



# Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress

**Ronald O'Rourke**  
Specialist in Naval Affairs

December 10, 2012

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

RL32665

## Summary

The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been matters of concern for the congressional defense committees for the past several years.

In February 2006, the Navy presented to Congress a goal of achieving and maintaining a fleet of 313 ships, consisting of certain types and quantities of ships. On March 28, 2012, the Department of Defense (DOD) submitted to Congress an FY2013 30-year (FY2013-FY2042) shipbuilding plan that includes a new goal for a fleet of about 310-316 ships. The Navy is conducting a force structure assessment, to be completed later this year, that could lead to a refinement of this 310-316 ship plan.

The Navy's proposed FY2013 budget requests funding for the procurement of 10 new battle force ships (i.e., ships that count against the 310-316 ship goal). The 10 ships include one Gerald R. Ford (CVN-78) class aircraft carrier, two Virginia-class attack submarines, two DDG-51 class Aegis destroyers, four Littoral Combat Ships (LCSs), and one Joint High Speed Vessel (JHSV). These ships are all funded through the Shipbuilding and Conversion, Navy (SCN) account.

The FY2013-FY2017 five-year shipbuilding plan contains a total of 41 ships—14 ships, or about 25%, less than the 55 ships in the FY2012 five-year (FY2012-FY2016) shipbuilding plan, and 16 ships, or about 28%, less than the 57 ships that were planned for FY2013-FY2017 under the FY2012 budget. Of the 16 ships no longer planned for FY2013-FY2017, 9 were eliminated from the Navy's shipbuilding plan and 7 were deferred to years beyond FY2017. The nine ships that were eliminated were eight Joint High Speed Vessels (JHSVs) and one TAGOS ocean surveillance ship. The seven ships deferred beyond FY2017 were one Virginia-class attack submarine, two LCSs, one LSD(X) amphibious ship, and three TAO(X) oilers. The Navy's proposed FY2013 budget also proposes the early retirement of seven Aegis cruisers and the placement into Reduced Operating Status (ROS) of two LSD-type amphibious ships.

The Navy's FY2013 30-year (FY2013-FY2042) shipbuilding plan, which was submitted to Congress on March 28, 2012 (more than a month after the submission of the FY2013 budget on February 13, 2012), does not include enough ships to fully support all elements of the Navy's 310-316 ship goal over the long run. The Navy projects that the fleet would remain below 310 ships during the entire 30-year period, and experience shortfalls at various points in ballistic missile submarines, cruisers-destroyers, attack submarines, and amphibious ships. The projected cruiser-destroyer and attack submarine shortfalls are smaller than they were projected to be under the FY2012 30-year (FY2012-FY2041) shipbuilding plan, due in part to a reduction in the cruiser-destroyer force-level goal and the insertion of additional destroyers and attack submarines into the FY2013 30-year plan.

In its July 2012 report on the cost of the FY2013 30-year shipbuilding plan, the Congressional Budget Office (CBO) estimates that the plan would cost an average of \$20.0 billion per year in constant FY2012 dollars to implement, or about 19% more than the Navy estimates. CBO's estimate is about 11% higher than the Navy's estimate for the first 10 years of the plan, about 13% higher than the Navy's estimate for the second 10 years of the plan, and about 33% higher than the Navy's estimate for the final 10 years of the plan. Some of the difference between CBO's estimate and the Navy's estimate, particularly in the latter years of the plan, is due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding.

## Contents

Introduction.....	1
Background.....	1
Navy’s Ship Force Structure Goal.....	1
March 2012 Goal for Fleet of About 310-316 Ships.....	1
Goal of About 310-316 Ships Is an Interim Target That May Be Refined.....	1
Goal for Fleet of About 310-316 Ships Compared to Earlier Goals.....	2
Navy’s Five-Year and 30-Year Shipbuilding Plans.....	3
Five-Year (FY2013-FY2017) Shipbuilding Plan.....	3
30-Year (FY2013-FY2042) Shipbuilding Plan.....	6
Navy’s Projected Force Levels Under 30-Year (FY2013-FY2042) Shipbuilding Plan.....	8
Oversight Issues for Congress.....	11
Potential Impact of Sequestration on Shipbuilding and Size of Navy.....	11
Potential Impact of Six-Month Continuing Resolution (CR) on Shipbuilding Programs.....	12
Future Size and Structure of Navy in Light of Strategic and Budgetary Changes.....	16
Sufficiency of FY2013 30-Year Shipbuilding Plan.....	19
Affordability of FY2013 30-Year Shipbuilding Plan.....	21
Estimated Ship Procurement Costs.....	21
Future Shipbuilding Funding Levels.....	22
Near-Term Options for Adding Ships and Reducing Ship Unit Procurement Costs.....	22
Adding a Second Virginia Class Boat in FY2014—10 Boats in MYP.....	23
Adding a 10 <sup>th</sup> DDG-51 to the DDG-51 MYP.....	25
Block Buy for CVN-79 and CVN-80.....	26
Legislative Activity for FY2013.....	31
FY2013 Funding Request.....	31
FY2013 National Defense Authorization Act (H.R. 4310/S. 3254).....	31
House.....	31
Senate (As Reported).....	36
Senate (Floor Action).....	40
FY2013 DOD Appropriations Act (H.R. 5856).....	40
House.....	40
Senate.....	43
CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs.....	47

## Tables

Table 1. Current 310-316 Ship Force Structure Goal Compared to Earlier Goals.....	2
Table 2. Navy FY2013 Five-Year (FY2013-FY2017) Shipbuilding Plan.....	4
Table 3. Navy FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan.....	7
Table 4. Projected Force Levels Resulting from FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan.....	9
Table 5. FY2013 Shipbuilding Quantities Compared to FY2012 Quantities.....	14
Table 6. Recent Study Group Proposals for Navy Ship Force Structure.....	17

Table 7. Navy and CBO Estimates of Cost of FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan .....	22
Table C-1. Comparison of Navy’s 310-316 ship goal, Navy Plan from 1993 BUR, and Navy Plan from 2010 QDR Review Panel .....	56
Table D-1. Total Number of Ships in the Navy Since FY1948 .....	59
Table D-2. Battle Force Ships Procured or Requested, FY1982-FY2017 .....	60

## **Appendixes**

Appendix A. 2012 Testimony on Size of Navy Needed to Fully Meet COCOM Requests.....	48
Appendix B. Using Past Ship Force Levels to Assess Proposed Force Levels .....	52
Appendix C. Independent Panel Assessment of 2010 QDR.....	54
Appendix D. Size of the Navy and Navy Shipbuilding Rate.....	58

## **Contacts**

Author Contact Information.....	60
---------------------------------	----

## Introduction

This report provides background information and presents potential issues for Congress concerning the Navy's ship force-structure goals and shipbuilding plans. The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. Decisions that Congress makes on Navy shipbuilding programs can substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

## Background

### Navy's Ship Force Structure Goal

#### March 2012 Goal for Fleet of About 310-316 Ships

The Navy in February 2006 presented to Congress a goal of achieving and maintaining a fleet of 313 ships, consisting of certain types and quantities of ships. On March 28, 2012, the Department of Defense (DOD) submitted to Congress an FY2013 30-year (FY2013-FY2042) shipbuilding plan that includes a new goal for a fleet of about 310-316 ships. In its report on the FY2013 30-year shipbuilding plan, the Navy refers to this new goal as a goal for a Navy of about 300 ships—perhaps in recognition of the ongoing naval force structure assessment discussed below—but the numbers presented in the report add to a target fleet of about 310-316 ships.<sup>1</sup>

#### Goal of About 310-316 Ships Is an Interim Target That May Be Refined

The goal for a fleet of about 310-316 ships is an interim target that may be further refined in coming months. DOD states that

In response to the new strategic priorities and guidance found in [the January 2012 document entitled] *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*,<sup>2</sup> the Department of Defense is now reviewing and updating the requirements for naval presence and forces and its operational plans for a variety of potential regional contingencies. When these efforts are complete, the DoN [Department of the Navy] will revisit and reassess the force structure judgments and decisions in a supporting Naval Force Structure Assessment (FSA)....

This battle force [totaling about 310-316 ships] is fully capable of meeting the strategic guidance found in *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*, and adequately sustains the national shipbuilding and naval combat systems design and industrial base.

---

<sup>1</sup> Department of the Navy, *Annual Report to Congress on Long-Range Plan for Construction of Naval Vessels for FY2013*, April 2012, pp. 4 and 10.

<sup>2</sup> For more on this document, see CRS Report R42146, *In Brief: Assessing DOD's New Strategic Guidance*, by Catherine Dale and Pat Towell.

However the battle force inventory above should be considered an interim planning target pending the outcome of a formal Force Structure Assessment (FSA) and the ongoing Department of Defense review of its operational plans for potential regional contingencies. The final FSA-derived inventory targets will remain valid as long as there are no further changes to defense strategic guidance, the global force management allocation plan, or to Department fiscal guidance. Should changes to any of these three things occur, a further review and assessment of battle force requirements will be necessary.<sup>3</sup>

## Goal for Fleet of About 310-316 Ships Compared to Earlier Goals

Table 1 compares the 310-316 ship goal to earlier Navy ship force structure plans.

**Table 1. Current 310-316 Ship Force Structure Goal Compared to Earlier Goals**

Ship type	Current goal: 310-316 ship plan of March 2012	Revised 313-ship plan of September 2011	Changes to February 2006 313-ship plan announced through mid-2011	February 2006 Navy plan for 313-ship fleet	Early-2005 Navy plan for fleet of 260-325 ships		2002-2004 Navy plan for 375-ship Navy <sup>a</sup>	2001 QDR plan for 310-ship Navy
					260-ships	325-ships		
Ballistic missile submarines (SSBNs)	12-14 <sup>b</sup>	12 <sup>b</sup>	12 <sup>b</sup>	14	14	14	14	14
Cruise missile submarines (SSGNs)	0-4 <sup>c</sup>	4 <sup>c</sup>	0 <sup>c</sup>	4	4	4	4	2 or 4 <sup>d</sup>
Attack submarines (SSNs)	~48	48	48	48	37	41	55	55
Aircraft carriers	11	11 <sup>e</sup>	11 <sup>e</sup>	11 <sup>f</sup>	10	11	12	12
Cruisers and destroyers	~90	94	94 <sup>g</sup>	88	67	92	104	116
Frigates	0	0	0	0	0	0	0	0
Littoral Combat Ships (LCSs)	~55	55	55	55	63	82	56	0
Amphibious ships	~32	33	33 <sup>h</sup>	31	17	24	37	36
MPF(F) ships <sup>i</sup>	0	0 <sup>i</sup>	0 <sup>i</sup>	12 <sup>i</sup>	14 <sup>i</sup>	20 <sup>i</sup>	0 <sup>i</sup>	0 <sup>i</sup>
Combat logistics (resupply) ships	~29	30	30	30	24	26	42	34
Dedicated mine warfare ships	0	0	0	0	0	0	26 <sup>k</sup>	16
Joint High Speed Vessels (JHSV <sup>s</sup> )	10 <sup>l</sup>	10 <sup>l</sup>	21 <sup>l</sup>	3	0	0	0	0
Other <sup>m</sup>	~23	16	24 <sup>n</sup>	17	10	11	25	25
<b>Total battle force ships</b>	<b>~310-316</b>	<b>313</b>	<b>328</b>	<b>313</b>	<b>260</b>	<b>325</b>	<b>375</b>	<b>310 or 312</b>

**Sources:** Table prepared by CRS based on U.S. Navy data.

**Note:** QDR is Quadrennial Defense Review. The “~” symbol means approximately and signals that the number in question may be refined as a result of the Naval Force Structure Assessment currently in progress.

a. Initial composition. Composition was subsequently modified.

<sup>3</sup> Department of the Navy, *Annual Report to Congress on Long-Range Plan for Construction of Naval Vessels for FY2013*, April 2012, pp. 8 and 10.

- b. The Navy plans to replace the 14 current Ohio-class SSBNs with a new class of 12 next-generation SSBNs. For further discussion, see CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.
- c. Although the Navy plans to continue operating its four SSGNs until they reach retirement age in the late 2020s, the Navy does not plan to replace these ships when they retire.
- d. The report on the 2001 QDR did not mention a specific figure for SSGNs. The Administration's proposed FY2001 DOD budget requested funding to support the conversion of two available Trident SSBNs into SSGNs, and the retirement of two other Trident SSBNs. Congress, in marking up this request, supported a plan to convert all four available SSBNs into SSGNs.
- e. With congressional approval, the goal will temporarily be reduced to 10 carriers for the period between the retirement of the carrier *Enterprise* (CVN-65) in November 2012 and entry into service of the carrier *Gerald R. Ford* (CVN-78), currently scheduled for September 2015.
- f. For a time, the Navy characterized the goal as 11 carriers in the nearer term, and eventually 12 carriers.
- g. The 94-ship goal was announced by the Navy in an April 2011 report to Congress on naval force structure and missile defense.
- h. The Navy acknowledged that meeting a requirement for being able to lift the assault echelons of 2.0 Marine Expeditionary Brigades (MEBs) would require a minimum of 33 amphibious ships rather than the 31 ships shown in the February 2006 plan. For further discussion, see CRS Report RL34476, *Navy LPD-17 Amphibious Ship Procurement: Background, Issues, and Options for Congress*, by Ronald O'Rourke.
- i. Today's Maritime Prepositioning Force (MPF) ships are intended primarily to support Marine Corps operations ashore, rather than Navy combat operations, and thus are not counted as Navy battle force ships. The MPF (Future) ships, however, would have contributed to Navy combat capabilities (for example, by supporting Navy aircraft operations). For this reason, the ships in the planned MPF(F) squadron were counted by the Navy as battle force ships.
- j. The Navy no longer plans to acquire an MPF(F) squadron. The Navy, however, has procured or plans to procure six ships that were previously planned for the MPF(F) squadron—three modified TAKE-I class cargo ships, and three Mobile Landing Platform (MLP) ships. These six ships were included in the total shown for "Other" ships.
- k. The figure of 26 dedicated mine warfare ships included 10 ships maintained in a reduced mobilization status called Mobilization Category B. Ships in this status are not readily deployable and thus do not count as battle force ships. The 375-ship proposal thus implied transferring these 10 ships to a higher readiness status.
- l. Totals shown include 5 ships transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.
- m. This category includes, among other things, command ships and support ships.
- n. The increase in this category from 17 ships under the February 2006 313-ship plan to 24 ships under the apparent 328-ship goal included the addition of one TAGOS ocean surveillance ship and the transfer into this category of six ships—three modified TAKE-I class cargo ships, and three Mobile Landing Platform (MLP) ships—that were previously intended for the planned (but now canceled) MPF(F) squadron.

## **Navy's Five-Year and 30-Year Shipbuilding Plans**

### **Five-Year (FY2013-FY2017) Shipbuilding Plan**

**Table 2** shows the Navy's FY2013 five-year (FY2013-FY2017) shipbuilding plan.

**Table 2. Navy FY2013 Five-Year (FY2013-FY2017) Shipbuilding Plan**  
(Battle force ships—i.e., ships that count against 310-316 ship goal)

Ship type	FY13	FY14	FY15	FY16	FY17	Total
Ford (CVN-78) class aircraft carrier	1					1
Virginia (SSN-774) class attack submarine	2	1	2	2	2	9
Arleigh Burke (DDG-51) class destroyer	2	1	2	2	2	9
Littoral Combat Ship (LCS)	4	4	4	2	2	16
LHA(R) amphibious assault ship					1	1
Fleet tug (TATF)				2		2
Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB)		1				1
Joint High Speed Vessel (JHSV)	1					1
TAO(X) oiler				1		1
<b>TOTAL</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>41</b>

**Source:** FY2013 Navy budget submission.

**Notes:** The MLP/AFSB is a variant of the MLP with additional features permitting it to serve in the role of an AFSB.

Observations that can be made about the Navy’s proposed five-year (FY2013-FY2017) shipbuilding plan include the following:

- **Total of 41 ships—16 ships, or 28% less than planned last year.** The FY2013-FY2017 five-year shipbuilding plan contains a total of 41 ships—14 ships, or about 25%, less than the 55 ships in the FY2012 five-year (FY2012-FY2016) shipbuilding plan, and 16 ships less, or about 28%, less than the 57 ships that were planned for FY2013-FY2017 under the FY2012 budget.
- **The 16 ships eliminated or deferred.** Of the 16 ships that are no longer planned for FY2013-FY2017, 9 were eliminated from the Navy’s shipbuilding plan and 7 were deferred to years beyond FY2017. The nine ships that were eliminated were eight Joint High Speed Vessels (JHSVs) and one TAGOS ocean surveillance ship. The seven ships that were deferred beyond FY2017 were one Virginia-class attack submarine, two LCSs, one LSD(X) amphibious ship, and three TAO(X) oilers.
- **Average of 8.2 ships per year.** The FY2013-FY2017 plan includes an average of 8.2 battle force ships per year. The previous two five-year shipbuilding plans included an average of 10 or more battle force ships per year. Given the single-digit numbers of battle force ships that were procured from FY1993 through FY2010, shipbuilding supporters for some time have wanted to increase the shipbuilding rate to 10 or more battle force ships per year. The steady-state replacement rate for a fleet of 310-316 ships with an average service life of 35 years is about 8.9-9.0 ships per year. The average shipbuilding rate since FY1993 has been substantially below 8.9-9.0 ships per year (see **Appendix D**).
- **Five percent reduction in large combat ships.** Although the FY2013-FY2017 five-year shipbuilding plan contains about 28% fewer ships than were planned for FY2013-FY2017 under the FY2012 budget, the percentage reduction in



large combat ships (defined here as aircraft carriers, submarines, destroyers, and amphibious ships) was much smaller. The total number of large combat ships planned for FY2013-FY2017 dropped from 21 in the FY2012 budget to 20 in the FY2013 budget—a reduction of about 5%.

- **Two-year stretch-out in aircraft carrier construction.** Although the FY2013-FY2017 five-year shipbuilding plan retains FY2013 as the year of procurement for the aircraft carrier CVN-79, the FY2013-FY2017 plan defers the scheduled delivery date of this ship by two years, to 2022, which is a delivery date that in the past might have been expected for a carrier procured in FY2015. Although it does not show in **Table 2**, the FY2013 budget also retains FY2018 as the year of procurement for CVN-80, the next carrier after CVN-79. As with CVN-79, the FY2013 budget defers the scheduled delivery date of CVN-80 by two years, to 2027, which is a delivery date that in the past might have been expected for a carrier procured in FY2020.
- **Virginia-class submarine deferred from FY2014 to FY2018.** The FY2013-FY2017 five-year shipbuilding plan defers one Virginia-class submarine from FY2014 to FY2018. Navy leaders in testimony this year have expressed an interest in finding a way to restore a second Virginia-class submarine to FY2014. The Navy this year is also seeking congressional approval for a multiyear procurement (MYP) arrangement<sup>4</sup> for the nine Virginia-class boats currently scheduled for procurement in FY2014-FY2018. Adding a second Virginia-class boat to FY2014 would increase to 10 the number of boats that would be procured under the proposed FY2014-FY2018 MYP arrangement.
- **Start of Ohio-replacement procurement deferred to FY2021.** Although it does not show in **Table 2**, the FY2013 budget defers the scheduled procurement of the first Ohio replacement (SSBN[X]) ballistic missile submarine by two years, from FY2019 to FY2021.
- **DDG-51 destroyer deferred from FY2014 to FY2016.** The FY2013-FY2017 five-year shipbuilding plan defers the scheduled procurement of one DDG-51 destroyer from FY2014 to FY2016. The Navy this year is seeking congressional approval for an MYP arrangement for the nine DDG-51s scheduled for procurement in FY2013-FY2017.
- **LCS procurement reduced in FY2016-FY2017.** The FY2013-FY2017 five-year shipbuilding plan reduces the LCS procurement rate in FY2016 and FY2017 from three ships per year to two ships per year. The Navy still plans on procuring a total of 55 LCSs, so the two LCSs that are no longer planned for FY2016 and FY2017 have been deferred beyond FY2017.
- **LHA(R) amphibious assault ship deferred from FY2016 to FY2017.** The FY2013-FY2017 five-year shipbuilding plan defers the scheduled procurement of the next LHA(R) amphibious assault ship by one year, from FY2016 to FY2017.

---

<sup>4</sup> For an explanation of MYP, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke and Moshe Schwartz.

- **Start of LSD(X) amphibious ship procurement deferred to FY2018.** The FY2013-FY2017 five-year shipbuilding plan defers from FY2017 to FY2018 the scheduled procurement of the first LSD(X) amphibious ship. LSD(X)s are to replace aging LSD-41/49 class amphibious ships. The Navy testified last year that an FY2017 start for LSD(X) procurement would have been ahead of need (i.e., earlier than needed) for replacing the first retiring LSD-41/49 class ship. The implication was that the FY2017 start date for the LSD(X) under last year's budget reflected industrial-base considerations, and that the Navy no longer feels that adequately supporting the industrial base over the next few years requires an FY2017 start date.
- **AFSB added in FY2014.** The FY2013-FY2017 five-year shipbuilding plan adds an Afloat Forward Staging Base (AFSB) ship in FY2014. This ship will be a variant of the Mobile Landing Platform (MLP) ship. The Navy is also proposing to build the third MLP, which was funded in FY2012, to the modified AFSB design, producing an eventual force of two regular MLPs and two AFSBs. The Navy has canceled the retirement of an existing LPD-type amphibious ship and is now modifying that ship to serve as an interim AFSB, pending the delivery of the two new-built AFSBs.
- **Start of TAO(X) oiler procurement deferred from FY2014 to FY2016.** The FY2013-FY2017 five-year shipbuilding plan defers the start of TAO(X) oiler procurement two years, from FY2014 to FY2016. The addition of the AFSB in FY2014 is intended in part to mitigate the industrial-base impact of deferring the start of TAO(X) procurement.
- **Eight JHSVs eliminated.** The elimination of the eight JHSVs from the FY2013-FY2017 shipbuilding plan reflects a reduction in the Navy's JHSV force-level goal from 21 ships down to 10 ships. A total of nine JHSVs have been procured through FY2012; the JHSV requested for FY2013 is to be the 10<sup>th</sup> and final ship.
- **Early retirements for seven Aegis cruisers; ROS for two LSD-type amphibious ships.** The FY2013 budget also proposes the early retirement of seven Aegis cruisers and the placement into Reduced Operating Status (ROS) of two LSD-41/49 class amphibious ships in FY2013-FY2014. The seven cruisers would await foreign sale or disposal.

### **30-Year (FY2013-FY2042) Shipbuilding Plan**

**Table 3** shows the Navy's proposed FY2013 30-year (FY2013-FY2042) shipbuilding plan, which was submitted to Congress on March 28, 2012, more than a month after the submission of the FY2013 budget on February 13, 2012,<sup>5</sup> and which includes a total of 268 ships.

---

<sup>5</sup> 10 U.S.C. 231, as most recently amended by Section 1011 of the FY2012 National Defense Authorization Act (H.R. 1540/ P.L. 112-81 of December 31, 2011), states that "The Secretary of Defense shall include [the 30-year shipbuilding plan] with the defense budget materials for a fiscal year..."

**Table 3. Navy FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan**

FY	CVN	LSC	SSC	SSN	SSBN	AWS	CLF	Supt	Total
13	1	2	4	2				1	10
14		1	4	1				1	7
15		2	4	2					8
16		2	2	2			1	2	9
17		2	2	2		1			7
18	1	2	3	2		1	1	1	11
19		2	3	2				1	8
20		2	3	3		1	1	2	12
21		2	3	2	1		1		9
22		2	3	3		1	1	2	12
23	1	3	3	2			1	3	13
24		2	3	1	1	2	1	2	12
25		3	3	2			1	1	10
26		2	3	1	1	1	1		9
27		3		1	1		1		6
28	1	2		1	1	2	1	1	9
29		3		1	1	1	1	1	8
30		2	1	1	1	1	1	2	9
31		2		1	1	1	1	2	8
32		2	1	1	1	2	1	3	11
33	1	2		1	1		1	2	8
34		2	1	1	1		1	2	8
35		2	1	1	1				5
36		3	2	1		1			7
37		3	3	1					7
38	1	3	4	2					10
39		3	4	1					8
40		3	4	2		2			11
41		3	4	1					8
42		3	2	2		1			8

Source: FY2013 30-year (FY2013-FY2042) shipbuilding plan.

**Key:** **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., Littoral Combat Ships [LCSs]); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

In devising a 30-year shipbuilding plan to move the Navy toward its ship force-structure goal, key assumptions and planning factors include but are not limited to the following:

- ship service lives;
- estimated ship procurement costs;
- projected shipbuilding funding levels; and
- industrial-base considerations.

The Navy’s report on the FY2013 30-year shipbuilding plan states that

This 30-year shipbuilding plan is based on several key assumptions:

- *The battle force inventory target that forms the basis for the accompanying 30-year shipbuilding report will not change substantially with the Navy Force Structure Assessment or the ongoing Department of Defense review of its operational plans for a variety of potential regional contingencies.* Individual ship targets may vary slightly based on a detailed analysis of Combatant Commander requirements in light of the new defense strategy.
- *Yearly spending on Navy shipbuilding must increase starting in the second FYDP of the near-term period [FY2013-FY2022], and remain at higher levels throughout the mid-term planning period [FY2023-FY2032] before falling down to annual shipbuilding levels nearer to historical averages.* During the 2020s and early 2030s, a large number of surface ships and submarines built during the Cold War build-up in the 1980s and early 1990s—particularly the OHIO-class SSBNs—will reach the end of their service lives. This will inevitably cause the annual shipbuilding expenditures from FY2020 through FY2032 to be higher than those seen from the mid-1990s through 2020.
- *All battle force ships—particularly Large Surface Combatants [i.e., cruisers and destroyers]—will serve to the end of their planned or extended service lives.* In this fiscal environment, the DoN [Department of the Navy] can ill-afford to inflate future shipbuilding requirements by retiring ships earlier than planned.
- *The Department of the Navy will be able to maintain cost control over its major shipbuilding acquisition programs, especially once individual ship classes shift to serial production.* The Department will need to focus on limiting overruns for first ships-of-class.
- *The Department of the Navy must still be able to cover the Manpower, Operations and Maintenance (MPN/O&MN), Weapons Procurement navy (WPN), and Other Procurement Navy (OPN) costs associated with this plan.* DoN leaders are committed to avoiding a “hollow force.”<sup>6</sup>

## **Navy’s Projected Force Levels Under 30-Year (FY2013-FY2042) Shipbuilding Plan**

**Table 4** shows the Navy’s projection of force levels for FY2013-FY2042 that would result from implementing the FY2013 30-year (FY2013-FY2042) shipbuilding plan shown in **Table 3**.

---

<sup>6</sup> Department of the Navy, *Annual Report to Congress on Long-Range Plan for Construction of Naval Vessels for FY2013*, April 2012, p. 19. Italics as in original.

**Table 4. Projected Force Levels Resulting from FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan**

	CVN	LSC	SSC	SSN	SSGN	SSBN	AWS	CLF	Supt	Total
310-316 ship plan	11	~90	~55	~48	0-4	12-14	~32	~29	~33	~310-316
<b>FY13</b>	10	80	35	55	4	14	31	32	24	<b>285</b>
<b>FY14</b>	10	78	30	55	4	14	29	32	27	<b>279</b>
<b>FY15</b>	11	78	26	54	4	14	28	31	30	<b>276</b>
<b>FY16</b>	11	80	30	53	4	14	29	31	32	<b>284</b>
<b>FY17</b>	11	82	32	50	4	14	30	29	33	<b>285</b>
<b>FY18</b>	11	84	35	51	4	14	31	29	33	<b>292</b>
<b>FY19</b>	11	86	39	51	4	14	31	29	35	<b>300</b>
<b>FY20</b>	11	87	37	48	4	14	31	29	34	<b>295</b>
<b>FY21</b>	11	88	38	48	4	14	31	29	33	<b>296</b>
<b>FY22</b>	12	87	40	47	4	14	32	29	33	<b>298</b>
<b>FY23</b>	11	89	39	47	4	14	32	29	35	<b>300</b>
<b>FY24</b>	11	89	41	46	4	14	34	29	35	<b>303</b>
<b>FY25</b>	11	88	43	45	4	14	34	29	33	<b>301</b>
<b>FY26</b>	11	89	46	45	2	14	34	29	32	<b>302</b>
<b>FY27</b>	12	90	49	44	1	13	33	29	33	<b>304</b>
<b>FY28</b>	11	89	52	43	0	12	34	29	33	<b>303</b>
<b>FY29</b>	11	87	55	43	0	11	33	29	33	<b>302</b>
<b>FY30</b>	11	85	55	43	0	11	33	29	33	<b>300</b>
<b>FY31</b>	11	81	55	45	0	11	32	29	33	<b>297</b>
<b>FY32</b>	11	80	55	45	0	10	32	29	33	<b>295</b>
<b>FY33</b>	11	79	55	46	0	10	33	29	33	<b>296</b>
<b>FY34</b>	11	78	55	47	0	10	34	29	33	<b>297</b>
<b>FY35</b>	11	80	55	48	0	10	33	29	33	<b>299</b>
<b>FY36</b>	11	82	55	49	0	10	33	29	33	<b>302</b>
<b>FY37</b>	11	84	55	50	0	10	33	29	33	<b>305</b>
<b>FY38</b>	11	86	55	48	0	10	32	29	34	<b>305</b>
<b>FY39</b>	11	88	55	49	0	10	32	29	33	<b>307</b>
<b>FY40</b>	10	88	55	49	0	10	31	29	33	<b>305</b>
<b>FY41</b>	10	89	55	48	0	11	32	29	33	<b>307</b>
<b>FY42</b>	10	88	55	49	0	12	31	29	33	<b>307</b>

**Source:** FY2013 30-year (FY2013-FY2042) shipbuilding plan.

**Note:** Figures for support ships include five JHSVs transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.

**Key:** **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., frigates, Littoral Combat Ships [LCSs], and mine warfare ships); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

Observations that can be made about the Navy's FY2013 30-year (FY2013-FY2042) shipbuilding plan and resulting projected force levels include the following:

- **Total of 268 ships; average of about 8.9 per year.** The plan includes a total of 268 ships to be procured, compared to 276 ships in the FY2012 30-year (FY2012-FY2041) shipbuilding plan. The total of 268 ships equates to an average of about 8.9 ships per year, which is the approximate average procurement rate (sometimes called the steady-state replacement rate) that would be needed over the long run to achieve and maintain a fleet of about 310-316 ships, assuming an average life of 35 years for Navy ships.
- **Projected fleet remains below 310 ships.** Although the FY2013 30-year plan includes an average of about 8.9 ships per year, the FY2013 30-year plan, like previous 30-year plans, results in a fleet that does not fully support all elements of the Navy's ship force structure goal. The distribution of the 268 ships over the 30-year period, combined with the ages of the Navy's existing ships, results in a projected fleet that would remain below 310 ships during the entire 30-year period and experience shortfalls in ballistic missile submarines, cruisers-destroyers, attack submarines, and amphibious ships.
- **New projected shortfall in ballistic missile submarines.** As a result of the decision in the FY2013 budget to defer the scheduled procurement of the first Ohio replacement (SSBN[X]) ballistic missile submarine by two years, from FY2019 to FY2021, the ballistic missile submarine force is projected to drop to a total of 10 or 11 boats—one or two boats below the 12-boat SSBN force-level goal—during the period FY2029-FY2041.
- **Smaller projected shortfalls in cruisers-destroyers and attack submarines.** The cruiser-destroyer and attack submarine shortfalls under the FY2013 30-year plan are smaller than they were projected to be under the FY2012 30-year plan, due in part to the reduction in the cruiser-destroyer force-level goal to about 90 ships (compared to the previous goal of 94 ships) and the insertion of additional destroyers and attack submarines into the FY2013 30-year plan.
  - **18 more destroyers and 2 more attack submarines in plan.** The FY2013 30-year shipbuilding plan includes 70 destroyers and 46 attack submarines, compared to 52 destroyers and 44 attack submarines in the FY2012 30-year plan. Fifteen of the 18 additional destroyers in the FY2013 plan were added during the final 20 years of the 30-year plan.
  - **Cruiser-destroyer force now projected to bottom out at 78 ships.** Under the FY2013 30-year plan, the cruiser-destroyer force is projected to bottom out in FY2014-FY2015 and FY2034 at 78 ships—12 ships, or 13.3%, less than the goal of about 90 ships. Under the FY2012 30-year plan, the cruiser-destroyer force was projected to bottom out in FY2034 at 68 ships—26 ships, or 27.7%, less than the goal under that plan of 94 ships.
  - **Attack submarine force now projected to bottom out at 43 ships.** Under the FY2013 30-year plan, the attack submarine force is projected to bottom out in FY2028-FY2030 at 43 ships—5 ships, or 10.4%, less than the goal of about 48 boats. Under the FY2012 30-year plan, the attack submarine force was projected to bottom out in FY2030 at 39 boats—9 boats, or 18.8%, less than the goal of 48 boats.

- **Shortfall in amphibious ships.** The Navy projects that there will be a shortfall of one to four amphibious ships (i.e., 3.1% to 12.5% of the goal of about 32 ships) during the first nine years (FY2013-FY2021) of the 30-year period.

## Oversight Issues for Congress

### Potential Impact of Sequestration on Shipbuilding and Size of Navy

One potential issue for Congress concerns the potential impact on FY2013 Navy shipbuilding programs that would result from a sequestration on FY2013 funding implemented under the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011), and the potential impact on the size of the Navy that would result over the course of several years from implementing the lower budget caps established in the BCA for FY2013 through FY2021.<sup>7</sup>

At an August 1, 2012, hearing before the House Armed Services Committee on sequestration options and the effects on national defense, Deputy Secretary of Defense Ashton Carter testified that a sequester

introduces senseless chaos into the management of more than 2,500 defense investment programs, waste into defense spending at the very time we need to be careful with the taxpayer's dollar, inefficiency into the defense industry that supports us, and causes lasting disruptions even if it only extends for one year. Sequester in FY 2013 would seriously disrupt our forces and programs. Over the longer term, the lower caps in FY 2014 through FY 2021 would require that we substantially modify and scale back the new defense strategy that the DoD leadership, working under the guidance of the President, so carefully developed just a few months ago....

While sequestration and lowering of the discretionary caps could have important effects for each of the next nine years, I will focus today mostly on the effects in FY 2013....

DoD estimates that the percentage reductions under sequester could range from 8 percent for all DoD accounts (if military personnel funding is fully sequestered) to 10 percent for accounts other than military personnel (if "milpers" funding is fully exempt from sequestration). These estimates assume that Congress provides funds for FY 2013 equal to the President's request and reflects DoD's best estimate of unobligated balances from prior years....

For the investment portions of the [DOD] budget [i.e., the research and development, procurement, and military construction accounts], the dollar cuts must be allocated proportionally at a lower level of detail identified as "program, project, and activity (PPA)". More than 2,500 programs or projects are separately identified and must be reduced by the same percentage. Absent a reprogramming action, the inflexible nature of the sequester law

---

<sup>7</sup> For more on the Budget Control Act of 2011 and sequestration, see CRS Report R42506, *The Budget Control Act of 2011: The Effects on Spending and the Budget Deficit When the Automatic Spending Cuts Are Implemented*, by Mindy R. Levit and Marc Labonte. See also CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

means that DoD would have no authority to vary the amount of the reduction. Within a PPA, however, managers can decide how best to allocate the reductions....

Under current rules that govern the sequester process, every one of our more than 2,500 procurement programs, research projects, and military construction projects would each be indiscriminately reduced. Those who manage these programs would be forced to join many other acquisition managers in non-defense agencies as they seek to accommodate the reduced funding for FY 2013, three months after the fiscal year starts.

Some military managers would be forced to buy fewer weapons.... Reductions in buy sizes will cause unit costs of weapons to rise, which will in turn demand further cuts in buy sizes. **In cases where we cannot feasibly reduce the quantity of items bought – ships come immediately to mind – we would have to delay projects. There could be a delay of several months in the new CVN-78 carrier along with delays in the Littoral Combat Ship program and DDG-51 destroyer procurement.**<sup>8</sup>

On October 22, 2012, Admiral Mark Ferguson, the Vice Chief of Naval Operations, stated, “If you project out 10 years—remember that the budget control act talks about 10 years of [funding] reductions—now you start talking about a fleet reduced to about 230-235 ships.”<sup>9</sup>

## **Potential Impact of Six-Month Continuing Resolution (CR) on Shipbuilding Programs**

Another potential issue for Congress concerns the potential impact on Navy shipbuilding programs of the decision to fund the federal government for the initial months of FY2013 through a six-month continuing resolution, or CR (H.J.Res. 117/P.L. 112-175 of September 28, 2012), that is based on FY2012 appropriations.<sup>10</sup> DOD spending under this CR is based on the FY2012 DOD appropriations Act (Division A of H.R. 2055/P.L. 112-74 of December 23, 2011).

Due to the structure of the annual DOD appropriations act, H.J.Res. 117/P.L. 112-175 might cause program-execution challenges for Navy shipbuilding that are more particular than those that might occur for other areas of defense procurement: The paragraph in the annual DOD appropriations act that provides funding for most Navy shipbuilding programs (that is, the paragraph for the Shipbuilding and Conversion, Navy, appropriation account), unlike the paragraphs for other DOD procurement accounts, not only states the total amount of funding for the account—it also explicitly delineates funding for individual shipbuilding programs within the account. (The language, in fact, not only delineates funding for individual shipbuilding programs—it also divides some of those programs further, into separate line items covering procurement funding for the program and advance procurement [AP] funding for that program.) As a result, a CR that is based on the previous year’s DOD appropriations act can lead to a program-level misalignment in funding for executing current-year Navy shipbuilding programs.

---

<sup>8</sup> Deputy Secretary of Defense Ashton B. Carter, Prepared Testimony [to the] House Armed Services Committee, Wednesday, August 1, 2012, pp. 1-5. (emphasis added)

<sup>9</sup> David Smalley, “Leaner Navy Looking at Future Technology, Fleet Size and Sequestration,” *Navy News Service*, October 23, 2012, accessed October 25, 2012 at [http://www.navy.mil/submit/display.asp?story\\_id=70311](http://www.navy.mil/submit/display.asp?story_id=70311).

<sup>10</sup> Under H.J.Res. 117/P.L. 112-175, FY2012 appropriations are adjusted upward by 0.612% so as to match the total FY2013 federal discretionary spending limit of \$1.047 trillion established the Budget Control Act of 2011 (S. 365/P.L. 112-25 of August 2, 2011).



In general, the longer into the fiscal year that the government operates under such a CR, the greater the program-execution challenges resulting from this misalignment can be.

Particular program-execution challenges can arise in Navy shipbuilding when the current year budget for a shipbuilding program requests a larger quantity for a shipbuilding program than was funded in the previous fiscal year's budget, because the Navy under the CR may lack authority to execute a year-to-year increase in quantity for a shipbuilding program. **Table 5** compares FY2013 requested quantities for a Navy shipbuilding programs to FY2012 quantities for those programs. As suggested by the table, a CR based on FY2012 funding could create execution challenges in the DDG-51 destroyer program and the CVN-78 aircraft carrier program. Challenges in executing the second DDG-51 that is requested for FY2013 could affect the multiyear procurement (MYP) arrangement that that Navy is requesting for FY2013-FY2017. The aircraft carrier requested for FY2013 (CVN-79) is being incrementally funded, but the increase in quantity from FY2012 to FY2013 might complicate the Navy's schedule for awarding a full-ship construction contract for the ship.

**Table 5. FY2013 Shipbuilding Quantities Compared to FY2012 Quantities**

Program	FY2012 actual quantity	FY2013 requested quantity	Difference	Comment
<b>New Construction Ships</b>				
Ford (CVN-78) class aircraft carrier	0	1	+1	FY2013 ship (CVN-79) is being incrementally funded
Virginia (SSN-774) class attack submarine	2	2	—	
Arleigh Burke (DDG-51) class destroyer	1	2	+1	FY2013 is to be first year of FY2013-FY2017 multiyear procurement (MYP) arrangement
Littoral Combat Ship (LCS)	4	4	—	Ships are being procured under two block buy contracts covering FY2010-FY2015
San Antonio (LPD-17) class amphibious ship	1	0	-1	Navy states that CR has led to an issue concerning the completion of LPD-25, which was procured in FY2008. (The FY2012 ship is LPD-27.)
LHA(R) amphibious assault ship	0	0	—	Navy states CR has led to an issue concerning the completion of LHA-6, which was procured in FY2007. (The FY2011 LHA(R) ship—LHA-7—is being incrementally funded with \$1,999.2 million in FY2012 funding)
Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB)	1	0	-1	These ships are funded through National Defense Sealift Fund (NDSF), not SCN
Joint High Speed Vessel (JHSV)	2	1	-1	FY2013 ship is intended by Navy to be final ship in program
<b>Other Programs</b>				
Air-Cushioned Landing Craft (LCAC) Service Life Extension Program (SLEP)	4	2	-2	
Oceanographic Ships	1	0	-1	These ships are funded in SCN, but are used by NOAA
Ship to Shore Connector (SSC)	0	1	+1	The SSC is the next-generation replacement for the Navy's LCACs. FY2013 SSC is second of two lead ships in program (the first was funded in FY2011). Both of the lead SSCs are being funded through the Navy's research and development account, not the SCN account.
Nimitz (CVN-68) class aircraft carrier mid-life refueling complex overhaul (RCOH)	0	1	+1	Navy stated that CR led to an urgent program-execution issue with CVNs 71 and 72. The issue was addressed through a reprogramming of FY2012 funding that was approved in late September.

**Source:** Table prepared by CRS based on Navy's FY2013 budget submission.

In programs where there is no difference in FY2012 and FY2013 quantities, differences between FY2012-enacted funding and FY2013-requested funding could create either FY2013 execution challenges (if the FY2013 requested amount is higher) or situations where the amount of funding available in FY2013 is excess to FY2013 need (if the FY2012 funding is higher). Programs where the FY2012-enacted quantity is higher than the requested FY2013 could similarly create situations of where the amount of funding available in FY2013 is excess to FY2013 need.

At a September 11, 2012, hearing on Navy shipbuilding issues before the Oversight and Investigations subcommittee of the House Armed Services Committee, the Navy testified that the CR had led to an urgent execution challenge in the program for performing mid-life refueling complex overhauls (RCOHs) on the Nimitz-class carriers CVN-71 and CVN-72, and that this issue was the Navy's top priority in seeking an anomaly (i.e., a special provision providing relief) in the CR.<sup>11</sup> No such anomaly was included in the CR, but the issue was resolved (or at least mitigated) through a reprogramming of FY2012 Navy funds that the congressional defense committees approved in late September.<sup>12</sup>

In addition to the RCOH program, a Navy point paper dated September 14, 2012, identified the completion of the amphibious ships LPD-25 (procured in FY2008) and LHA-6 (procured in FY2007) as additional program-execution issues resulting from the CR. The point paper stated that the Navy might need to request a special transfer authority to provide the additional funds needed address the issue with LPD-25, and that no additional funds would be needed to address the issue with LHA-6, provided that a final FY2013 appropriation is enacted by April 1, 2013. The point paper did not mention any program-execution issues relating to the DDG-51 or CVN-78 programs, perhaps because the timing of FY2013 events for these programs permits the Navy to avoid significant program execution problems, provided that a final FY2013 appropriation is enacted by about April 1, 2013. An October 1, 2012, press report, however, stated that the CR

will cause the Navy to lose at least some of the savings it would have gained from a multiyear procurement contract for nine DDG-51 destroyers, and other programs will experience problems as well, according to a service spokeswoman....

The Navy had planned to save about \$1.5 billion on the DDG-51 Arleigh Burke-class destroyer program by entering into a multiyear deal with the shipbuilders, but at least a portion of those savings will now be lost because of the CR, Lt. Courtney Hillson, a Navy spokeswoman, said Sept. 28.<sup>13</sup>

If funding levels established by the six-month CR were reduced through sequestration (see previous section), Navy shipbuilding programs (particularly those where the amount of funding available in FY2013 is not excess to FY2013 need) could experience additional or intensified program-execution challenges.

A December 3, 2012, press report stated:

The Navy is ill-equipped to handle a year-long continuing resolution—especially if combined with sequestration, according to the service's chief of resources.

---

<sup>11</sup> Transcript of Spoken testimony of Sean Stackley, Assistant Secretary of the Navy for Research, Development, and Acquisition, before the Oversight and Investigations subcommittee of the House Armed Services Committee hearing on Navy shipbuilding and its impact on the defense industrial base in a time of fiscal uncertainty, September 11, 2012. See also Christopher P. Cavas, "Carriers at Risk From Continuing Resolution," *DefenseNews.com*, September 17, 2012.

<sup>12</sup> See, for example, Jason Sherman and Dan Taylor, "Congress Allows Navy To Spend Personnel Funding On Carrier Refuelings," *Inside the Navy*, October 1, 2012; and Christopher P. Cavas, "U.S. Navy: 4 Missile Cruisers to Remain in Service," *DefenseNews.com*, September 26, 2012 (section subtitled "Carrier Work Continues").

<sup>13</sup> Dan Taylor, "Navy: CR Will Cause Savings To Be Lost On DDG-51, Other Programs," *Inside the Navy*, October 1, 2012.

The Navy should be able to deal with the six-month CR now in place without any major disruptions, but continuing gridlock in Congress could deal a major blow to the fleet, Vice Adm. Terry Blake, deputy chief of naval operations for the integration of capabilities and resources (N8), said at a Nov. 27 Surface Navy Association luncheon.<sup>14</sup>

## **Future Size and Structure of Navy in Light of Strategic and Budgetary Changes**

Another potential oversight issue for Congress concerns the planned size and structure of the Navy. Changes in strategic and budgetary circumstances have led to a broad debate over the appropriate future size and structure of the military, including the future size and structure of the Navy. Changes in strategic circumstances include, among other things, the winding down of U.S. combat operations in Iraq, the planned winding down of such operations in Afghanistan, and the growth of China's military capabilities.<sup>15</sup> Changes in budgetary circumstances center on reductions in planned levels of defense spending resulting from the Budget Control Act of 2011 (S. 365/P.L. 112-25 of August 2, 2011).

On January 5, 2012, the Administration announced that, in light of the winding down of U.S. combat operations in Iraq, the planned winding down of such operations in Afghanistan, and developments in the Asia-Pacific region, U.S. defense strategy in coming years will include a stronger focus on the Asia-Pacific region.<sup>16</sup> Since the Asia-Pacific region is to a significant degree a maritime and aerospace theater for the United States, this shift in strategic focus is expected by many observers to result in a shift in the allocation of DOD resources toward the Navy and Air Force.

The Navy's current goal for a fleet of about 310-316 ships reflects a number of assumptions and planning factors, including but not limited to the following:

- current and projected Navy missions in support of U.S. military strategy, including both wartime operations and day-to-day forward-deployed operations;
- current and projected capabilities of potential adversaries, including their anti-access/area-denial (A2/AD) capabilities;
- regional combatant commander (COCOM) requests for Navy forces;
- the individual and networked capabilities of current and future Navy ships and aircraft;
- basing arrangements for Navy ships, including numbers and locations of ships homeported in foreign countries;
- maintenance and deployment cycles for Navy ships; and

---

<sup>14</sup> Dan Taylor, "Blake: Year-Long CR Would Be 'Extremely Challenging' For Navy," *Inside the Navy*, December 3, 2012.

<sup>15</sup> For more on the growth in China's military (particularly naval) capabilities and its potential implications for required U.S. Navy capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

<sup>16</sup> Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*, January 2012, 8 pp. For more on this document, see CRS Report R42146, *In Brief: Assessing DOD's New Strategic Guidance*, by Catherine Dale and Pat Towell.

- fiscal constraints.

With regard to the third point above, Navy officials testified at least three times in 2012 that a Navy of more than 500 ships would be required to fully meet COCOM requests for Navy forces (see **Appendix A**). The difference between a fleet of more than 500 ships and the current goal for a fleet of about 310-316 ships can be viewed as one measure of the operational risk associated with the goal of a fleet of about 310-316 ships. A goal for a fleet of more than 500 ships might be viewed as a fiscally unconstrained goal.

Some study groups have made their own proposals for Navy ship force structure. **Table 6** shows some of these proposals. For purposes of comparison, **Table 6** also shows the Navy's 310-316 ship goal of March 2012.

**Table 6. Recent Study Group Proposals for Navy Ship Force Structure**

Ship type	Navy's 310-316 ship goal of March 2012	Heritage Foundation (April 2011)	Cato Institute (September 2010) <sup>a</sup>	Independent Panel Assessment of 2010 QDR (July 2010)	Sustainable Defense Task Force (June 2010)	Center for a New American Security (CNAS) (November 2008)	Center for Strategic and Budgetary Assessments (CSBA) (2008) <sup>b</sup>
<i>Submarines</i>							
SSBN	12-14	14 <sup>c</sup>	6	14	7	14	12
SSGN	0-4	4	0	4	4	0	2
SSN	~48	55	40	55	37	40	41
<i>Aircraft carriers</i>							
CVN	11	11	8	11	9	8	11
CVE	0	0	0	0	0	0	4
<i>Surface combatants</i>							
Cruiser	~90	88	22	n/a	85	18	14
Destroyer			65	n/a		56	73
Frigate	0	28 <sup>d</sup>	14	n/a	0	0	9 <sup>e</sup>
LCS	~55		4	n/a	25	48	55
SSC	0	0	0	n/a	0	40	0 <sup>f</sup>
<i>Amphibious and Maritime Prepositioning Force (Future) (MPF[F]) ships</i>							
Amphibious ships	~32	37	23	n/a	27	36	33
MPF(F) ships	0	0	0	n/a	n/a	0	3 <sup>g</sup>
LSD station ships	0	0	0	n/a	n/a	n/a	7 <sup>h</sup>
<i>Other: Mine warfare (MIW) ships; Combat logistics force (CLF) ships (i.e., at-sea resupply ships), and support ships</i>							
MIW	0	14	11	0	0	0	0
CLF ships	~29	33	21	n/a	36	40	31
Support ships	~33	25	27	n/a			31
<b>TOTAL battle force ships</b>	<b>~310-316</b>	<b>309</b>	<b>241</b>	<b>346</b>	<b>230</b>	<b>300</b>	<b>326<sup>i</sup></b>

**Source:** Table prepared by CRS based on the following sources: **For Heritage Foundation:** *A Strong National Defense[.] The Armed Forces America Needs and What They Will Cost*, Heritage Foundation, April 5, 2011, pp. 25-26. **For Cato Institute:** Benjamin H. Friedman and Christopher Preble, *Budgetary Savings from Military Restraint*, Washington, Cato Institute, September 23, 2010 (Policy Analysis No. 667), pp. 6, 8-10, and additional information provided by Cato Institute to CRS by e-mail on September 22, 2010. **For Independent Panel Assessment:** Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America's National Security Needs In the 21<sup>st</sup> Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59. **For Sustainable Defense Task Force:** *Debt, Deficits, and Defense, A Way Forward[.] Report of the Sustainable Defense Task Force*, June 11, 2010, pp. 19-20. **For CNAS:** Frank Hoffman, *From Preponderance to Partnership: American Maritime Power in the 21<sup>st</sup> Century*. Washington, Center for a New American Security, November 2008. p. 19 (Table 2). **For CSBA:** Robert O. Work, *The US Navy[.] Charting a Course for Tomorrow's Fleet*. Washington, Center for Strategic and Budgetary Assessments, 2008. p. 81 (Figure 5).

**Notes:** *n/a* is not addressed in the report. **SSBN** is nuclear-powered ballistic missile submarine; **SSGN** is nuclear-powered cruise missile and special operations forces submarine; **SSN** is nuclear-powered attack submarine; **CVN** is large nuclear-powered aircraft carrier; **CVE** is medium-sized aircraft carrier; **LCS** is Littoral Combat Ship; **SSC** (an acronym created by CRS for this table) is small surface combatant of 1,000+ tons displacement—a ship similar to late-1990s Streetfighter concept; **MPF(F)** is Maritime Prepositioning Force (Future) ship; **LSD** is LSD-41/49 class amphibious ship operating as a station ship for a formation like a Global Fleet Station (GFS); **MIW** is mine warfare ship; **CLF** is combat logistics force (i.e., resupply) ship.

- a. Figures shown are for the year 2020; for subsequent years, reductions from these figures would be considered.
- b. Figures shown are for the year 2028.
- c. The report calls for a force of 280 SLBMs, which appears to equate to a force of 14 SSBNs, each with 20 SLBM tubes.
- d. The report calls for a force of 28 small surface combatants, and appears to use the term small surface combatants the same way that the Navy does in the 30-year shipbuilding plan—as a way of collectively referring to frigates and LCSs. The small surface combatants (SSCs) called for in the November 2008 CNAS report are separate from and smaller than the LCS.
- e. Maritime Security Frigates.
- f. Plan includes 28 patrol craft (PCs) of a few hundred tons displacement each, as well as 29 boat detachments and seven riverine squadrons.
- g. Plan shows three Mobile Landing Platform (MLP) ships that the Navy currently plans for the MPF(F) squadron, plus 16 existing current-generation maritime prepositioning force (MPF) ships and 17 existing prepositioning ships for Army and other service/agency equipment. Plan also shows 67 other DOD sealift ships.
- h. T-LSDs, meaning LSDs operated by the Military Sealift Command (MSC) with a partly civilian crew.
- i. The CSBA report shows a total of 488 units by including 162 additional force units that do not count toward the 310-316 ship goal under the battle force ships counting method that has been used since the early 1980s for public policy discussions of the size of the Navy. These 162 additional force units include 16 existing current-generation maritime prepositioning force (MPF) ships and 17 existing prepositioning ships for Army and other service/agency equipment, 67 other DOD sealift ships, 28 PCs, 29 boat detachments, and certain other small-scale units. The CSBA report proposes a new counting method for naval/maritime forces that includes units such as these in the total count.

A potential key question for Congress concerns whether the U.S. Navy in coming years will be large enough to adequately counter improved Chinese maritime anti-access forces while also adequately performing other missions of interest to U.S. policymakers around the world. Some observers are concerned that a combination of growing Chinese naval capabilities and budget-driven reductions in the size of the U.S. Navy could encourage Chinese military overconfidence and demoralize U.S. allies and partners in the Pacific, and thereby make it harder for the United

States to defend its interests in the region.<sup>17</sup> Potential oversight questions for Congress include the following:

- Under the Administration’s plans, will the Navy in coming years be large enough to adequately counter improved Chinese maritime anti-access forces while also adequately performing other missions of interest to U.S. policymakers around the world?
- What might be the political and security implications in the Asia-Pacific region of a combination of growing Chinese naval capabilities and budget-driven reductions in the size of the U.S. Navy?
- Are the proposed early retirements of nine Aegis cruisers and the placing of two LSD-41/49 class amphibious ships into Reduced Operating Status (ROS) consistent with the stronger focus on the Asia-Pacific region in DOD’s new strategic guidance? What are the potential operational implications of these early retirements? What steps, if any are being taken to preserve a potential for reactivating these nine ships, should circumstances warrant their reactivation?
- If the Navy is reduced in size and priority is given to maintaining Navy forces in the Pacific, what will be the impact on Navy force levels in other parts of the world, such as the Persian Gulf/Indian Ocean region or the Mediterranean Sea, and consequently on the Navy’s ability to adequately perform its missions in those parts of the world?
- To what extent could the operational impacts of a reduction in Navy ship numbers be mitigated through increased use of forward homeporting, multiple crewing, and long-duration deployments with crew rotation (i.e., “Sea Swap”)? How feasible are these options, and what would be their potential costs and benefits?
- Particularly in a situation of constrained DOD resources, if enough funding is allocated to the Navy to permit the Navy in coming years to maintain a fleet of about 310-316 ships including 11 aircraft carriers, how much would other DOD programs need to be reduced, and what would be the operational implications of those program reductions in terms of DOD’s overall ability to counter improved Chinese military forces and perform other missions?<sup>18</sup>

## **Sufficiency of FY2013 30-Year Shipbuilding Plan**

Another potential oversight issue for Congress concerns the sufficiency of the FY2013 30-year (FY2012-FY2041) shipbuilding plan. As discussed earlier (see “Navy’s Projected Force Levels Under 30-Year (FY2013-FY2042) Shipbuilding Plan”), the plan does not include enough ships to fully support all elements of the 310-316 ship goal over the long run. The Navy projects that the

---

<sup>17</sup> See, for example, Dan Blumenthal and Michael Mazza, “Asia Needs a Larger U.S. Defense Budget,” *Wall Street Journal*, July 5, 2011; J. Randy Forbes, “Defence Cuts Imperil US Asia Role,” *The Diplomat* (<http://the-diplomat.com>), October 26, 2011. See also Andrew Krepinevich, “Panetta’s Challenge,” *Washington Post*, July 15, 2011: 15; Dean Cheng, *Sea Power and the Chinese State: China’s Maritime Ambitions*, Heritage Foundation Backgrounder No. 2576, July 11, 2011, p. 10.

<sup>18</sup> For further discussion, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O’Rourke.

fleet would remain below 310 ships during the entire 30-year period and experience shortfalls at various points in ballistic missile submarines, cruisers-destroyers, attack submarines, and amphibious ships.

Although the projected cruiser-destroyer and attack submarine shortfalls are smaller under the FY2013 30-year plan than they were under the FY2012 30-year plan, the shortfalls in ballistic missile submarines, cruisers-destroyers, attack submarines, and amphibious ships projected under the FY2013 30-year plan could make it difficult for the Navy to fully perform its projected missions in certain years. In light of these projected shortfalls, policymakers may wish to consider various options, including but not limited to the following:

- keeping in active service some or all of the seven Aegis cruisers that the Navy's FY2013 budget proposes for early retirement, and/or the two LSD-41/49 class amphibious ships that the Navy's FY2013 budget proposes shifting to Reduced Operating Status (ROS);
- increasing planned procurement quantities of destroyers and attack submarines, perhaps particularly in years prior to the start of SSBN(X) procurement; and
- extending the service lives of older destroyers to 40 or 45 years, and refueling a small number of older attack submarines and extending their service lives to 40 or more years.

The Navy estimates that keeping in service the seven Aegis cruisers proposed for early retirement would cost a total of a little more than \$4 billion over the period FY2013-FY2017. This figure includes costs for conducting maintenance and modernization work on the ships during those years; for operating the ships during those years (including crew costs); and for procuring, crewing, and operating during those years helicopters that would be embarked on the ships.<sup>19</sup>

Regarding the third option above, possible candidates for service life extensions include the first 28 DDG-51 destroyers (i.e., the Flight I/II DDG-51s), the final 23 Los Angeles (SSN-688) attack submarines (i.e., the Improved 688s), and the 3 Seawolf (SSN-21) class attack submarines. Whether such service life extensions would be technically feasible or cost-effective is not clear. Feasibility would be a particular issue for the attack submarines, given limits on submarine pressure hull life.

Extending the service lives of any of these ships could require increasing funding for their maintenance, possibly beginning in the near term, above currently planned levels, so that the ships would be in good enough condition years from now to remain eligible for service life extension work. Such funding increases would be in addition to those the Navy has recently programmed for ensuring that its surface ships can remain in service to the end of their currently planned service lives.

As mentioned earlier, the Navy's 30-year shipbuilding plan is based on certain assumptions, including assumptions about ship service lives. The Navy in past years has, for various reasons, retired numerous ships, including surface combatants and attack submarines, well before the ends of their expected service lives. Many of these retirements were due the decision to reduce the size

---

<sup>19</sup> Source: Transcript of spoken testimony of Vice Admiral William Burke, Deputy Chief of Naval Operations, Fleet Readiness and Logistics, before the Readiness subcommittee of the House Armed Services Committee, March 22, 2012.



of the Navy following the end of the Cold War. Other instances were due to the material condition of the ships or the projected costs of keeping them mission-effective through the ends of their service lives. If ship service lives in some cases turn out to be shorter than assumed under the 30-year plan, then Navy ship force levels will be smaller in certain years than shown in **Table 4**.

## **Affordability of FY2013 30-Year Shipbuilding Plan**

Another potential oversight issue for Congress concerns the prospective affordability of the FY2013 30-year (FY2013-FY2042) shipbuilding plan. In assessing the prospective affordability of the FY2013 30-year shipbuilding plan, key factors that Congress may consider include estimated ship procurement costs and future shipbuilding funding levels.

### **Estimated Ship Procurement Costs**

As mentioned earlier, the Navy's 30-year shipbuilding plan is based on certain assumptions, including assumptions about ship procurement costs. If one or more Navy ship designs turn out to be more expensive to build than the Navy estimates, then the projected funding levels shown in the 30-year shipbuilding plan will not be sufficient to procure all the ships shown in the plan. Ship designs that can be viewed as posing a risk of being more expensive to build than the Navy estimates include Gerald R. Ford (CVN-78) class aircraft carriers (a program currently experiencing cost growth), Ohio-replacement (SSBNX) class ballistic missile submarines, the Flight III version of the DDG-51 destroyer, and the LSD(X) amphibious ship.

In recent years, the Congressional Budget Office (CBO) has estimated that certain Navy ships would be more expensive to procure than the Navy estimates, and consequently that the Navy's 30-year shipbuilding plan would cost more to implement than the Navy has estimated. In its July 2012 report on the cost of the FY2013 30-year shipbuilding plan, CBO estimates that the plan would cost an average of \$20.0 billion per year in constant FY2012 dollars to implement, or about 19% more than the Navy estimates. CBO's estimate is about 11% higher than the Navy's estimate for the first 10 years of the plan, about 13% higher than the Navy's estimate for the second 10 years of the plan, and about 33% higher than the Navy's estimate for the final 10 years of the plan.<sup>20</sup> Some of the difference between CBO's estimate and the Navy's estimate, particularly in the latter years of the plan, is due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding. **Table 7** summarizes the Navy and CBO estimates of the FY2013 30-year shipbuilding plan, as presented in the July 2012 CBO report.

---

<sup>20</sup> Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2013 Shipbuilding Plan*, July 2012, Table 2 (page 11).

**Table 7. Navy and CBO Estimates of Cost of FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan**

Funding for new-construction ships, in billions of constant FY2012 dollars

	First 10 years (FY2013-FY2022)	Next 10 years (FY2023-2032)	Final 10 years (FY2033-FY2042)	Entire 30 years (FY2013-FY2042)
Navy estimate	15.1	19.5	15.9	16.8
CBO estimate	16.8	22.0	21.2	20.0
% difference between Navy and CBO estimates	11%	13%	33%	19%

**Source:** Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2013 Shipbuilding Plan*, July 2012, Table 2 (Page 11).

### Future Shipbuilding Funding Levels

As mentioned earlier, the Navy's 30-year shipbuilding plan is based on certain assumptions, including assumptions about future shipbuilding funding levels. It has been known for some time that funding requirements for the Ohio-replacement (SSBN[X]) ballistic missile submarine program will put considerable pressure on the shipbuilding budget during the middle years of the 30-year plan. Although the FY2013 30-year shipbuilding plan reduces procurement of other types of ships in the middle years of the plan to help accommodate the SSBN(X) program, the Navy still projects that the shipbuilding budget would need to be substantially higher during the middle 10 years of the plan than during the first or last 10 years of the plan.

If the "hump" in shipbuilding funding during the middle 10 years of the 30-year plan is not achieved, numerous ships shown for procurement during the middle 10 years of the plan might not be procured. A potential oversight question for Congress is whether the Navy has received a commitment or assurance of some kind from DOD leaders that the Navy will be able to budget for the "hump" in shipbuilding funding during the middle years of the 30-year plan without reducing funding for other Navy program priorities.

### Near-Term Options for Adding Ships and Reducing Ship Unit Procurement Costs

Congressional review to date of the Navy's FY2013 5-year and 30-year shipbuilding plans has included, among other things, discussion of near-term options for adding ships to the plan and reducing ship unit procurement costs. These options include the following:

- adding a second Virginia-class attack submarine to FY2014 and, as a consequence, increasing to 10 the number of Virginia-class submarines procured under the proposed FY2014-FY2018 multiyear procurement (MYP) arrangement for the Virginia-class program;
- adding a 10<sup>th</sup> DDG-51 destroyer to the proposed FY2013-FY2017 MYP arrangement for the DDG-51 program; and
- procuring the aircraft carriers CVN-79 and CVN-80 under a block buy arrangement.

The first two options could mitigate operational risks associated with the projected cruiser-destroyer and attack submarine shortfalls. The third option could reduce the cost of implementing the 30-year shipbuilding plan.

### **Adding a Second Virginia Class Boat in FY2014—10 Boats in MYP**

Another issue for Congress for FY2013 is whether to restore procurement of a second Virginia-class boat in FY2014. Navy officials have testified this year that the second Virginia-class boat that had been programmed for FY2014 was deferred to FY2018 in this year's budget submission for fiscal reasons—because FY2014 has become a tight budget year for the Navy—and that the Navy is interested in finding a way, if possible, to restore the procurement of a second Virginia-class boat to FY2014.<sup>21</sup>

### ***Advance Procurement Funding in FY2013***

The question of whether to procure a second boat in FY2014 is an issue for FY2013 because procuring a second boat in FY2014 could involve adding advance procurement funding for that boat in FY2013. The Navy testified on April 19, 2012, that procuring a second boat in FY2014 using a normal funding profile would require adding about \$777 million in Virginia-class program advance procurement funding in FY2013, and more than \$1.2 billion in Virginia-class program procurement funding in FY2014.<sup>22</sup>

### ***Option of Incremental Funding***

Finding a way to procure a second Virginia-class boat in FY2014 could involve the use of incremental funding (as opposed to full funding) in the Virginia-class program, at least for the second boat in FY2014, if not also for one or more other Virginia-class boats. Incrementally funding a second boat in FY2014 would involve providing some of the boat's procurement cost in FY2014 and deferring the remainder to one or more subsequent years. Incrementally funding additional Virginia-class boats could involve similarly spreading out their procurement costs over multiple years. Incrementally funding multiple Virginia-class boats over the next few years could minimize the amount of additional Virginia-class program procurement funding that would be required over the next few years to fund a second boat in FY2014, though that additional funding would eventually need to be provided.

---

<sup>21</sup> See, for example, the spoke testimony of Secretary of the Navy Ray Mabus to the House Armed Services Committee on February 16, 2012.

<sup>22</sup> Spoken testimony of Sean Stackley, Assistant Secretary of the Navy for Research, Development, and Acquisition (i.e., the Navy's acquisition executive) before the Seapower subcommittee of the Senate Armed Services committee, at an April 19, 2012, hearing on the Navy's proposed FY2013 shipbuilding programs, as reflected in the transcript of the hearing.

Providing advance procurement funding for the boat in FY2013 would permit the boat to be constructed on a schedule that is more-or-less consistent with what one might expect for a boat procured in FY2014. Adding advance procurement funding in FY2013, however, is not absolutely required to procure a second boat in FY2014—the boat can be procured in FY2014 without any advance procurement funding in FY2013. Doing so might result in the boat being built on a schedule closer to what one might expect for a boat procured in FY2015, but the boat would still enter service years earlier than it would if it is procured in FY2018.

Incremental funding is normally used only for procuring aircraft carriers and LHD/LHA-type amphibious assault ships,<sup>23</sup> but there have been rare cases when individual ships of other types have, for various reasons, been procured with incremental funding. Examples include the third and final Seawolf (SSN-21) class attack submarine, whose procurement was reinstated in FY1996, each of the three Zumwalt (DDG-1000) class destroyers that were procured in FY2007-FY2009,<sup>24</sup> and ships procured through the National Defense Sealift Fund (NDSF), including Navy auxiliary ships and DOD sealift ships, which are often executed by the Navy with incremental funding, even though they are nominally funded by Congress with full funding.<sup>25</sup>

### *Navy Estimate of Cost of Adding a Second Boat in FY2014*

The Navy in March 2012 estimated that adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement would reduce the total cost of the other 9 boats in the arrangement by roughly \$700 million.<sup>26</sup> The reduction in cost would come from production learning-curve benefits at both the two shipyards (GD/EB and NNS) and component vendors, from increased spreading of fixed overhead costs at the shipyards, and from reduced costs for components procured from suppliers in batches of 10 rather than batches of 9. Since the figure of roughly \$700 million is equivalent to about 27% of the cost of a Virginia-class submarine, the Navy, in effect, was estimating in March that adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement would be roughly 27% self-financing.

The Navy subsequently revised this estimate, using more up-to-date cost data for the Virginia-class program, and now estimates that adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement reduce the total cost of the other 9 boats in the arrangement by roughly \$900 million, which would make adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement roughly 35% self-financing.<sup>27</sup>

The Navy further estimates that if the calculation is extended to include cost effects on all Virginia-class boats procured through FY2020 (including boats procured prior to FY2014, the first year of the proposed MYP arrangement), then adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement would reduce Virginia-class procurement costs for boats procured through FY2020 by roughly \$1,400 million,

---

<sup>23</sup> Incremental funding is allowed for procuring aircraft carriers and LHD/LHA-type amphibious assault ships because using full funding to procure these ships—which are very expensive and which are procured once every several years—can cause a one-year “spike” in Navy shipbuilding funding requirements that can be disruptive to other acquisition programs.

<sup>24</sup> The first two DDG-1000s were procured in FY2007 and split-funded (i.e., funded with two-year incremental funding) in FY2007-FY2008. The third DDG-1000 was procured in FY2009 and split-funded in FY2009-FY2010.

<sup>25</sup> The full funding provision does not apply to ships funded in the NDSF—a DOD fund that is outside the procurement title of the annual DOD appropriations act—the same way that it applies to ships, aircraft, vehicles, and other end items that are procured through the procurement title of the annual appropriations act. For a discussion, see CRS Report RL31404, *Defense Procurement: Full Funding Policy—Background, Issues, and Options for Congress*, by Ronald O'Rourke and Stephen Daggett, and CRS Report RL32776, *Navy Ship Procurement: Alternative Funding Approaches—Background and Options for Congress*, by Ronald O'Rourke.

<sup>26</sup> Source: Navy briefing to CRS and Congressional Budget Office (CBO), March 16, 2012.

<sup>27</sup> Source: Navy briefing to CRS and Congressional Budget Office (CBO), May 9, 2012.

which would make adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement roughly 54% self-financing.<sup>28</sup>

### ***Arguments of Supporters and Skeptics***

Supporters of adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement could argue that the Navy estimates that it would be roughly 35% to 54% self-financing due to the effect it would have on reducing costs for the other Virginia-class boats, that it would further mitigate the projected SSN shortfall, and that Congress in the past has on occasion used incremental funding for procuring ships other than aircraft carriers and LHD/LHA-type amphibious assault ships.

Skeptics of adding a second Virginia-class boat to FY2014 and increasing to 10 the number of boats in the proposed MYP arrangement could argue that the Navy's estimate that it would be roughly 35% to 54% self-financing has not been independently verified, that finding funding for the other 46% to 65% of the boat's cost could require offsetting near-term reductions in other defense programs that would create their own problems, and that the use of incremental funding should be avoided for the procurement of ships other than aircraft carriers and LHD/LHA-type amphibious assault ships.

### **Adding a 10<sup>th</sup> DDG-51 to the DDG-51 MYP**

Regarding the possibility of adding a 10<sup>th</sup> DDG-51 to the proposed FY2013-FY2017 MYP arrangement for the DDG-51 program, Sean Stackley, the Assistant Secretary of the Navy for Research, Development, and Acquisition (i.e., the Navy's acquisition executive), stated the following at a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee, in response to a question about the FY2013 budget's deferral to FY2016 of a second DDG-51 that was previously programmed for FY2014:

I'd like to address the question regarding the second destroyer in 2014. A couple of important facts: First, the—we restarted DDG-51 construction in—in [FY]2010 and we've got four ships under contract, and a result of the four ships that we've placed under contract is we have prior year savings in this program that are—work in our favor when we consider future procurement for the [DDG-]51s.

We also have a unique situation where we've got competition on this program—two builders building the 51s, and the competition has been healthy with both builders. We also have a very significant cost associated with government-furnished equipment, so not only did we restart construction at the shipyards, we also restarted manufacturing lines at our weapon systems providers.

So in this process we were able to restart 51s virtually without skipping a beat, and we're seeing the continued learning curve that we left off on back with the [FY]2005 procurement. So when we march into this third multiyear for the 51s we're looking to capitalize on the same types of savings that we saw prior, and our top line, again, allowed for nine ships to be budgeted, but when we go out with this procurement we're going to go out with a procurement that enables the procurement of 10 ships, where that 10<sup>th</sup> ship would be the second—potentially the second ship in [FY]2014 if we're able to achieve the savings that

---

<sup>28</sup> Source: Navy briefing to CRS and Congressional Budget Office (CBO), May 9, 2012.

we're targeting across this multiyear between the shipbuilders in competition as well as the combat systems providers as well as all of the other support and engineering associated with this program.

So we want to leverage the strong learning, we want to leverage the strong industrial base, we want to leverage the competition to get to what we need in terms of both affordability and force structure, and I think we have a pretty good shot at it.<sup>29</sup>

## **Block Buy for CVN-79 and CVN-80**

The Navy currently plans to procure the aircraft carriers CVN-79 and CVN-80 separately, as one-ship procurements. Procuring the two ships together in a block buy could reduce their combined procurement cost. Procuring two aircraft carriers together in a two-ship block buy has been done on two previous occasions. The Navy procured two Nimitz (CVN-68) class aircraft carriers (CVN-72 and CVN-73) together in a block buy in FY1983, and procured another two Nimitz-class aircraft carriers (CVN-74 and CVN-75) together in a block buy in FY1988. The Navy proposed these block buys in the FY1983 and FY1988 budget submissions.<sup>30</sup>

When the FY1983 block buy was proposed, the Navy estimated that the block buy would reduce the combined cost CVN-72 and CVN-73 by 5.6% in real terms.<sup>31</sup> When the FY1988 block buy was proposed, the Navy estimated that the block buy would reduce the combined cost of CVN-74 and CVN-75 by a considerably larger percentage. GAO stated that the savings would be considerably less than the Navy estimated, but agreed that a two-ship acquisition strategy is less expensive than a single-ship acquisition strategy, and that some savings would occur in a two-ship strategy for CVN-74 and CVN-75.<sup>32</sup>

---

<sup>29</sup> Source: Transcript of hearing. See also Megan Eckstein, "Navy Looking Into Feasibility Of Procuring 10<sup>th</sup> DDG In Multiyear Contract," *Inside the Navy*, April 2, 2012.

<sup>30</sup> It can also be noted that the Air Force is procuring two Advanced EHF (AEHF) satellites under a two-satellite block buy that the Air Force proposed and Congress approved in FY2012.

<sup>31</sup> See General Accounting Office, *Request to Fully Fund Two Nuclear Aircraft Carriers in Fiscal Year 1983*, MASAD-82-87 (B-206847), March 26, 1982, 10 pp. The figure of 5.6% was derived by dividing \$450 million in non-inflation cost avoidance shown on page 5 by the combined estimated cost of the two ships (absent a block buy) of \$8,024 million shown on page 4.

<sup>32</sup> See General Accounting Office, *Procurement Strategy For Acquiring Two Nuclear Aircraft Carriers*, Statement of Frank Conahan, Assistant Comptroller General, National Security and International Affairs Division, Before the Conventional Forces and Alliance Defense Subcommittee and Projection Forces and Regional Defense Subcommittee of the Senate Armed Services Committee, April 7, 1987, T-NSIAD-87-28, 5 pp. The testimony states on page 2 that "A single ship acquisition strategy is more expensive because materials are bought separately for each ship rather than being combined into economic order quantity buys under a multi-ship procurement." The report discounted the Navy's estimated savings of \$1,100 million based on this effect on the grounds that if CVN-74 and CVN-75 were not procured in the proposed two-ship block buy, with CVN-74 procured in FY1990 and CVN-75 procured FY1993, it was likely that CVN-74 and CVN-75 would subsequently be procured in a two-ship block buy, with CVN-74 procured in FY1994 and CVN-75 procured in FY1996. For the discussion here, however, the comparison is between the Navy's current plan to procure CVN-79 and CVN-80 separately and the potential alternative of procuring them together in a block buy.

The GAO report commented on an additional \$700 million in savings that the Navy estimated would be derived from improving production continuity between CVN-73, CVN-74, and CVN-75 by stating on page 3 that "It is logical to assume that savings are possible through production continuity but the precise magnitude of such savings is difficult to calculate because of the many variables that affect the outcome." It is not clear how significant savings from production continuity might be in a two-ship block buy for CVN-79 and CVN-80 if the procurement dates for the two ships (FY2013 and FY2018, respectively) are not changed.

The GAO report noted that the Navy estimated \$500 million in additional savings from avoided configuration changes (continued...)

The FY1983 and FY1988 block buys each involved procuring two aircraft carriers in a single year. Procuring two carriers in the same year, however, is not mandatory for a two-ship aircraft carrier block buy. The Navy, for example, proposed the block buy for CVN-74 and CVN-75 in the FY1988 budget submission as something that would involve procuring CVN-74 in FY1990 and CVN-75 in FY1993. (Congress, in acting on the FY1988 budget, decided to not only approve the two-ship block buy, but also accelerate the procurement of both CVN-74 and CVN-75 to FY1988.)<sup>33</sup> A block buy on CVN-79 and CVN-80 could leave intact the FY2013 procurement date for CVN-79 and the FY2018 procurement date for CVN-80. This would permit the funding for the two ships to be spread out over the same fiscal years as currently planned, although the amounts of funding in individual years would likely change.

It is too late to implement a complete block buy on CVN-79 and CVN-80, because some of CVN-79, particularly its propulsion plant, has already been purchased. Consequently, the option would be to implement a partial block buy that would include the remaining part of CVN-79 and all of CVN-80.

To illustrate the notional scale of the savings that might result from using a block buy strategy on CVN-79 and CVN-80, it can be noted that if such a block buy were to achieve one-third as much percentage cost reduction as the FY1983 block buy—that is, if it were to reduce the combined procurement cost of CVN 79 and 80 by about 1.9%—that would equate to a savings of roughly \$470 million on the currently estimated combined procurement cost of CVN-79 and CVN-80. More refined estimates might be higher or lower than this notional figure of \$470 million.

At a March 19, 2012, briefing for CRS and CBO on the CVN-78 program, CRS asked the Navy whether it was considering the possibility of a block buy on CVN-79 and CVN-80. The Navy stated that it had looked into a narrower option of doing joint purchases of some materials for the two ships.

Implementing a block buy on CVN-79 and CVN-80 would require committing to the procurement of CVN-80. Whether Congress would want to commit to the procurement of CVN-80, particularly in light of current uncertainty over future levels of defense spending, is a factor that Congress may consider in assessing the option of doing a block buy. If budgetary circumstances were to lead to a decision to end procurement of Ford-class carriers after CVN-79, then much or all of the funding spent procuring materials for CVN-80 could go to waste.

At a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, Sean Stackley, the Assistant Secretary of the Navy for Research, Development, and Acquisition (i.e., the Navy's acquisition executive), stated the following when asked by Representative Robert Wittman about the possibility of a two-ship block buy on CVN-79 and CVN-80:

---

(...continued)

on CVN-74 and CVN-75 if the ships were procured in FY1990 and FY1993 rather than FY1994 and FY1996. It is not clear how significant the savings from avoided configuration changes might be for a two-ship block buy for CVN-79 and CVN-80.

See also CRS Issue Brief IB87043, *Aircraft Carriers (Weapons Facts)*, 13 pp., updated February 10, 1988 and archived March 24, 1988, by Ronald O'Rourke. The report includes a discussion of the above GAO report. The report is out of print and available directly from the author.

<sup>33</sup> See CRS Issue Brief IB87043, *Aircraft Carriers (Weapons Facts)*, 13 pp., updated February 10, 1988 and archived March 24, 1988, by Ronald O'Rourke. The report is out of print and available directly from the author.

Yes, sir. Let me focus on affordability of the CVN-78 class. We are right now about 40 percent complete construction of the CVN-78 and we're running into some very difficult cost growth issues across the full span—design, material procurement, and production—material procurement on both contractor and government side.

So our first focus right now is to stabilize the lead ship. Let's get cost under control so we can complete this ship as close to schedule at the lowest cost possible.

But in parallel, the Navy is working very closely with the shipbuilder to take a step back and say, one, what are all the lessons we just learned on CVN-78? Two, CVN-78 is a very different ship from the Nimitz [CVN-68]; we cannot expect to build the [CVN-]78 the way we build the [CVN-]68 and—and get to an affordable ship construction plan. So we're pressing on the way the carrier is built—the build plan for the carrier—to arrive at a more affordable CVN-79.

Now, in the process of doing that we'll take a hard look at what opportunity there is across [CVN-]79 and [CVN-]80, recognizing that we're going to be limited, again, by [budget] top line. But there are going to be some opportunities that jump out at us. We don't want to have to replan each carrier. We have a vendor base that is stretched out with the carrier build cycle that for some components that are carrier-unique, that vendor base is—is just struggling to hold on between the five-year gaps.

So we have to take a hard look at where does it make sense after we've gotten to what I'm calling an optimal build plan for CVN-79 and then be able to come back and—and say, OK, here—on CVN-79 here are some opportunities that if we could, in fact, reach out to CVN-80 we can either avoid a gap in a production line or avoid unnecessary cost growth on that follow ship.<sup>34</sup>

Later in the hearing, the following exchange occurred:

REPRESENTATIVE RICK LARSEN:

Finally, we had some discussion about this question with regard to CVNs and trying to find a way to squeeze some costs out, and one of the ideas was to do some—do block buy of certain components of—of—of CVN components. And have you considered that, and what's your thought on that on block buy on components from [CVN-]79 to [CVN-]80, or whatever, [CVN-]79, [CVN-]79 to [CVN-]80, and so on?

ASSISTANT SECRETARY OF THE NAVY SEAN STACKLEY:

Yes, sir. At this point in time the Navy and the shipbuilder are sitting side by side putting together a build plan for CVN-79. We're 40 percent complete construction of the [CVN-]78; we've got a lot that we've got to, I'll say, do different on the [CVN-]79 and follow from the lead ship. It's a very different ship class [compared to the Nimitz class].

So we're taking a hard look at the build plan [for CVN-78]. We need to get that locked down. And associated with that is the complete bill of materials for the Ford class.

At that point in time we'll be able to take a look at...

LARSEN:

---

<sup>34</sup> Source: transcript of hearing.



On this, call it bill of materials, what does it make sense—what makes sense in terms of looking long term, beyond the immediate ship?

STACKLEY:

Right.

LARSEN:

Are there areas of the industrial base that are stressed to the point that it does make sense to look at coupling the CVN-79 and CVN-80 buy?

STACKLEY:

We're not at that point yet. I described earlier that I think after we get through this build plan review then we'll be able to come back in '14 [FY2014] and identify potential critical items that warrant a block buy approach.<sup>35</sup>

Later in the hearing, Matthew Mulherin, president of NNS and corporate vice president of HII, stated the following when asked by Representative Robert Wittman about the possibility of a two-ship block buy on CVN-79 and CVN-80:

Yes, sir. You know, historically you go back, you were exactly right, if you look at the contracts that bought the CVN- 72 and [CVN-]73 there was huge savings that flowed to the second ship, both in the ability to go buy materials, a block buy and get—get discounts there, but also that you did the engineering up front the first time for both hulls so the second ship you really just had the answer, problem, paper [sic] and some of those kind of things—the kind of the normal course of business to support the waterfront.

So I wouldn't see any different. I think if we were able to do it both for material, for—for the engineering to be able to go pump out drawings that had two-ship applicability—plus, I think it brings the—the—the CVN—if we were to do a two-ship buy for [CVN-]79 and [CVN-]80 it would ensure CVN-80 was a copy of CVN-79, no change into the contract or very minimal, you're not having a—on the material side you get economic order savings, you don't have to deal with obsolescence.

So absolutely. I think there's huge opportunity to go do that. You know, you talk to the—the vendor base. They would love to see it. It gives them the ability to go look at—at what investments they need, what work is out in front of them, and go invest in—in training and tools to—to be able to go support that.<sup>36</sup>

At the March 19, 2012, briefing for CRS and CBO on the CVN-78 program, CRS asked the Navy to examine the option of a block buy on CVN-79 and CVN-80, and inform CRS and CBO of the Navy's estimate of how much it might reduce the combined procurement cost of CVN-79 and CVN-80. The Navy's response, dated April 22, 2012, was sent to CRS on May 10, 2012 (i.e., just after the House Armed Services Committee completed its markup of H.R. 4310, the FY2013 National Defense Authorization Act). The response stated:

---

<sup>35</sup> Source: Transcript of hearing.

<sup>36</sup> Source: Transcript of hearing.

There are several options for procuring aircraft carriers that differ from the current practice; two ship buys and block buys. Navy experience with aircraft carrier two ship buys includes procurement of the CVN 72 and CVN 73 (awarded in FY83), and the CVN 74 and CVN 75 (awarded in FY88). The actual cost returns for these procurements support significant savings compared to other NIMITZ Class single ship buys. This conclusion is based on a comparison of the NIMITZ Class two ship buys (CVN72, 73, 74 & 75) with single ship buys (CVN71 and CVN76). The total ship man-hour comparison shows a 9% reduction. The total ship material comparison in constant dollars shows an 8% reduction. The NIMITZ- Class two ship buys took advantage of a single year of full funding for the combined procurement, and less than three years between the deliveries of each ship. Having both ships fully funded in one year enabled the Navy and shipbuilder to take advantage of two ship-set Economic Order Quantity (EOQ) market savings for material items, and also allowed the shipbuilder to optimize production trades management. The short time between deliveries also resulted in design stability, minimized potential obsolescence, and greater opportunities for learning.

Given hard budget constraints in FY13 and FY14, CVN 79 and CVN 80 cannot benefit from a multiyear construct, similar to those requested in PB13 for VIRGINIA Class Submarine and ARLIEGH BURKE Class Destroyers. By the end of FY14, 75% of CVN 79 material will be under contract with suppliers, leaving limited opportunities to implement material savings with multiyear incremental funding. 75% of CVN 80 material would also be incapable of achieving savings, as the material purchases would be placed after CVN 79.

CVN 80/81 would present the first opportunity to potentially consider this strategy.<sup>37</sup>

The Navy's response states that "Having both ships fully funded in one year enabled the Navy and shipbuilder to take advantage of two ship-set Economic Order Quantity (EOQ) market savings for material items." It can be noted that ships funded in separate years can also take advantage of EOQ savings, provided that the authorizing legislation permits the use of EOQ, and that the FY1988 block buy of CVN-74 and CVN-75 was originally proposed by the Navy as a block buy in which CVN-74 would be procured in FY1990 and CVN-75 in FY1993.

The Navy's response states that "given hard budget constraints in FY[20]13 and FY[20]14, CVN 79 and CVN 80 cannot benefit from a multiyear construct, similar to those requested in PB[20]13<sup>38</sup> for VIRGINIA Class Submarine and ARLIEGH BURKE Class Destroyers." It can be noted that a block buy on CVN-79 and CVN-80 would not necessarily be a multiyear procurement (MYP) contract, like those requested for the Virginia-class submarine program and the Arleigh Burke (DDG-51) destroyer programs. It can also be noted that Congress may decide to work within budget constraints for FY2013 and FY2014 that might differ from those on which DOD is basing its planning.

The Navy's response states that "by the end of FY14, 75% of CVN 79 material will be under contract with suppliers, leaving limited opportunities to implement material savings with multiyear incremental funding. 75% of CVN 80 material would also be incapable of achieving savings, as the material purchases would be placed after CVN 79." CRS on May 10, 2012, asked the Navy what percent of the material for CVN-79 would be under contract by the end of FY2012. The Navy's response, dated May 22, 2012, was sent to CRS on May 25, 2012 (i.e., the same day that the House Appropriations Committee reported H.R. 5856, the FY2013 DOD

---

<sup>37</sup> Navy information paper dated April 25, 2012, sent to CRS on May 10, 2012.

<sup>38</sup> This is a reference to the president's budget for FY2013—that is, the administration's requested budget for FY2013.

Appropriations Act). The response stated: “Approximately 47% of CVN 79 direct material will be under contract by the end of FY[20]12.”<sup>39</sup>

The Navy’s response states that “CVN 80/81 would present the first opportunity to potentially consider this [block buy] strategy.” This statement appears to refer to a strategy of a complete block buy involving 100% of the material for both carriers. Based on the Navy’s response dated May 22, 2012, a partial block buy on CVN-79 and CVN-80 involving as much as 53% of the material on CVN-79 might be possible, if the block buy were authorized and implemented as part of the FY2013 defense budget.

## Legislative Activity for FY2013

### FY2013 Funding Request

The Navy’s proposed FY2013 budget requests funding for the procurement of 10 new battle force ships (i.e., ships that count against the 310-316 ship goal). The 10 ships include one Gerald R. Ford (CVN-78) class aircraft carrier, two Virginia-class attack submarines, two DDG-51 class Aegis destroyers, four Littoral Combat Ships (LCSs), and one Joint High Speed Vessel (JHSV). These ships are all funded through the Shipbuilding and Conversion, Navy (SCN) account.

### FY2013 National Defense Authorization Act (H.R. 4310/S. 3254)

#### House

The House Armed Services Committee, in its report (H.Rept. 112-479 of May 11, 2012) on H.R. 4310, recommended approving the Navy’s requests for procurement funding for all 10 new battle force ships requested for procurement in FY2013. The committee also recommended an additional \$778 million in FY2013 advance procurement funding to support the procurement of an additional Virginia-class attack submarine in FY2014, and an additional \$115 million in FY2013 advance procurement funding for the DDG-51 destroyer program. (Page 375)

**Section 121** of H.R. 4310 as reported would prohibit the Navy from retiring or decommissioning a nuclear-powered ballistic missile submarine (SSBN) if such retirement or decommissioning would reduce the SSBN force to less than 12 boats. **Section 122** would provide authority for using six-year incremental funding to procure the aircraft carriers CVN-79 and CVN-80. **Sections 125 and 126** would authorize new multiyear procurement (MYP) arrangements for the DDG-51 destroyer and Virginia-class attack submarine programs, respectively. **Sections 128 and 129** require reports from the Navy and GAO, respectively, on the LCS program. The texts of these provisions and report language associated with these provisions are presented in the CRS reports on these individual programs (see “CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs” below).

**Section 130** of H.R. 4310 as reported states:

---

<sup>39</sup> Navy information paper dated May 22, 2012, sent to CRS on May 25, 2012.

SEC. 130. SENSE OF CONGRESS ON IMPORTANCE OF ENGINEERING IN EARLY STAGES OF SHIPBUILDING.

It is the sense of Congress that—

(1) placing a priority on engineering dollars in the early stages of shipbuilding programs is a vital component of keeping cost down; and

(2) therefore, the Secretary of the Navy should take appropriate steps to prioritize early engineering in large ship construction including amphibious class ships beginning with the LHA-8.

**Section 131** states:

SEC. 131. SENSE OF CONGRESS ON MARINE CORPS AMPHIBIOUS LIFT AND PRESENCE REQUIREMENTS.

(a) In General- It is the sense of Congress that—

(1) the United States Marine Corps is a combat force which leverages maneuver from the sea as a force multiplier allowing for a variety of operational tasks ranging from major combat operations to humanitarian assistance;

(2) the United States Marine Corps is unique in that, while embarked upon Naval vessels, they bring all the logistic support necessary for the full range of military operations, operating 'from the sea' they require no third party host nation permission to conduct military operations;

(3) the Department of the Navy has a requirement for 38 amphibious assault ships to meet this full range of military operations;

(4) for budgetary reasons only that requirement of 38 vessels was reduced to 33 vessels, which adds military risk to future operations;

(5) the Department of the Navy has been unable to meet even the minimal requirement of 33 operationally available vessels and has submitted a shipbuilding and ship retirement plan to the Congress which will reduce the force to 28 vessels; and

(6) experience has shown that early engineering and design of naval vessels has significantly reduced the acquisition costs and life-cycle costs of those vessels.

(b) Next Generation of Amphibious Ships- In light of subsection (a), it is the sense of Congress that—

(1) the Navy should consider prioritization of investment in and procurement of the next generation of amphibious assault ships;

(2) the next generation amphibious assault ships should maintain survivability protection level II in accordance with current Navy ship requirements;

(3) commonality in hull form design could be a desirable element to reduce acquisition and life cycle cost; and

(4) maintaining a robust amphibious shipbuilding industrial base is vital for future national security.

**Section 354** states:

SEC. 354. LIMITATION ON AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF TICONDEROGA CLASS CRUISERS OR DOCK LANDING SHIPS.

(a) Limitation- Except as provided by subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2013 for the Department of Defense may be obligated or expended to retire, prepare to retire, inactivate, or place in storage a cruiser or dock landing ship.

(b) Exception- Notwithstanding subsection (a), the U.S.S. Port Royal, CG 73, is authorized for retirement.

(c) Maintained Levels- The Secretary of the Navy, in supporting the operational requirements of the combatant commands, shall maintain the operational capability and perform the necessary maintenance of each cruiser and dock landing ship belonging to the Navy until the later of the following dates:

(1) The date of the enactment of the National Defense Authorization Act for Fiscal Year 2014.

(2) September 30, 2013.

**Section 1021** states:

SEC. 1021. POLICY RELATING TO MAJOR COMBATANT VESSELS OF THE STRIKE FORCES OF THE UNITED STATES NAVY.

Section 1012 of the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181; 122 Stat. 303), as most recently amended by section 1015 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (P.L. 110-417; 122 Stat. 4586), is amended by striking ‘Secretary of Defense’ and all that follows through the period and inserting the following: ‘Secretary the Navy notifies the congressional defense committees that, as a result of a cost-benefit analysis, it would not be practical for the Navy to design the class of ships with an integrated nuclear power system.’<sup>40</sup>

**Section 1022** states:

SEC. 1022. LIMITATION ON AVAILABILITY OF FUNDS FOR DELAYED ANNUAL NAVAL VESSEL CONSTRUCTION PLAN.

(a) In General- Section 231 of title 10, United States Code, is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by inserting after subsection (d) the following new subsection (e):

---

<sup>40</sup> For additional background information on the issue addressed by this provision, see CRS Report RL33946, *Navy Nuclear-Powered Surface Ships: Background, Issues, and Options for Congress*, by Ronald O'Rourke.

`(e)(1) If the Secretary of Defense does not include with the defense budget materials for a fiscal year the plan and certification under subsection (a), the Secretary of the Navy may not use more than 50 percent of the funds described in paragraph (2) during the fiscal year in which such materials are submitted until the date on which such plan and certification are submitted to the congressional defense committees.

`(2) The funds described in this paragraph are funds made available to the Secretary of the Navy for operation and maintenance, Navy, for emergencies and extraordinary expenses.’.

(b) Conforming Amendment- Section 12304b(i) of title 10, United States Code, is amended by striking `231(e)(2)’ and inserting `section 231(f)(2)’.

H.Rept. 112-479 states:

The committee acknowledges that hard choices will have to be made to prioritize capabilities that allow our military to remain flexible, responsive, and decisive in any engagement. However, the committee recommends changes to the President’s proposed force structure, in order to preserve depth and capacity within the force. For example, the committee is concerned with the Navy’s overall size of the fleet and sustained demand for naval forces, particularly in light of the strategic pivot to the Asia-Pacific. In fiscal year 2013, the budget request proposed to retire four additional Ticonderoga-class guided missile cruisers well before the end of their expected service life. The committee has reinstated the requisite funding to operate and maintain, modernize and upgrade the U.S.S. Cowpens (CG 63), U.S.S. Anzio (CG 68), and the U.S.S. Vicksburg (CG 69) in fiscal year 2013 and expects the Navy to properly maintain these critical assets in the fleet in the future. The committee notes that it is less costly to maintain existing assets and supports providing the correct naval capabilities and fleet mix through a balance of new procurement and adequately maintaining the existing force structure for the length of time for which assets were initially programmed. In keeping with these concerns, the committee also authorizes a multi-year procurement for up to 10 Virginia-class submarines and a multi-year procurement for up to 10 DDG–51 Arleigh Burke class destroyers. (Page 5)

The report also states:

*Navy Shipbuilding Program*

The committee is concerned with the Navy’s shipbuilding program. The budget request for fiscal year 2013 Shipbuilding and Conversion (SCN) account contained \$13.7 billion, which is significantly lower than the \$14.9 billion level appropriated for fiscal year 2012. In fiscal year 2012, it was forecast that the Future Years Defense Program (FYDP) would include the start of construction of 57 ships. However, 16 of those ships have fallen out of the FYDP, reducing new construction starts to 41 ships. The Navy has indicated that they will no longer seek to build a 313 ship fleet. Additionally, the Navy has proposed retiring nine additional ships during the FYDP before the end of their service lives. The committee believes the following programs are crucial.

CVN–78 is the lead ship of the Ford class aircraft carrier. It incorporates improved performance and cost saving technologies, decreases the crew size by 1,200 personnel, and saves the Navy over \$5.0 billion in total ownership costs for each ship. The Navy intends to start construction of the first three ships of the Ford class on a 5-year basis. The committee encourages the Navy to maintain this schedule with fiscal year 2013 as the first year of incremental funding for CVN–79. Elsewhere in this Act, the committee includes a provision that would authorize an extension from the current 5-year period to 6 years for the incremental funding of CVN–79 and CVN–80. The committee also believes it is essential to

keep the Nimitz class aircraft carriers on schedule for their mid-life Refueling and Complex Overhauls to ensure these ships reach their planned service life.

The Virginia class submarine program continues to deliver on cost and well ahead of contractual schedule. Having achieved a rate of two submarines a year starting in fiscal year 2011, the committee was concerned to see the rate decrease to one submarine in fiscal year 2014, and believes this would inject instability into a stable program. The committee recommends an increase in fiscal year 2013 advance procurement funds to facilitate restoring the second submarine in fiscal year 2014. To achieve that end, elsewhere in this Act, the committee includes a provision that would authorize the Secretary of the Navy to enter a multiyear procurement for up to 10 submarines and authorizes the Secretary to incrementally fund that multi-year contract.

The Marine Corps has a stated requirement of 38 amphibious ships but has made an agreement with the Navy that 33 amphibious ships would be sufficient to provide the lift and forcible entry capabilities they require. There are currently only 29 amphibious ships in the fleet. Two large deck amphibious ships are under contract, LHA-6 and LHA-7. The fiscal year 2013 budget request slid the construction start of the next large deck amphibious ship, LHA-8, from 2016 to 2017. Prior to LHA-6, these ships had well decks, which would flood to launch landing craft. LHA-6 and LHA-7 are designed without well decks, but a well deck is going into LHA-8. The committee is concerned that the internal arrangements to accommodate a well deck are going to change construction significantly, requiring many drawing changes. The committee encourages the Navy to get an early start on LHA-8 design with the contractor. It has been proven that the greater the percentage of a design that is complete at the start of construction, the more successful the construction program. The LPD-27 is the last LPD-17 San Antonio class small deck amphibious ship until the replacement for the LSD starts. In the fiscal year 2013 plan, LSD construction has been delayed until after the FYDP. The committee is concerned that this delay may negatively affect the industrial base.

In the fiscal year 2013 budget request, the Department of the Navy has requested authority to begin a multi-year program for nine DDG-51 Arleigh Burke-class destroyers. Elsewhere in this Act, the committee includes a provision that would authorize the Secretary of the Navy to award a contract for a multiyear procurement of up to 10 destroyers. In fiscal year 2016, the Navy intends to start procuring Block III DDG-51 destroyers. This block will incorporate the advanced Air and Missile Defense Radar (AMDR), which is currently being competitively evaluated. The committee views AMDR as essential to pacing the air and missile threat. The Navy has stated that the DDG-51 hull is sufficient to accommodate the increased power generation and cooling requirements that AMDR will need, yet the committee still views this as an area of risk.

With the first two Littoral Combat ships (LCS) delivered to the fleet, each of a different design, each has had various problems that are being addressed by the Navy. LCS-1 has had some cracking and shaft seal problems and LCS-2 has had problems with galvanic corrosion within the water jets. The committee is aware that the Navy intends to forward stage up to four LCS to Singapore, and while supporting the budget request for four LCS in fiscal year 2013, it encourages the Navy to ensure the problems discovered to date have technical solutions and that these solutions are incorporated on forthcoming ships.

Perhaps the most troubling aspect of the Navy shipbuilding plan is how it will be able to afford the Ohio class replacement ballistic missile submarine and still have a viable program for other ships. This will have to be addressed in coming years. The budget request delayed the start of construction of the first submarine by 2 years until fiscal year 2021. This delay means that the ballistic missile submarine force dips to 10 submarines for almost 10 years in a couple of decades. To maintain a credible undersea nuclear deterrent, the committee

recommends restoring the research and development funding that was reduced in the fiscal year 2013 budget request to allow the Department of Defense time to determine how to keep the program on track. Elsewhere in this Act, the committee includes a provision that would prevent the Secretary of the Navy from having fewer than 12 ballistic missile submarines at a time. (Pages 34-36)

## **Senate (As Reported)**

The Senate Armed Services Committee, in its report (S.Rept. 112-173 of June 4, 2012) on S. 3254, recommended approving the Navy's requests for procurement funding for all 10 new battle force ships requested for procurement in FY2013. The committee also recommended an additional \$777.7 million in FY2013 advance procurement funding to support the procurement of an additional Virginia-class attack submarine in FY2014. (Page 325)

**Section 122** of S. 3254 as reported would provide authority for using six-year incremental funding to procure the aircraft carriers CVN-79 and CVN-80. **Section 123** would limit the obligation and expenditure of FY2013 procurement funding for the aircraft carrier CVN-79 until the Navy submits a report describing program management and cost control measures that will be employed in constructing the ship. **Sections 124 and 125** would authorize new multiyear procurement (MYP) arrangements for the Virginia-class attack submarine and DDG-51 destroyer programs, respectively. **Section 127** would designate the effort to develop and produce LCS mission modules as a Major Defense Acquisition Program (MDAP). The texts of these provisions and report language associated with these provisions are presented in the CRS reports on these individual programs (see "CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs" below).

**Section 130** of S. 3254 as reported states:

SEC. 130. SENSE OF CONGRESS ON MARINE CORPS AMPHIBIOUS LIFT AND PRESENCE REQUIREMENTS.

(a) Findings- Congress makes the following findings:

(1) The United States Marine Corps is a combat force which leverages maneuver from the sea as a force multiplier allowing for a variety of operational tasks ranging from major combat operations to humanitarian assistance.

(2) The United States Marine Corps is unique in that, while embarked upon Naval vessels, they bring all the logistic support necessary for the full range of military operations, operating 'from the sea' they require no third party host nation permission to conduct military operations.

(3) The Department of the Navy has a requirement for 38 amphibious assault ships to meet this full range of military operations.

(4) Due to fiscal constraints only, that requirement of 38 vessels was reduced to 33 vessels, which adds military risk to future operations.

(5) The Department of the Navy has been unable to meet even the minimal requirement of 30 operationally available vessels and has submitted a shipbuilding and ship retirement plan to Congress which will reduce the force to 28 vessels.



(6) Experience has shown that early engineering and design of naval vessels has significantly reduced the acquisition costs and life-cycle costs of those vessels.

(b) Sense of Congress- It is the sense of Congress that—

(1) the Department of Defense should carefully evaluate the maritime force structure necessary to execute demand for forces by the commanders of the combatant commands;

(2) the Department of the Navy carefully evaluate amphibious lift capabilities to meet current and projected requirements;

(3) the Department of the Navy should consider prioritization of investment in and procurement of the next generation of amphibious assault ships, as a component of the balanced battle force;

(4) the next generation amphibious assault ships should maintain survivability protection;

(5) operation and maintenance requirements analysis, as well as the potential to leverage a common hull form design, should be considered to reduce total ownership cost and acquisition cost; and

(6) maintaining a robust amphibious ship building industrial base is vital for the future of the national security of the United States.

**Section 1021** states:

SEC. 1021. RETIREMENT OF NAVAL VESSELS.

(a) Report Required- Not later than 30 days after the date of the enactment of this Act, the Chief of Naval Operations shall submit to the congressional defense committees a report that sets forth a comprehensive description of the current requirements of the Navy for combatant vessels of the Navy, including submarines.

(b) Additional Report Element if Less Than 313 Vessels Required- If the number of combatant vessels for the Navy (including submarines) specified as being required in the report under subsection (a) is less than 313 combatant vessels, the report shall include a justification for the number of vessels specified as being so required and the rationale by which the number of vessels is considered consistent with applicable strategic guidance issued by the President and the Secretary of Defense in 2012.

**Section 1022** states:

SEC. 1022. TERMINATION OF A MARITIME PREPOSITIONING SHIP SQUADRON.

(a) Report Required-

(1) IN GENERAL- Not later than 60 days after the date of the enactment of this Act, the Chief of Naval Operations and the Commandant of the Marine Corps shall jointly submit to the congressional defense committees a report setting forth an assessment of the Marine Corps Prepositioning Program-Norway and the capability of that program to address any readiness gaps that will be created by the termination of Maritime Prepositioning Ship Squadron One in the Mediterranean.

(2) ELEMENTS- The report required by paragraph (1) shall include the following:

(A) A detailed description of the time required to transfer stockpiles onto Navy vessels for use in contingency operations.

(B) A comparison of the response time of the Marine Corps Prepositioning Program-Norway with the current response time of Maritime Prepositioning Ship Squadron One.

(C) A description of the equipment stored in the stockpiles of the Marine Corps Prepositioning Program-Norway, and an assessment of the differences, if any, between that equipment and the equipment of a Maritime Prepositioning Ship squadron.

(D) A description and assessment of the current age and state of maintenance of the equipment of the Marine Corps Maritime Prepositioning Program-Norway.

(E) A plan to address the equipment shortages and modernization needs of the Marine Corps Maritime Prepositioning Program-Norway.

(b) Limitation on Availability of Funds- Amounts authorized to be appropriated by this Act may not be obligated or expended to terminate a Maritime Prepositioning Ship squadron until the date of the submittal to the congressional defense committees of the report required by subsection (a).

**Section 1023** states:

SEC. 1023. SENSE OF CONGRESS ON RECAPITALIZATION FOR THE NAVY AND COAST GUARD.

(a) Findings- Congress makes the following findings:

(1) More than 70 percent of the world's surface is comprised of navigable oceans.

(2) More than 80 percent of the population of the world lives within 100 miles of an ocean.

(3) More than 90 percent of the world's commerce traverses an oceans.

(4) The national security of the United States is inextricably linked to the maintenance of global freedom of access for both the strategic and commercial interests of the United States.

(5) To maintain that freedom of access the sea services of the United States, composed of the Navy, the Marine Corps, and the Coast Guard, must be sufficiently positioned as rotationally globally deployable forces with the capability to decisively defend United States citizens, homeland, and interests abroad from direct or asymmetric attack and must be comprised of sufficient vessels to maintain global freedom of action.

(6) To achieve appropriate capabilities to ensure national security the Government of the United States must continue to recapitalize the fleets of the Navy and Coast Guard and must continue to conduct vital maintenance and repair of existing vessels to ensure such vessels meet service life goals.

(b) Sense of Congress- It is the sense of Congress that—

(1) the sea services of the United States should be funded and maintained to provide the broad spectrum of capabilities required to protect the national security of the United States;

(2) such capabilities should include—

(A) the ability to project United States power rapidly anywhere on the globe without the need for host nation basing permission or long and potentially vulnerable logistics supply lines;

(B) the ability to land and recover maritime forces from the sea for direct combat action, to evacuate United States citizens from hostile situations, and to provide humanitarian assistance where needed;

(C) the ability to operate from the subsurface with overpowering conventional combat power, as well as strategic deterrence; and

(D) the ability to operate in collaboration with United States maritime partners in the common interest of preventing piracy at sea and maintaining the commercial sea lanes available for global commerce;

(3) the Secretary of Defense, in coordination with the Secretary of the Navy, should maintain the recapitalization plans for the Navy as a priority in all future force structure decisions; and

(4) the Secretary of Homeland Security should maintain the recapitalization plans for the Coast Guard as a priority in all future force structure decisions.

Regarding Section 1021, S.Rept. 112-173 states:

**Retirement of naval vessels (sec. 1021)**

The committee recommends a provision that would require the Chief of Naval Operations to produce a report that would set forth a comprehensive description of the current requirements of the Navy for combatant vessels of the Navy, including submarines. The provision would also require that, if the number of these vessels is less than 313 ships, the report would have to include the justification of the Chief of Naval Operations for that smaller number, and an explanation of how that smaller number is consistent with the recently revised strategic guidance issued by the President and the Secretary of Defense in 2012.

Section 1021 of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84) conveyed the sense of Congress that “the Navy should meet its requirement for a 313-ship fleet until such time that modifications to the Navy’s ship fleet force structure are warranted, and the Secretary of the Navy provides Congress with a justification of any proposed modifications, supported by rigorous and sufficient warfighting analysis.” The Chiefs of Naval Operations since 2006 have consistently stated that they need a fleet of 313 ships to do their jobs. Nevertheless, the Navy has not achieved this number of ships in the fleet since falling below that level in the 1990s.

In testimony before the congressional defense committees and other public remarks, senior Navy leaders, including the Secretary of the Navy, the Under Secretary of the Navy, and the Chief of Naval Operations, have noted that the Navy is conducting a new review of Navy force structure review. Navy officials say that they have not completed the review, but that it will probably reduce the goal for fleet size to approximately 300 ships.

The committee is concerned that the Navy or the Department of Defense (DOD) may propose reductions in the Navy’s ship fleet force structure without sufficient justification. The committee reminds the Navy and DOD that the statement of the sense of Congress remains in effect, and that the committee expects that any proposed change in goal for the size of the Navy’s fleet will be accompanied by rigorous and sufficient analysis that is convincing.

The committee doubts that neither a strategy shifting DOD's focus to the Pacific and Asia, nor the demands of current operational requirements, nor increased investment by potential adversaries in naval forces and anti-access and area-denial capabilities warrant a reduction in the required Navy fleet size. (Pages 187-188)

### **Senate (Floor Action)**

On December 4, 2012, as part of its consideration of S. 3254, the Senate agreed by unanimous consent to **S.Amdt. 3175**, as modified, the text of which is as follows:

At the end of subtitle E of title III, add the following:

#### SEC. 344. SENSE OF THE CONGRESS ON NAVY FLEET REQUIREMENTS.

It is the sense of Congress that—

- (1) the Secretary of the Navy, in supporting the operational requirements of the combatant commands, should maintain the operational capability of and perform the necessary maintenance in each cruiser and dock landing ship belonging to the Navy;
- (2) for retirements of ships owned by the navy prior to their projected end of service life, the Chief of Naval Operations must explain to the Congressional defense committees how the retention of each ship would degrade the overall readiness of the fleet and endanger United States National Security and the objectives of the combatant commanders; and
- (3) revitalizing the Navy's 30-year shipbuilding plan should be a national priority, and a commensurate amount of increased funding should be provided to the Navy in the Future Years Defense Program to help close the gap between requirements and the current size of the fleet.

## **FY2013 DOD Appropriations Act (H.R. 5856)**

### **House**

The House Appropriations Committee, in its report (H.Rept. 112-493 of May 25, 2012) on H.R. 5856, recommended approving, with some adjustments, the Navy's requests for procurement funding for all 10 new battle force ships requested for procurement in FY2013. The committee recommended reducing by \$29.9 million the funding request for the aircraft carrier CVN-79, and reducing by \$12.03 million the funding request for the two DDG-51 destroyers requested for procurement in FY2013. The committee also recommended an additional \$723 million in FY2013 advance procurement funding to preserve the option of procuring an additional Virginia-class attack submarine in FY2014, and an additional \$1 billion in FY2013 procurement funding to facilitate the procurement of an additional DDG-51 in FY2013.<sup>41</sup> (Pages 156 and 157)

---

<sup>41</sup> A table on page 156 of the committee's report shows a transfer of \$189.2 million from the LPD-17 amphibious ship program to the JHSV program (identified in the table as "intra-theater connector"), but this appears to be a typo, as the Navy's FY2013 budget requests the \$189.2 million for the JHSV program.

**Section 8010** of the bill as reported would permit multiyear procurement (MYP) arrangements for, among other things, DDG-51 Arleigh Burke class destroyer and associated systems and SSN-774 Virginia class submarine and government-furnished equipment.

The committee also recommended funding for keeping in service three of the four Aegis cruisers that the Navy proposed for early retirement in FY2013; the funding is in the Military Personnel, Navy (MPN) account (page 27, lines BA-1, BA-2, and BA-4), the Operation and Maintenance, Navy (OMN) account (page 71, lines 1A1A, 1B1B, 1B4B, and 1B5B; see also line 2B2G), and Other Procurement, Navy (OPN) account (page 167, line 16).

H.Rept. 112-493 states:

#### SHIPBUILDING

The Navy's shipbuilding program is the centerpiece of the Navy's budget request. The Nation's fleet creates our forward presence, projects power, and maintains open sea lanes. The Committee is well aware that the sight of a U.S. Navy ship on the horizon makes a powerful strategic statement in any theater. The Committee strongly supports all actions to maintain the standing of the United States Navy as the world's preeminent sea power and a global good neighbor when humanitarian relief is required. The Committee is therefore puzzled by the Navy's priorities in its shipbuilding plan.

As part of its new strategy, the Department of Defense has rebalanced toward the Asia-Pacific and Middle East regions of the world. Despite these regions having a significantly larger area of the world's oceans, the Navy plans to accelerate the decommissioning of seven guided missile cruisers, has reduced the shipbuilding budget by nearly eleven percent relative to the fiscal year 2012 appropriated level, and is reducing the total number of ships required to fulfill its requirements under this new strategy. The required fleet size has been reduced from 313 ships to approximately 300 ships in the long term, but the Navy will maintain 285 ships in the near term. The Navy has also deferred the procurement of an attack submarine and a guided missile destroyer, the backbone of the Navy's combatant fleet, from fiscal year 2014 to future years and, in their place has inserted a vessel known as the Afloat Forward Staging Base. This vessel would fill a very long standing (but never fulfilled) mission need. The Committee applauds the Navy for finally fulfilling such a long standing need but is confused by the timing of this action in an era of decreasing budgets and also by the fact that a submarine and destroyer are not being procured in fiscal year 2014 in part to make funding available for this new vessel.

The decision to defer the procurement of a submarine and a destroyer is both confusing and concerning, especially the submarine. Since its inception in 1998, the Virginia Class Submarine program always intended to build two submarines per year. Although the second submarine repeatedly appeared in outyear budget projections, it was continually deferred by the Navy. The program finally reached a rate of two submarines per year in fiscal year 2011, largely due to the efforts of this Committee. Now, after only three years at this rate (2011 through 2013), the Navy is again reducing the production rate. The Committee believes this decision will increase the cost of the submarines, result in production inefficiencies, and exacerbate the Navy's own predicted attack submarine shortfall. Additionally, with the impending addition of the SSBN replacement submarine to the shipbuilding budget, an event which will "suck the air out of the Navy's shipbuilding budget" according to a former Secretary of Defense, funding in the outyears will not be any easier to come by.

The Committee believes the Navy recognizes the need to fund another destroyer and submarine in fiscal year 2014 since the Navy has approached the Committee with various plans and schemes to attempt to restore these ships to fiscal year 2014. One of these plans

revolves around the incremental funding concept despite the fact that the Department's own financial management regulations and policies prohibit incremental funding of large end items such as ships, except under certain circumstances, none of which apply in this case. The Committee strongly supports these regulations and policies because fully funded end items do not commit future Congresses to obligations they may or may not agree with and also because they provide the ability to conduct much more complete, transparent, and rigorous program oversight. Incremental funding is certainly comparable to buying items on credit by deferring payments to the outyears.

The Committee understands the constraints of the fiscal year 2014 budget, but to give up two highly prized combatants, and fund instead a vessel for a mission that can be (and has been) satisfied with existing ships, then attempt to restore those combatants through funding gimmicks in violation of the Department's own financial regulations is deeply troubling. The Committee firmly believes that a strong Navy shipbuilding program is absolutely essential for the Nation's security but will not mortgage the Nation's future to accomplish it. Accordingly, the recommendation provides an additional \$1,000,000,000 above the request for the procurement of an additional DDG-51 guided missile destroyer. The Secretary of the Navy is directed to use this funding as part of the DDG-51 multiyear procurement planned for fiscal years 2013 through 2017 in order to achieve a lower cost and provide a more stable production base for the duration of the DDG-51 multiyear procurement. Finally, the recommendation provides an additional \$723,000,000 above the request for advance procurement for the Virginia Class Submarine program. The Secretary of the Navy is directed to fully fund an additional submarine in fiscal year 2014 to achieve a lower cost and stable production base through the course of the program's planned multiyear procurement. (Pages 158-159)

The report also states:

#### AFLOAT FORWARD STAGING BASE

The request includes \$38,000,000 for the advance procurement of items for the Afloat Forward Staging Base (AFSB). The AFSB is envisioned by the Navy to act as a mobile at-sea platform that will provide flexible mission support and sustainment. This platform will fulfill a very longstanding (at least 20 years) but never fulfilled mission need for sea-based support for a variety of missions. In the past, this mission need has been filled by a variety of ad-hoc methods to include the use of available surface combatants or amphibious ships. The closest dedicated platform to fulfilling a similar mission need was the conversion of the Navy's amphibious assault ship, USS *Inchon*, to a mine countermeasure command and support ship in 1995. This was done at a time when the Navy was shifting the fleet from an organic mine warfare capability embedded on surface combatants to a more dedicated mine warfare capability of mine hunting ships and aircraft. Similarly, the Navy plans to fill this mission need in the very near term with the conversion of the USS *Ponce* in fiscal year 2012.

Further, the Committee notes that the AFSB is planned for construction in the National Defense Sealift Fund, whose purpose in ship construction is for strategic sealift acquisition. The Committee is struggling with placing the mission of the AFSB into a strategic sealift area and directs the Secretary of the Navy to accomplish any AFSB tasks in the traditional Navy appropriation accounts.

The Committee applauds the Navy for finally attempting to satisfy such a longstanding need, but it is confused as to the timing of satisfying this need in an era of decreasing budgets and when two combatants were pulled out of the fiscal year 2014 shipbuilding program. The Committee believes this mission need can continue to be satisfied as it has been satisfied to date. The Committee directs the Navy to apply the fiscal year 2014 funding currently projected for the construction of an AFSB toward fully funding an additional submarine to

help achieve cost savings and industrial base stability in that program. Accordingly, the recommendation provides no funding for the AFSB. (Pages 259-260)

## **Senate**

The Senate Appropriations Committee, in its report (S.Rept. 112-196 of August 2, 2012) on H.R. 5856, recommended approving, with some adjustments, the Navy's requests for procurement funding for all 10 new battle force ships requested for procurement in FY2013. The committee recommended reducing by \$43.8 million the funding request for the aircraft carrier CVN-79. The committee recommended an additional \$777.7 million in FY2013 advance procurement funding for the procurement of a second Virginia-class attack submarine in FY2014, an additional \$1 billion in FY2013 procurement funding for the procurement of an additional DDG-51 in FY2013, and an additional \$263 million in advance procurement funding for the procurement of an additional LPD-17 class amphibious ship in a future fiscal year. (Pages 124 and 125)

**Section 8010** of the bill as reported would permit multiyear procurement (MYP) arrangements for, among other things, up to 10 DDG-51 Arleigh Burke class Flight IIA guided missile destroyers, as well as the AEGIS Weapon Systems, MK 41 Vertical Launching Systems, and SSN-774 Virginia class submarine and government-furnished equipment. Subsection (b) of Section 8010 states:

(b) The Secretary of Defense may employ incremental funding for the procurement of Virginia class submarines and government-furnished equipment associated with the Virginia class submarines to be procured during fiscal years 2013 through 2018 if the Secretary of Defense:

- (1) determines that such an approach will permit the Navy to procure an additional Virginia class submarine in fiscal year 2014; and
- (2) intends to use the funding for that purpose.

**Section 8103** of the bill as reported states:

Sec. 8103. There is hereby established in the Treasury of the United States the 'Ship Modernization, Operations and Sustainment Fund'. There is appropriated \$2,382,100,000, for the 'Ship Modernization, Operations and Sustainment Fund', to remain available until September 30, 2014: Provided, That the Secretary of the Navy shall transfer funds from the 'Ship Modernization, Operations and Sustainment Fund' to appropriations for military personnel; operation and maintenance; research, development, test and evaluation; and procurement, only for the purposes of manning, operating, sustaining, equipping and modernizing the Ticonderoga-class guided missile cruisers CG-63, CG-64, CG-65, CG-66, CG-68, CG-69, CG-73, and the Whidbey Island-class dock landing ships LSD-41 and LSD-46: Provided further, That funds transferred shall be merged with and be available for the same purposes and for the same time period as the appropriation to which they are transferred: Provided further, That the transfer authority provided herein shall be in addition to any other transfer authority available to the Department of Defense: Provided further, That the Secretary of the Navy shall, not less than 30 days prior to making any transfer from the 'Ship Modernization, Operations and Sustainment Fund', notify the congressional defense committees in writing of the details of such transfer.

In addition to the funding provided by Section 8103, the committee recommended additional FY2013 funding for keeping in service all four of the Aegis cruisers that the Navy has proposed

for early retirement in FY2013; the funding is in the Military Personnel, Navy (MPN) account (page 25, lines 50 and 100) and the Operation and Maintenance, Navy (OMN) account (page 54, line 2B2G).

S.Rept. 112-196 states:

For the Department of the Navy, the Committee does not concur with the recommendation to prematurely retire nine Navy ships and provides over \$2,300,000,000 to man, operate, equip, and modernize these ships. In addition, the Committee provides over \$770,000,000 for advance procurement of a tenth Virginia-class submarine, \$1,000,000,000 for an additional DDG-51 destroyer, and \$263,255,000 for advance procurement of an amphibious warship. These funds were not included in the budget request, but the Committee believes these ships are crucial to supporting our Navy's global requirements, particularly as the U.S. military shifts its focus to the Pacific. (Page 7)

The report also states:

*Ship Modernization, Operations and Sustainment Fund.*—The Department of Defense's 2012 defense strategy ("Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense") calls for a "rebalance toward the Asia-Pacific region"; however, the Navy's fiscal year 2013 budget submission includes a proposal to prematurely retire seven cruisers and two dock landing ships in the next 2 years. The Committee is concerned with this proposed elimination of force structure and believes it is disconnected from the defense strategy, creates future unaffordable shipbuilding requirements, and exacerbates force structure shortfalls that negatively impact the Department's ability to meet Combatant Commander requirements.

The Committee is troubled by the impact that the proposed premature retirement of these ships will have on the Department's strategic realignment toward the Asia-Pacific region. Specifically, the Committee is concerned about the operational impact of this reduction in force structure on the balance of the Fleet as it attempts to meet requirements in the Asia-Pacific, as well as demands in the Middle East and other parts of the world. In addition, the Committee notes that with one exception, the cruisers proposed for premature retirement were slated to receive ballistic missile defense capability that has already proven of significant operational relevance and that the elimination of this capability creates further strain on the Department's ability to meet Combatant Commander requirements.

In addition, the Committee believes that prematurely retiring capable and relevant ships following an initial investment of no less than \$11,600,000,000 in current fiscal year 2012 dollars creates unnecessary and unaffordable future shipbuilding requirements. The Committee notes that current fiscal pressures on the Navy's shipbuilding budget are not likely to be alleviated prior to the end of the next decade, when a large number of surface ships are scheduled for retirement, and significant capital investments will be required to procure the Ohio class replacement submarine and the next Ford class aircraft carrier. By the Navy's own estimates, implementation of the fiscal year 2013 30-year shipbuilding plan requires a significant and sustained increase in the Navy's shipbuilding budget over the next 2 decades. Absent this funding increase, platforms scheduled to be procured will be deferred, and the desired force structure will not be achieved. The Committee notes that over the past 8 years, on average, the Navy's actual ship procurements have been roughly three platforms less than envisioned in the respective shipbuilding plans. Therefore, the Committee questions the wisdom of eliminating force structure with premature ship retirements.

Finally, the Committee notes that a ship's expected service life is a significant factor for justifying its extensive up-front investments. Curtailing ship service lives, as the Navy is



again proposing, calls into question the Department of the Navy assumptions and specifications when funding new ship acquisitions. The Committee notes that the nine platforms proposed for premature retirement have a combined remaining service life in excess of 120 years, roughly one-third of their service life, and that the Navy shipbuilding plan does not include a sufficient quantity of ships to offset the loss of these platforms. In fact, annual ship procurement will decline from an average of 10 or more battle ships per year in the two previous 5-year shipbuilding plans to approximately 8 battle ships per year in the current 5-year plan.

The Committee has been informed that the Navy still believes in the operational relevance and capability of these platforms, and that the decision to request their premature retirement in the fiscal year 2013 budget request was strictly driven by fiscal constraints. Therefore, the Committee recommends denying these proposed premature retirements and retaining this force structure in its entirety. The Committee recommends full funding, as identified by the Navy, to man, operate, sustain, upgrade, equip, and modernize only CG-63, CG-64, CG-65, CG-66, CG-68, CG-69, CG-73, LSD-41, and LSD-46 in the Ship Modernization, Operations and Sustainment Fund, as specified elsewhere in this act. The Committee recommends full funding for all known requirements only for these platforms for the next 2 fiscal years, and provides the Secretary of the Navy the authority to transfer funds from the Ship Modernization, Operations and Sustainment Fund to the appropriate appropriation accounts in the year of execution following 30-day prior notification to the congressional defense committees. The Committee directs funds to be transferred in accordance with the requirements identified to the Committee by the Navy and further directs that any deviation from those requirements shall be fully and clearly identified to the congressional defense committees prior to the initiation of any such transfer. The Committee believes that this approach provides the fiscal relief required by the Navy to maintain this force structure and allows the Navy sufficient time to plan and budget for this force structure in future budget submissions. (Pages 9-11)

The report also states:

*Navy Shipbuilding Plans.*—The fiscal year 2013 budget request includes \$13,579,845,000 in Shipbuilding and Conversion, Navy [SCN], a decrease of \$1,339,269,000 from amounts appropriated in fiscal year 2012. The Navy's projected fiscal year 2014 SCN budget request is a further decrease of no less than \$1,000,000,000.

The Committee is concerned with the apparent disconnect between the Navy's publicly stated priorities and the Navy's fiscal year 2013 shipbuilding budget submission which, as compared to the fiscal year 2012 plan, reduces planned ship procurement for the next 5 years by 16 ships and eliminates funding for one Virginia class attack submarine, one amphibious ship, and three oilers. In addition, the Navy's budget request omits funding for an additional Arleigh Burke class guided missile destroyer contrary to the Navy's force structure goals. The Committee is concerned that these proposed adjustments will drive up costs for multiple classes of ships and negatively impact the industrial base, almost certainly leading to additional cost growth in shipbuilding.

The Committee notes that it was just 3 years ago that the Navy had implemented sufficient cost-reduction measures to allow for the procurement of two Virginia class attack submarines per year. The Committee is troubled that the Navy removed one Virginia class attack submarine from its near-term shipbuilding plan, particularly when the Navy is seeking multiyear procurement authority for Virginia class submarines to be procured from fiscal years 2014 through 2018. The Committee has been informed by the Navy that procuring 10 Virginia class submarines in the next multiyear procurement instead of 9 as proposed in the fiscal year 2013 budget request would result in an average submarine unit cost reduction in excess of \$120,000,000. The Committee believes that these cost savings and the avoidance

of industrial base perturbations warrant the inclusion of a tenth Virginia class submarine in the next multiyear procurement.

The Committee has been advised by the Navy that the addition of a tenth submarine, which would be procured in fiscal year 2014, to the multiyear procurement necessitates Advance Procurement funding in fiscal year 2013. Therefore, the Committee recommends an additional \$777,679,000 only for Advance Procurement of a second Virginia class submarine in fiscal year 2014, as authorized in S. 3254, the National Defense Authorization Act for Fiscal Year 2013, as reported. As noted in Senate Report 112–173 to accompany S. 3254, as reported, procurement of an additional submarine in fiscal year 2014 will help alleviate an attack submarine shortfall anticipated in 2022. In addition, the Committee understands that current budget constraints make full funding of all 10 submarines included in the multiyear procurement in accordance with the Department’s Financial Management Regulations unaffordable, but that incrementally funding these submarines allows for their procurement within the current budget. While incremental funding authority is currently only provided for aircraft carriers and large-deck amphibious ships, the Committee notes the precedence for incrementally funding a submarine and recommends incremental funding authority only for the Virginia class submarines to be procured under the next multiyear procurement.

In addition, the fiscal year 2013 budget request includes a proposal to procure nine Arleigh Burke class guided missile destroyers at a rate of two ships per year for the next 5 years with the exception of fiscal year 2014, where the Navy has only budgeted for one Arleigh Burke class guided missile destroyer. The Committee has been informed by the Navy that a tenth destroyer could be added to this multiyear procurement at a significantly lower ship unit cost. According to the Navy, those costs could be partially offset with savings generated from previous competitive procurements, with the balance of funding required in the fiscal year 2014 shipbuilding budget request. Recognizing the fiscal pressures on the Navy’s fiscal year 2014 shipbuilding budget, the Committee recommends taking advantage of these significant cost savings now and recommends an additional \$1,000,000,000 in fiscal year 2013 to fully fund a tenth Arleigh Burke class guided missile destroyer within the next multiyear procurement.

The Committee notes that within this multiyear procurement, the Navy intends to include next generation Flight III Arleigh Burke class guided missile destroyers with an improved radar suite and combat systems capability as an Engineering Change Proposal [ECP]. Since the radar is still in development, acquisition authorities within the Department have yet to be established, and the ECP has no defined scope and associated cost estimates, the Committee finds it premature to request authority for this ECP within the multiyear procurement at this time. Therefore, the Committee provides multiyear procurement authority only for Flight IIA Arleigh Burke class guided missile destroyers, as authorized in S. 3254, the National Defense Authorization Act for Fiscal Year 2013, as reported.

Finally, the fiscal year 2013 budget request includes a proposal to eliminate an amphibious class warship from the 5-year shipbuilding plan, and defers funding for the only other amphibious ship in the Navy’s 5-year plan until fiscal year 2017. As detailed in section 130 of S. 3254, the National Defense Authorization Act for Fiscal Year 2013, as reported, the Navy and Marine Corps have agreed on a fiscally constrained minimum force of 33 ships to meet a 38 amphibious warship force requirement. Currently, there are 29 ships in the Department of the Navy’s amphibious fleet and the most recent shipbuilding and retirement plan submitted to Congress reduces the force to 28 vessels in fiscal year 2015. If all amphibious warships currently in the inventory were operationally available, the Marine Expeditionary Brigade assault echelon would be lacking approximately 400,000 square feet of vehicle stowage and 3 million gallons of JP–5 jet fuel. However, since 10 to 15 percent of warships are in overhaul and unavailable at any given time, the number of operationally

available amphibious warships leaves an even greater shortfall and is significantly below the minimum lift requirement stated by the Department of the Navy.

The Committee is deeply concerned about the level of risk being assumed with amphibious lift capability and the impact this has on Commanders to meet operations plans and crisis response requirements, particularly as the Department of Defense rebalances its global posture towards the Asia-Pacific region. The Committee is also concerned about the ability to address this assumed risk when the next amphibious class warship in the Navy's shipbuilding plan does not appear until 5 years from now. As noted earlier, this proposal and funding gap will almost certainly have a negative industrial base impact and lead to additional cost growth in multiple shipbuilding programs. Therefore, to start addressing the amphibious lift shortfall that exists today, the Committee recommends an additional \$263,255,000 only for Advance Procurement of continued LPD-17 Class amphibious ship production. (Pages 125-127; material in brackets as in original)

In regard to the budget request for the National Defense Sealift Fund (NDSF), the report states:

Afloat Forward Staging Base [AFSB].—The fiscal year 2013 budget request includes no funds for the installation of an Engineering Change Proposal [ECP] to convert Mobile Landing Platform [MLP] 3 to an AFSB. The Committee has been informed by the Navy that the installation of this capability requires a total investment of \$135,000,000, which the Navy plans to fund by reallocating \$38,000,000 that is requested in fiscal year 2013 as Advance Procurement of a second AFSB to the MLP 3 ECP, and by requesting the balance of required funding in fiscal years 2014 and 2015. The Committee is concerned by this funding strategy and recommends transferring the \$38,000,000, as requested by the Navy, to MLP 3 for the ECP. In addition, the Committee recommends an additional \$97,000,000 in fiscal year 2013 only for the MLP 3 ECP to fully fund the conversion of MLP 3 to an AFSB, subject to the Department's approval of validated requirements. (Pages 223-224; material in brackets as in original)

## **CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs**

For funding levels and legislative activity on individual Navy shipbuilding, conversion, and modernization programs, see the following CRS reports:

- CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Background and Issues for Congress*, by Ronald O'Rourke.

## **Appendix A. 2012 Testimony on Size of Navy Needed to Fully Meet COCOM Requests**

This appendix presents three instances in 2012 when Navy officials testified that a Navy of more than 500 ships would be required to fully meet combatant commander COCOM requests for Navy forces.

### **March 22, 2012, Hearing**

At a March 22, 2012, hearing on Navy readiness before the Readiness subcommittee of the House Armed Services Committee, the following exchange occurred:

REPRESENTATIVE J. RANDY FORBES:

We have a lot of requests for our combatant commanders—of the validated requests that come from combatant commanders. How many ships would it take in our navy, based on your estimation, to meet all of the validated requests from our commanders, combatant commanders?

VICE ADMIRAL WILLIAM R. BURKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET READINESS AND LOGISTICS:

Let me—give me just a minute on that, sir.

FORBES:

Please. And if you'd like, on any of these questions, if you'd rather take them for the record and get back I'm OK with that, too.

BURKE:

I'm—no, I'm happy to answer the question. I just want to make sure I elaborate a little to make sure we get—get the point right.

FORBES:

Please.

BURKE:

The—the combatant commander requests come in to the—to the services, and then the—there's a—a very high number of requirements from the services, or from the—the combatant commanders which are then prioritized and adjudicated by the joint staff.

Essentially, a way to adjudicate supply—a lesser supply and a greater demand. So—so those—of those requests that come in, some are determined to be more valid than others, if you will. But to get to your exact question, of those requests that come in from the combatant commanders, if we ...

(CROSSTALK)

FORBES:

Admiral, could—could I just—on the nomenclature, just make sure I’m right, too. As they come in, one of the first weed-out processes is we determine whether they’re validated or not. In other words, we go through and make sure they’re legal, they don’t have the other asset somewhere. And—and then we stamp them as validated.

And then like you said, they go through a process where we then look at the resources we have and allocate what we can. And we adjudicate which ones we can give and which ones we can’t. So I want the top number. The—the ones that we have validated and said, “Yes, this is legal, it’s a proper request.”

Of those combatant commander requests, approximately how many ships would it take us to be able to meet those if we had them?

BURKE:

It would take a navy of over 500 ships to meet the combatant commander requests. And, of course, it would take a similar increase in the aircraft and—and other parts of the—of the Navy, as well, to meet the combatant commander requests.<sup>42</sup>

## **March 29, 2012, Hearing**

At a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, the following exchange occurred:

REPRESENTATIVE DUNCAN D. HUNTER:

If you were to build the amphibs [i.e., amphibious ships] where would you prioritize? I mean, where would you take money out of to be able to get the Marine Corps to where they need to be?

VICE ADMIRAL JOHN TERENCE BLAKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR INTEGRATION OF CAPABILITIES AND RESOURCES:

Here’s the issue we deal with: I don’t have the luxury of dealing with any single issue in isolation; I have to deal with it across the entire...

HUNTER:

Well, we can. That’s why I’m asking.

BLAKE:

Well, we have to deal with it, though, across the entire portfolio.

HUNTER:

Sure.

---

<sup>42</sup> Source: Transcript of hearing.

BLAKE:

And so what we have to do is we have to balance the requirement for amphibs, the requirement for surface combatants, the requirement for the carriers, the submarines—every category of ships that we have. And so when we do that we then have to say, all right, as we balance across that where are we going to be able to assume more risk? And that's how we—that's how we end up where we are.

HUNTER:

So you're saying there is less risk but still risk in the Marine Corps being short on amphibs than there are in the other—the rest of the picture?

BLAKE:

No. I'm saying that we have assumed risk in all areas. The best example I can give you: It was only a short time ago, if we tried to fill all the COCOM needs we said the number was around 400 ships we'd need in the fleet. Today—and we see no abatement in that commitment or the...

HUNTER:

No (inaudible) signal.

BLAKE:

Today we look at it and we see that we would—if we wanted to hit 100 percent of all the COCOM requirements we'd need in excess of 500 ships. So what we end up having to do is we go through the—the global management process and we look at it and we say, here are our highest priorities, these are how we are going to address them, and then we—we have those units available and we push that...

HUNTER:

I understand.

I'm going to yield back in just one second.

So I would take from your statement, then, that you did go through a prioritization process and the amphibs are not at the top of that list. And second, when you say that you assume risk all the way around I would argue that when you do your risk assessment and you prioritize your needs the fact that the COCOMs wanted more ships and needed more ships due to the international environment and where we find ourselves with the world today, going down is probably – it's going the wrong way.

We all know that, but I—I would—I would argue that your prioritization—I would like to see that, if you don't mind, the—the way that you analyzed this and the—and the way that you said, hey, we're going to—we're going to keep them there to make sure that we have this over here. That's all I'm asking for.

BLAKE:

OK. When we put it together we do it across the entire spectrum; we don't—and by that I mean, as we look at the entire requirement we say, this is what we need to do in order to be able to meet the COCOM demand signal.<sup>43</sup>

## **April 19, 2012, Hearing**

At an April 19, 2012, hearing on Navy shipbuilding programs before the Seapower subcommittee of the Senate Armed Services Committee, the following exchange occurred:

SENATOR ROGER WICKER:

Admiral Burke and General Mills, from an operational perspective, the Navy budget cost for decreases in large amphibious ships among other categories, in my opening statement, I mentioned that the requests from combatant commanders for amphibious ships has increased over 80 percent in the last five years—a very dramatic number. What is the reason for that and what will be the impact if these requests are—are not met?

VICE ADMIRAL WILLIAM R. BURKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET READINESS AND LOGISTICS:

Senator, thanks for the question. You're right, the COCOM demand signal has gone up significantly to the point where if we were to meet their—all their requirements, it would take a Navy of greater than 500 ships.

So, I certainly am not here to begrudge the COCOM demand signal because they have challenges that they're trying to deal with. But—but we can't meet—meet all their demands. So there is a process in the—in the Pentagon run by the joint staff called the Global Force Management process by which they take in the COCOM requirements and adjudicate that along with the forces we have to come to a reasonable allocation of—of force. And so that's the—that's a process we're dealing with today. We've been using that process for a number of years, and I would expect we will continue to use that process in the future to—to bridge the gap between supply and demand.<sup>44</sup>

---

<sup>43</sup> Source: Transcript of hearing.

<sup>44</sup> Source: Transcript of hearing.

## **Appendix B. Using Past Ship Force Levels to Assess Proposed Force Levels**

One possible method for assessing proposals for the future size and structure of the Navy is to compare them to historical figures for total Navy fleet size. Historical figures for total fleet size, however, might not be a reliable yardstick for assessing the appropriateness of proposals for the future size and structure of the Navy, particularly if the historical figures are more than a few years old, because the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time.

The Navy, for example, reached a late-Cold War peak of 568 battle force ships at the end of FY1987,<sup>45</sup> and as of December 10, 2012, included a total of 288 battle force ships. The FY1987 fleet, however, was intended to meet a set of mission requirements that focused on countering Soviet naval forces at sea during a potential multi-theater NATO-Warsaw Pact conflict, while the December 2012 fleet is intended to meet a considerably different set of mission requirements centered on influencing events ashore by countering both land- and sea-based military forces of potential regional threats other than Russia, including improved Chinese military forces and non-state terrorist organizations. In addition, the Navy of FY1987 differed substantially from the December 2012 fleet in areas such as profusion of precision-guided air-delivered weapons, numbers of Tomahawk-capable ships, and sophistication of C4ISR systems.<sup>46</sup>

In coming years, Navy missions may shift again, and the capabilities of Navy ships will likely have changed further by that time due to developments such as more comprehensive implementation of networking technology and increased use of ship-based unmanned vehicles.

The 568-ship fleet of FY1987 may or may not have been capable of performing its stated missions; the 288-ship fleet of December 2012 may or may not be capable of performing its stated missions; and a fleet years from now with a certain number of ships may or may not be capable of performing its stated missions. Given changes over time in mission requirements, ship mixes, and technologies, however, these three issues are to a substantial degree independent of one another.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An increasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform its stated missions is increasing, because the fleet's mission requirements might be

---

<sup>45</sup> Some publications have stated that the Navy reached a peak of 594 ships at the end of FY1987. This figure, however, is the total number of active ships in the fleet, which is not the same as the total number of battle force ships. The battle force ships figure is the number used in government discussions of the size of the Navy. In recent years, the total number of active ships has been larger than the total number of battle force ships. For example, the Naval History and Heritage Command (formerly the Naval Historical Center) states that as of November 16, 2001, the Navy included a total of 337 active ships, while the Navy states that as of November 19, 2001, the Navy included a total of 317 battle force ships. Comparing the total number of active ships in one year to the total number of battle force ships in another year is thus an apples-to-oranges comparison that in this case overstates the decline since FY1987 in the number of ships in the Navy. As a general rule to avoid potential statistical distortions, comparisons of the number of ships in the Navy over time should use, whenever possible, a single counting method.

<sup>46</sup> C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.



increasing more rapidly than ship numbers and average ship capability. Similarly, a decreasing number of ships in the fleet might not necessarily mean that the fleet’s ability to perform stated missions is decreasing, because the fleet’s mission requirements might be declining more rapidly than numbers of ships, or because average ship capability and the percentage of time that ships are in deployed locations might be increasing quickly enough to more than offset reductions in total ship numbers.

Previous Navy force structure plans, such as those shown in **Table 1**, might provide some insight into the potential adequacy of a proposed new force-structure plan, but changes over time in mission requirements, technologies available to ships for performing missions, and other force-planning factors suggest that some caution should be applied in using past force structure plans for this purpose, particularly if those past force structure plans are more than a few years old. The Reagan-era plan for a 600-ship Navy, for example, was designed for a Cold War set of missions focusing on countering Soviet naval forces at sea, which is not an appropriate basis for planning the Navy today.<sup>47</sup>

<sup>47</sup> Navy force structure plans that predate those shown in **Table 1** include the Reagan-era 600-ship plan of the 1980s, the Base Force fleet of more than 400 ships planned during the final two years of the George H. W. Bush Administration, the 346-ship fleet from the Clinton Administration’s 1993 Bottom-Up Review (or BUR, sometimes also called Base Force II), and the 310-ship fleet of the Clinton Administration’s 1997 QDR. The table below summarizes some key features of these plans.

**Features of Recent Navy Force Structure Plans**

Plan	600-ship	Base Force	1993 BUR	1997 QDR
<b>Total ships</b>	~600	~450/416 <sup>a</sup>	346	~305/310 <sup>b</sup>
<b>Attack submarines</b>	100	80/~55 <sup>c</sup>	45-55	50/55 <sup>d</sup>
<b>Aircraft carriers</b>	15 <sup>e</sup>	12	11+1 <sup>f</sup>	11+1 <sup>f</sup>
<b>Surface combatants</b>	242/228 <sup>g</sup>	~150	~124	116
<b>Amphibious ships</b>	~75 <sup>h</sup>	51 <sup>i</sup>	41 <sup>i</sup>	36 <sup>i</sup>

**Source:** Prepared by CRS based on DOD and U.S. Navy data.

- a. Commonly referred to as 450-ship plan, but called for decreasing to 416 ships by end of FY1999.
- b. Original total of about 305 ships was increased to about 310 due to increase in number of attack submarines to 55 from 50.
- c. Plan originally included 80 attack submarines, but this was later reduced to about 55.
- d. Plan originally included 50 attack submarines but this was later increased to 55.
- e. Plus one additional aircraft carrier in the service life extension program (SLEP).
- f. Eleven active carriers plus one operational reserve carrier.
- g. Plan originally included 242 surface combatants but this was later reduced to 228.
- h. Number needed to lift assault echelons of one Marine Expeditionary Force (MEF) plus one Marine Expeditionary Brigade (MEB).
- i. Number needed to lift assault echelons of 2.5 MEBs. Changing numbers needed to meet this goal reflect in part changes in the design and capabilities of amphibious ships.

## Appendix C. Independent Panel Assessment of 2010 QDR

The law that requires DOD to perform QDRs once every four years (10 U.S.C. 118) states that the results of each QDR shall be assessed by an independent panel. The report of the independent panel that assessed the 2010 QDR was released on July 29, 2010. The independent panel's report recommended a Navy of 346 ships, including 11 aircraft carriers and 55 attack submarines.<sup>48</sup> The report stated the following, among other things:

- “The QDR should reflect current commitments, but it must also plan effectively for potential threats that could arise over the next 20 years.... we believe the 2010 QDR did not accord sufficient priority to the need to counter anti-access challenges, strengthen homeland defense (including our defense against cyber threats), and conduct post-conflict stabilization missions.” (Page 54)
- “In this remarkable period of change, global security will still depend upon an American presence capable of unimpeded access to all international areas of the Pacific region. In an environment of ‘anti-access strategies,’ and assertions to create unique ‘economic and security zones of influence,’ America’s rightful and historic presence will be critical. To preserve our interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. Our allies also depend on us to be fully present in the Asia-Pacific as a promoter of stability and to ensure the free flow of commerce. A robust U.S. force structure, largely rooted in maritime strategy but including other necessary capabilities, will be essential.” (Page 51)
- “The United States will need agile forces capable of operating against the full range of potential contingencies. However, the need to deal with irregular and hybrid threats will tend to drive the size and shape of ground forces for years to come, whereas the need to continue to be fully present in Asia and the Pacific and other areas of interest will do the same for naval and air forces.” (Page 55)
- “The force structure in the Asia-Pacific needs to be increased. In order to preserve U.S. interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. The United States must be fully present in the Asia-Pacific region to protect American lives and territory, ensure the free flow of commerce, maintain stability, and defend our allies in the region. A robust U.S. force structure, one that is largely rooted in maritime strategy and includes other necessary capabilities, will be essential.” (Page 66)
- “Force structure must be strengthened in a number of areas to address the need to counter anti-access challenges, strengthen homeland defense (including defense against cyber threats), and conduct post-conflict stabilization missions: First, as a Pacific power, the U.S. presence in Asia has underwritten the regional stability that has enabled India and China to emerge as rising economic powers. The

---

<sup>48</sup> Stephen J. Hadley and William J. Perry, co-chairmen, et al, *The QDR in Perspective: Meeting America’s National Security Needs In the 21<sup>st</sup> Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on page 58.

United States should plan on continuing that role for the indefinite future. The Panel remains concerned that the QDR force structure may not be sufficient to assure others that the United States can meet its treaty commitments in the face of China's increased military capabilities. Therefore, we recommend an increased priority on defeating anti-access and area-denial threats. This will involve acquiring new capabilities, and, as Secretary Gates has urged, developing innovative concepts for their use. Specifically, we believe the United States must fully fund the modernization of its surface fleet. We also believe the United States must be able to deny an adversary sanctuary by providing persistent surveillance, tracking, and rapid engagement with high-volume precision strike. That is why the Panel supports an increase in investment in long-range strike systems and their associated sensors. In addition, U.S. forces must develop and demonstrate the ability to operate in an information-denied environment.” (Pages 59-60)

- “To compete effectively, the U.S. military must continue to develop new conceptual approaches to dealing with operational challenges, like the Capstone Concept for Joint Operations (CCJO). The Navy and Air Force’s effort to develop an Air-Sea Battle concept is one example of an approach to deal with the growing anti-access challenge. It will be necessary to invest in modernized capabilities to make this happen. The Chief of Naval Operations and Chief of Staff of the Air Force deserve support in this effort, and the Panel recommends the other military services be brought into the concept when appropriate.” (Page 51; a similar passage appears on page 67)

In recommending a Navy of 346 ships, the independent panel’s report cited the 1993 Bottom-Up Review (BUR) of U.S. defense plans and policies. **Table C-1** compares the Navy’s 310-316 ship goal of March 2012 to the 346-ship Navy recommended in the 1993 BUR (as detailed partly in subsequent Navy testimony and publications) and the ship force levels recommended in the independent panel report.

**Table C-1. Comparison of Navy's 310-316 ship goal, Navy Plan from 1993 BUR, and Navy Plan from 2010 QDR Review Panel**

Ship Type	Navy's 310-316 ship goal of March 2012	Bottom-Up Review (BUR) (1993)	2010 QDR Independent Review Panel (July 2010)
SSBNs	12-14	18 (SSBN force was later reduced to 14 as a result of the 1994 Nuclear Posture Review)	14
SSGNs	0-4	0 (SSGN program did not yet exist)	4
SSNs	~48	45 to 55 (55 in FY99, with a long-term goal of about 45)	55
Aircraft carriers	11 active	11 active + 1 operational/reserve	11 active
Surface combatants	~145	124 (114 active + 10 frigates in Naval Reserve Force; a total of 110-116 active ships was also cited)	n/a
Cruisers and destroyers	~90	n/a	n/a
Frigates	0 (to be replaced by LCSs)	n/a	n/a
LCSs	~55	0 (LCS program did not exist)	n/a
Amphibious ships	~32 (30 operational ships needed to lift 2.0 MEBs)	41 (Enough to lift 2.5 MEBs)	n/a
Dedicated mine warfare ships	0 (to be replaced by LCSs)	26 (LCS program did not exist)	n/a
CLF ships	~29	43	n/a
Support ships	~33	22	n/a
<b>TOTAL ships</b>	<b>~310-316</b>	<b>346</b> <b>(numbers above add to 331-341)<sup>a</sup></b>	<b>346</b>

**Source:** Table prepared by CRS. **Sources for 1993 Bottom-Up Review:** Department of Defense, *Report on the Bottom-Up Review*, October 1993, Figure 7 on page 28; Department of the Navy, *Highlights of the FY 1995 Department of the Navy Budget*, February 1994, p. 1; Department of the Navy, *Force 2001, A Program Guide to the U.S. Navy*, 1994 edition, p. 15; Statement of VADM T. Joseph Lopez, U.S. Navy, Deputy Chief of Naval Operations (Resources, Warfare Requirements & Assessments), Testimony to the Military Forces and Personnel Subcommittee of the House Armed Services Committee, March 22, 1994, pp. 2-5. **Source for independent panel report:** Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting*

*America's National Security Needs In the 21<sup>st</sup> Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59.

**Notes:** **n/a** is not addressed in the report. **SSBN** is nuclear-powered ballistic missile submarine; **SSGN** is nuclear-powered cruise missile and special operations forces submarine; **SSN** is nuclear-powered attack submarine; **LCS** is Littoral Combat Ship; **MPF(F)** is Maritime Prepositioning Force (Future) ship; **CLF** is combat logistics force (i.e., resupply) ship; **MEB** is Marine Expeditionary Brigade.

- a. The Navy testified in 1994 that the planned number was adjusted from 346 to 330 to reflect reductions in numbers of tenders and early retirements of some older amphibious ships.

In a letter dated August 11, 2010, Secretary of Defense Robert Gates provided his comments on the independent panel's report. The letter stated in part:

I completely agree with the Panel that a strong navy is essential; however, I disagree with the Panel's recommendation that DoD should establish the 1993 Bottom Up Review's (BUR's) fleet of 346 ships as the objective target. That number was a simple projection of the then-planned size of [the] Navy in FY 1999, not a reflection of 21<sup>st</sup> century, steady-state requirements. The fleet described in the 2010 QDR report, with its overall target of 313 to 321 ships, has roughly the same number of aircraft carriers, nuclear-powered attack submarines, surface combatants, mine warfare vessels, and amphibious ships as the larger BUR fleet. The main difference between the two fleets is in the numbers of combat logistics, mobile logistics, and support ships. Although it is true that the 2010 fleet includes fewer of these ships, they are all now more efficiently manned and operated by the Military Sealift Command and meet all of DoD's requirements....

I agree with the Panel's general conclusion that DoD ought to enhance its overall posture and capabilities in the Asia-Pacific region. As I outlined in my speech at the Naval War College in April 2009, "to carry out the missions we may face in the future... we will need numbers, speed, and the ability to operate in shallow waters." So as the Air-Sea battle concept development reaches maturation, and as DoD's review of global defense posture continues, I will be looking for ways to meet plausible security threats while emphasizing sustained forward presence – particularly in the Pacific.<sup>49</sup>

---

<sup>49</sup> Letter dated August 11, 2010, from Secretary of Defense Robert Gates to the chairmen of the House and Senate Armed Services and Appropriations Committees, pp. 3 and 4. The ellipsis in the second paragraph appears in the letter.

## Appendix D. Size of the Navy and Navy Shipbuilding Rate

### Size of the Navy

**Table D-1** shows the size of the Navy in terms of total number of ships since FY1948; the numbers shown in the table reflect changes over time in the rules specifying which ships count toward the total. Differing counting rules result in differing totals, and for certain years, figures reflecting more than one set of counting rules are available. Figures in the table for FY1978 and subsequent years reflect the battle force ships counting method, which is the set of counting rules established in the early 1980s for public policy discussions of the size of the Navy.

As shown in the table, the total number of battle force ships in the Navy reached a late-Cold War peak of 568 at the end of FY1987 and began declining thereafter.<sup>50</sup> The Navy fell below 300 battle force ships in August 2003 and included 288 battle force ships as of December 10, 2012.

As discussed in **Appendix B**, historical figures for total fleet size might not be a reliable yardstick for assessing the appropriateness of proposals for the future size and structure of the Navy, particularly if the historical figures are more than a few years old, because the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time. For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An increasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform its stated missions is increasing, because the fleet's mission requirements might be increasing more rapidly than ship numbers and average ship capability. Similarly, a decreasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform stated missions is decreasing, because the fleet's mission requirements might be declining more rapidly than numbers of ships, or because average ship capability and the percentage of time that ships are in deployed locations might be increasing quickly enough to more than offset reductions in total ship numbers.

---

<sup>50</sup> Some publications have stated that the Navy reached a peak of 594 ships at the end of FY1987. This figure, however, is the total number of active ships in the fleet, which is not the same as the total number of battle force ships. The battle force ships figure is the number used in government discussions of the size of the Navy. In recent years, the total number of active ships has been larger than the total number of battle force ships. For example, the Naval History and Heritage Command (formerly the Naval Historical Center) states that as of November 16, 2001, the Navy included a total of 337 active ships, while the Navy states that as of November 19, 2001, the Navy included a total of 317 battle force ships. Comparing the total number of active ships in one year to the total number of battle force ships in another year is thus an apples-to-oranges comparison that in this case overstates the decline since FY1987 in the number of ships in the Navy. As a general rule to avoid potential statistical distortions, comparisons of the number of ships in the Navy over time should use, whenever possible, a single counting method.

**Table D-1. Total Number of Ships in the Navy Since FY1948**

FY <sup>a</sup>	Number	FY <sup>a</sup>	Number	FY <sup>a</sup>	Number
1948	737	1970	769	1992	466
1949	690	1971	702	1993	435
1950	634	1972	654	1994	391
1951	980	1973	584	1995	373
1952	1,097	1974	512	1996	356
1953	1,122	1975	496	1997	354
1954	1,113	1976	476	1998	333
1955	1,030	1977	464	1999	317
1956	973	1978	468	2000	318
1957	967	1979	471	2001	316
1958	890	1980	477	2002	313
1959	860	1981	490	2003	297
1960	812	1982	513	2004	291
1961	897	1983	514	2005	282
1962	959	1984	524	2006	281
1963	916	1985	541	2007	279
1964	917	1986	556	2008	282
1965	936	1987	568	2009	285
1966	947	1988	565	2010	288
1967	973	1989	566	2011	284
1968	976	1990	547	2012	287
1969	926	1991	526	2013	

**Source:** Compiled by CRS using U.S. Navy data. Numbers shown reflect changes over time in the rules specifying which ships count toward the total. Figures for FY1978 and subsequent years reflect the battle force ships counting method, which is the set of counting rules established in the early 1980s for public policy discussions of the size of the Navy.

- a. Data for earlier years in the table may be for the end of the calendar year (or for some other point during the year), rather than for the end of the fiscal year.

## Shipbuilding Rate

**Table D-2** shows past (FY1982-FY2012) and requested (FY2013-FY2017) rates of Navy ship procurement.

**Table D-2. Battle Force Ships Procured or Requested, FY1982-FY2017**  
(Procured FY1982-FY2012; requested FY2013-FY2017)

<b>82</b>	<b>83</b>	<b>84</b>	<b>85</b>	<b>86</b>	<b>87</b>	<b>88</b>	<b>89</b>	<b>90</b>	<b>91</b>	<b>92</b>	<b>93</b>	<b>94</b>	<b>95</b>	<b>96</b>	<b>97</b>	<b>98</b>	<b>99</b>
17	14	16	19	20	17	15	19	15	11	11	7	4	4	5	4	5	5
<b>00</b>	<b>01</b>	<b>02</b>	<b>03</b>	<b>04</b>	<b>05</b>	<b>06</b>	<b>07</b>	<b>08</b>	<b>09</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>
6	6	6	5	7	8	4 <sup>a</sup>	5 <sup>a</sup>	3 <sup>a</sup>	8	7	10	11 <sup>b</sup>	10	7	8	9	7

**Source:** CRS compilation based on Navy budget data and examination of defense authorization and appropriation committee and conference reports for each fiscal year. The table excludes non-battle force ships that do not count toward the 310-316 ship goal, such as certain sealift and prepositioning ships operated by the Military Sealift Command and oceanographic ships operated by agencies such as the National Oceanic and Atmospheric Administration (NOAA).

- a. The totals shown for FY2006, FY2007, and FY2008, reflect the cancellation two LCSs funded in FY2006, another two LCSs funded in FY2007, and an LCS funded in FY2008.
- b. The total shown for FY2012 includes two JHSVs—one that was included in the Navy’s FY2012 budget submission, and one that was included in the Army’s FY2012 budget submission. Until FY2012, JHSVs were being procured by both the Navy and the Army. The Army was to procure its fifth and final JHSV in FY2012, and this ship was included in the Army’s FY2012 budget submission. In May 2011, the Navy and Army signed a Memorandum of Agreement (MOA) transferring the Army’s JHSVs to the Navy. In the FY2012 DOD Appropriations Act (Division A of H.R. 2055/P.L. 112-74 of December 23, 2011), the JHSV that was in the Army’s FY2012 budget submission was funded through the Shipbuilding and Conversion, Navy (SCN) appropriation account, along with the JHSV that the Navy had included in its FY2012 budget submission. The four JHSVs that were procured through the Army’s budget prior to FY2012, however, are *not* included in the annual totals shown in this table.

## Author Contact Information

Ronald O'Rourke  
Specialist in Naval Affairs  
rorourke@crs.loc.gov, 7-7610