirements based on emerging and possible air threats to U.S. security highlighted in various documents. For the Navy, Air Force, and Marine Corps, this is the projected decade when legacy fighters begin retiring faster than the F-35 Joint Strike Fighter is sent to enter service.

In April 2008, Air Force leaders predicted a requirement gap of over 800 fighters by 2024. However, after release of the President's FY 2010 budget, officials announced a combat Air Force restructuring plan to eliminate excessive overmatch in the tactical fighter force and consider alternatives in the service's capabilities.

Instead of seeking to address the projected fighter gap, the Air Force chose to accelerate the retirement of 250 legacy fighters, including 112 F-15s and 134 F-16s. The Air Force believed it could save \$3.5 billion over the following five years and reinvest those funds to reduce current capability gaps. However, budgetary restrictions—not a changing threat environment—appear to have driven this fundamental shift in security policy.

Also in 2008, Navy leaders projected a "most-optimistic" deficit of 125 strike fighters for the Department of the Navy, including 69 aircraft for the U.S. Navy and 56 for the Marine Corps. This projected gap, then set to peak around 2017, was considered optimistic because it assumed that the service life of F/A-18s could be extended from 8,000 flight hours to 10,000. The original service life was 6,000 flight hours.

A Congressional Research Service report in April 2009 unveiled a potentially larger gap, citing a briefing to House Armed Services Committee staffers in which the Navy projected that its strike fighter shortfall could grow to 50 aircraft by FY 2010 and 243 by 2018 (129 Navy and 114

⁶ Department of Defense, "Aircraft Investment Plan: Fiscal Years 2012-2041," March 2011, p. 5.

Marine Corps fighters). However, in a move that emphasized lingering disagreement among the White House, the Office of the Secretary of Defense, the Department of the Navy, and Congress, a senior Pentagon planner reportedly claimed on April 7, 2009, during a private briefing with lawmakers that the Pentagon's Office of Program Analysis and Evaluation had concluded there was no Navy strike fighter shortfall. 8

The data on available fighters did not change between April 2008 and April 2009, but the Pentagon overtly altered policy as if it had. This appears to be a classic case of budget-driven requirements as opposed to strategy-driven changes.

Trying to keep pace with the Pentagon's shifting numbers on the fighter shortfalls was difficult and circuitous before there were long-term aviation plans available to Members. Now, Congress is better and more clearly informed of budget-driven changes, when they happen, due to the annual requirement for the 30-year aviation plan.

The 2012 long-term aviation plan addresses the fighter shortfall with still further revised projections of only two to five percent for the Air Force over the next five years and a peak gap of 65 aircraft in 2018 for the Navy. The Air Force revised its projections due to "recent engineering data." Congress should ask the Air Force to further elaborate on what changed in the analysis to support a lower projected shortfall in the fighter fleet.

Building a Modern Congress-Military Partnership

Reporting requirements impose a significant, but in this case, important burden on military leaders. The plans will be ever more important once the parameters of the ongoing roles and missions review takes shape that will inform up to \$400 billion in defense spending cuts over the next decade. Congress has been concerned for the past several years that the services are underestimating and underfunding the shipbuilding and aviation fleets needed to build to the stated requirements. Too often, requirements have changed when budgets have fallen leading Members to become skeptical. Both the military services and Congress need a strong relationship to help the nation build and afford the future shipbuilding and aviation fleets.

Use the 30-Year Aviation and Shipbuilding Plans to Help Inform a New DoD Long-Term Research and Development Plan

After numerous studies and a half-dozen shipbuilding plans, Navy leaders have correctly concluded that the United States needs a larger fleet—not simply in numbers of ships and aircraft, but also in terms of increased network capability, longer range, and increased persistence. Navy leaders recognize that the U.S. is quickly losing its monopolies on guided weapons and the ability to project power. Precision munitions (guided rockets, artillery, mortars,

⁷ Christopher Bolkcom, "Navy-Marine Corps Strike-Fighter Shortfall: Background and Options for Congress," Congressional Research Service *Report for Congress*, April 10, 2009, at http://assets.opencrs.com/rpts/RS22875 20090410.pdf.

⁸ Andrew Tilghman, "Fighter Gap Expands Under Latest Estimate," *Navy Times*, May 19, 2009, at http://www.navytimes.com/news/2009/05/navy_fightergap_051609w/.

and missiles) and battle networks are proliferating, while advances in radar and electro-optical technology are increasingly rendering stealth less effective.

Policymakers should help the Navy and the Air Force to take a step back and look at the big picture to inform future investment portfolios. Congress should mandate the development of long-range technology road maps, including a science and technology plan and a research and development plan for the Department of the Navy and Air Force. These plans should broadly outline future investments, capabilities, and requirements. The possibilities include:

- A next-generation surface combatant,
- A new air superiority fighter jet, and
- Low-observable capabilities beyond stealth.

These plans should also identify and prioritize the need for additional investment in critical capabilities, including:

- More capable anti-ship, land attack, and air-to-air missiles;
- Next-generation rotary wing aircraft;
- Satellite recapitalization;
- Directed energy and electromagnetic weapons;
- Underwater weapons, including an unmanned underwater vehicle;
- Nanotechnology and solid-state and fiber lasers;
- Biotechnologies; and
- Advanced cyber technologies.

In light of the need for a comprehensive, long-range technology road map for the services, Congress should consider adding to its requirement for 30-year shipbuilding and aviation plans by directing the Navy and Air Force to submit long-range technology road maps.

The technology road map should be holistic and should account for the rapidly declining force structure of the U.S. military's global partners and the potential emergence of new players. The Navy's analysis should also consider shifting global shipping patterns, including the expansion of the Panama Canal and melting in the Arctic.

Any long-term analysis should also carefully consider the capabilities required in the increasingly contested undersea, cyber, and space domains. Without this type of strategy-driven analysis by military leaders, Congress will continue to struggle to determine where to apply diminishing resources within the defense budget and how to justify the additional investments needed in higher-priority areas.

Universal Cost Estimates Needed

After years of outside analysis showing that the Navy was underestimating and underfunding the shipbuilding needed to achieve anything close to its own requirement for a 313-ship fleet, some Members of Congress are growing increasingly doubtful.

To increase confidence in Navy shipbuilding budget estimates, Congress should direct the Office of the Secretary of Defense, the Department of the Navy, and the Congressional Budget Office (CBO) to use a set of consistent costing methods to reduce the wide variances in cost estimates among Navy shipbuilding plans, defense budgets, CBO estimates, and external analyses. Additionally, Congress should mandate that the Secretary of the Navy certify the design wholeness and cost estimates for any new ship class before authorization of the first hull.

The Navy should seek and Congress should approve the appointment of a four-star admiral to a newly created position of Director of Navy Shipbuilding. This person would be appointed for a term of eight years (analogous to the existing Director of Naval Nuclear Propulsion, who oversees all Navy nuclear power). The director would oversee design, acquisition, construction, and life-cycle management of all surface ships, aircraft carriers, and submarines. Current program executive officers for ships, submarines, and aircraft carriers would report to this new executive, who would report in turn to both the Chief of Naval Operations and the Secretary of the Navy.

To relieve additional pressure on the already strained Navy shipbuilding budget, Congress should seriously consider funding the design and construction costs of the Navy's new replacement ballistic missile submarine outside of Navy budget controls. These national assets are employed as part of critical strategic missions. Without additional resources, the defense industrial base and the nation's conventional advantage at sea could be sacrificed to recapitalize the strategic force.

Consider Including Rotary Wing Aircraft in the 30-Year Aviation Plans

The 30-year aviation plan does not include rotary wing, tilt-rotor, or trainer aircraft. Yet the critical capabilities and requirements for various military helicopters warrant more oversight and planning. The Air Force is examining a future heavy lift aircraft, the Army is thinking about a next-generation rotorcraft, and the Navy potentially needs a new heavy-lift rotary wing aircraft.

Yet, DoD's "investment in rotorcraft science and technology has decreased dramatically over the past 25 years." The U.S. Navy's MH-53E Sea Dragon helicopters are, for example, the "only heavy-lift helicopters in the fleet," and it is unclear whether the Navy plans to purchase additional ones in the future. ¹⁰

Sikorsky's director of innovation recently told *National Defense* that if DoD "wants a new next-generation rotorcraft to replace the Kiowa Warrior, then industry should already have begun maturing the technology for it about five years ago." Otherwise, "the aircraft you end up with in 2025 is pretty much the same as what you've got now." Congress should add rotary wing aircraft to those that should be included in the 30-year aviation plans.

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⁹ Eric Beidel, "Manufacturers: Technology Will Make Rotorcraft Faster, Safer," *National Defense*, May 2011, at http://www.nationaldefensemagazine.org/archive/2011/May/Pages/ManufacturersTechnologyWillMakeRotorcraftFaster,Safer.aspx.

¹⁰ Andrew Tilghman, "Plan to Outline Aviation Needs Through 2040," *Navy Times*, March 11, 2009, at http://www.navytimes.com/news/2009/03/navy_aviationplan_031109w/.

¹¹ Beidel, "Manufacturers: Technology Will Make Rotorcraft Faster, Safer."

¹² Ibid.

Recapturing Innovation and a Sound Industrial Policy

Despite the fact that "industrial policy" became a dirty word from its association with socialist governments during the Cold War, Congress needs to prevent the loss of innovation in defense-related research and development. Members should already know and be alarmed that the U.S. military has no manned aircraft under development—a first in the history of aviation. Similarly, no surface ships, manned aircraft, or attack submarines are in the design phase. With development cycles lasting 20 years or longer, elected leaders need to ensure that the Defense Department is not losing critical skills that will be needed to imagine and build the next generation of ships, aircraft, sensors, and weapons for the U.S. Navy and Air Force.

The critical workforce ingredients needed to sustain an industrial base capable of building next-generation systems are specialized design, engineering, and manufacturing skills. The growth of the defense industry after World War II peaked in the late 1950s when defense production became a leading sector of the national economy, a trend that continued well into the 1980s. This period was also marked by an increased focus on developing advanced defense technologies. By 1960, the federal government was responsible for 58 percent of the nation's research and development investments. This emphasis required a new level of engineering skills and capabilities within the industry to develop the complex defense systems the government sought to build.

Since World War II, the United States has benefited from the skills of a robust defense industrial and manufacturing workforce. For more than six decades, various U.S. defense strategies have emphasized the benefits of a technologically superior military to help to deter and win wars. The U.S. military has pursued this "technical overmatch" for decades in an attempt to deter potential enemies from engaging the U.S. in conflict and to reduce risk and loss of life on the battlefield.

When the Cold War ended in 1991, the sudden apparent dissolution of national security threats prompted a period of intense downsizing and consolidation. Whereas more than 50 major defense firms dominated the market in the early 1990s, only six prime contractors remain today. Contrary to popular perception, 60 percent to 75 percent of work programs in the aerospace and defense industries are performed by sub-prime companies and lower-tier suppliers, not the big defense contractors. These small companies are increasingly vulnerable to the vagaries of defense budgets, and reductions in defense research and development will cause them to disappear along with their tooling and skills.

An expected, the emerging round of consolidation of the defense industry has increased the burden on the small collection of defense companies. The contraction of major defense contractors has generally reduced the number of available workers. Already at a turning point, the potential closure of major defense manufacturing lines in the next five years with no additional scheduled production could shrink this national asset even further.

While the manufacturing workforce alone should not dictate congressional defense acquisition decisions, Congress needs to consider the potential defense "brain drain" when determining whether or not to shut down major production lines permanently, particularly in shipbuilding and aerospace. More often than not, once these highly skilled workers leave the federal workforce,

they are difficult to recruit back and even more expensive to retrain. This dynamic creates significant project gaps.

Conclusion

As defense budgets are set to enter a period when planned spending will likely see no real growth, Congress will need updated information to inform its oversight functions and help prioritize investment priorities. The 30-year shipbuilding and aviation plans serve an important purpose by shining a light on the military's investment plans, changing requirements, and fleet composition and sizes.

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