



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

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

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## Summary

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 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 does not include enough ships to fully support all elements of the Navy's 306 ship goal over the long run. The Navy projects that the fleet would remain below 310 ships during most of the 30-year period, and experience shortfalls at various points in cruisers-destroyers, attack submarines, and amphibious ships. 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.

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## 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

#### January 2013 Goal for Fleet of 306 Ships

On January 31, 2013, in response to Section 1015 of the FY2013 National Defense Authorization Act (H.R. 4310/P.L. 112-239 of January 2, 2013), the Navy submitted to Congress a report presenting a goal for achieving and maintaining a fleet of 306 ships, consisting of certain types and quantities of ships.<sup>1</sup> The goal for a 306-ship fleet is the result of a new force structure assessment (FSA) that the Navy completed in 2012. The Navy previously had testified to Congress that the FSA was underway, and subsequently that the FSA was completed and that the results were forthcoming. Section 1015 required the Navy to submit to Congress within 30 days of the enactment of H.R. 4310/P.L. 112-239 "a comprehensive description of the current requirements of the Navy for combatant vessels of the Navy, including submarines," which in effect meant the results of the FSA.

#### 306-Ship Goal Reflects 2012 Strategic Guidance and Projected DOD Spending Shown in FY2013 Budget

The newly completed FSA and the resulting 306-ship plan reflect the defense strategic guidance document that the Administration presented in January 2012<sup>2</sup> and the associated projected levels of Department of Defense (DOD) spending shown in the FY2013 budget submission. DOD officials have stated that if planned levels of DOD spending are reduced below what is shown in the FY2013 budget submission, the defense strategy set forth in the January 2012 strategic guidance document might need to be changed. Such a change, Navy officials have indicated, could lead to the replacement of the 306-ship plan of January 2013 with a new plan.

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<sup>1</sup> Department of the Navy, *Report to Congress [on] Navy Combatant Vessel Force Structure Requirement*, January 2013, 3 pp. The cover letters for the report were dated January 31, 2013.

<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.

## Goal for Fleet of 306 Ships Compared to Earlier Goals

Table 1 compares the 306-ship goal to earlier Navy ship force structure plans.

**Table 1. Current 306 Ship Force Structure Goal Compared to Earlier Goals**

| Ship type                                     | 306-ship plan of January 2013                       | ~310-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 <sup>b</sup>                                     | 12-14 <sup>b</sup>                                  | 12 <sup>b</sup>                                     | 12 <sup>b</sup>   | 14   | 14  | 14              | 14   | 14                              |
| Cruise missile submarines (SSGNs)             | 0 <sup>c</sup>                                      | 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  | 48   | 37  | 41              | 55   | 55                              |
| Aircraft carriers                             | 11 <sup>e</sup>                                     | 11 <sup>e</sup>                                     | 11 <sup>e</sup>                                     | 11 <sup>e</sup>   | 11 <sup>f</sup>                            | 10  | 11              | 12   | 12                              |
| Cruisers and destroyers                       | 88  | ~90   | 94  | 94 <sup>g</sup>   | 88   | 67  | 92              | 104  | 116                             |
| Frigates                                      | 0   | 0   | 0   | 0   | 0  | 0   | 0               | 0  |                                 |
| Littoral Combat Ships (LCSs)                  | 52  | ~55   | 55  | 55  | 55   | 63  | 82              | 56   | 0                               |
| Amphibious ships                              | 33  | ~32   | 33  | 33 <sup>Error!</sup><br>Reference source not found.               | 31   | 17  | 24              | 37   | 36                              |
| MPF(F) ships <sup>i</sup>                     | 0 <sup>i</sup>                                      | 0 <sup>i</sup>                                      | 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  | ~29   | 30  | 30  | 30   | 24  | 26              | 42   | 34                              |
| Dedicated mine warfare ships                  | 0   | 0   | 0   | 0   | 0  | 0   | 0               | 26 <sup>k</sup>                                    | 16                              |
| Joint High Speed Vessels (JHSV <sup>s</sup> ) | 10 <sup>Error!</sup><br>Reference source not found. | 10 <sup>Error!</sup><br>Reference source not found. | 10 <sup>Error!</sup><br>Reference source not found. | 21 <sup>Error!</sup><br>Reference source not found.               | 3  | 0   | 0               | 0  | 0                               |
| Other <sup>m</sup>                            | 23  | ~23   | 16  | 24 <sup>n</sup>   | 17   | 10  | 11              | 25   | 25                              |
| <b>Total battle force ships</b>               | <b>306</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.

- Initial composition. Composition was subsequently modified.
- 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.
- 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. This situation can be expressed in a table like this one with either a 4 or a zero.

- 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 has been temporarily reduced to 10 carriers for the period between the retirement of the carrier *Enterprise* (CVN-65) in December 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 planned 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. The planned MPF(F) squadron was subsequently restructured into a different set of initiatives for enhancing the existing MPF squadrons; the Navy no longer plans to acquire an MPF(F) squadron.
- j. The Navy no longer plans to acquire an MPF(F) squadron. The Navy, however, has procured or plans to procure some of the ships that were previously planned for the squadron—specifically, TAKE-I class cargo ships, and Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB) ships. These ships are 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 306 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 306 ships with an average service life of 35 years is about 8.7 ships per year. The average shipbuilding rate since FY1993 has been substantially below 8.7 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 expressed an interest in finding a way to restore a second Virginia-class submarine to FY014. The Navy is also seeking congressional approval for a multiyear procurement (MYP) arrangement<sup>3</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 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.

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<sup>3</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 canceled the retirement of an existing LPD-type amphibious ship and modified 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>4</sup> and which includes a total of 268 ships.

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<sup>4</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>5</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**.

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<sup>5</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       |
|----------------------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-------------|
| <b>306 ship plan</b> | <b>11</b> | <b>88</b> | <b>52</b> | <b>48</b> | <b>0</b> | <b>12</b> | <b>33</b> | <b>29</b> | <b>33</b> | <b>~306</b> |
| <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 slightly higher than the approximate average procurement rate (sometimes called the steady-state replacement rate) of about 8.7 ships per year that would be needed over the long run to achieve and maintain a fleet of 306 ships, assuming an average life of 35 years for Navy ships.
- **Projected fleet remains below 306 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 306 ships during most of the 30-year period and experience shortfalls in cruisers-destroyers, attack submarines, and amphibious ships.
- **Ballistic missile submarine force to be reduced temporarily to 10 boats.** 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. The Navy says this reduction is acceptable, because none of the 10 boats during these years will be encumbered by long-term maintenance.<sup>6</sup>
- **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 88 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—10 ships, or 11.3%, less than the goal of 88 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.

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<sup>6</sup> For further discussion of this issue, see CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

- **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 five amphibious ships (i.e., 3.0% to 15.1% of the goal of 33 ships) during the first 11 years (FY2013-FY2023) of the 30-year period.

## Oversight Issues for Congress for FY2013

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

#### Residual Impact of Six-Month CR

The six-month continuing resolution (CR) that funded government operations through March 27, 2013 (H.J.Res. 117/P.L. 112-175 of September 28, 2013), led to execution challenges for certain FY2013 Navy shipbuilding programs, particularly the aircraft carrier (CVN) Refueling Complex Overhaul (RCOH) program for performing mid-life nuclear refueling overhauls on Nimitz-class carriers. On February 8, 2013, the Navy announced that, due to a lack of funding arising from the six-month CR, it had postponed the RCOH for the aircraft carrier CVN-72.

The enactment on March 26, 2013, of the FY2013 Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act (H.R. 933/P.L. 113-6), which includes the FY2013 DOD Appropriations Act as Division C, has mitigated execution challenges in FY2013 Navy programs, including shipbuilding programs, that arose under H.J.Res. 117/P.L. 112-175. Following the enactment of H.R. 933/P.L. 113-6, one potential issue for Congress concerns any residual execution challenges resulting from the six-month CR in the CVN RCOH program or other programs funded through the Navy's shipbuilding account.

#### Sequester Impact

Another potential issue for Congress concerns execution issues in FY2013 Navy programs, including shipbuilding programs, arising from the March 1, 2013, sequester on FY2013 funding implemented under the Budget Control Act of 2011 (S. 365/P.L. 112-25 of August 2, 2011) as amended by American Taxpayer Relief Act of 2012 (H.R. 8/P.L. 112-240 of January 2, 2013). Funding levels provided under H.R. 933/P.L. 113-6 have been reduced by this sequester.

The impact of this reduction on individual programs could vary from program to program, depending on the particulars of each program. Options for DOD, including the Navy, for responding to the sequester on FY2013 funding might include (but not necessarily be limited to) the following:

- using any available reprogramming or transfer authority;



- optimizing the use of available funding within each program, project, or activity (PPA);
- unilaterally declaring a reduction in scope of work to be performed under contracts;
- renegotiating contracts; and
- canceling contracts.

Use of some of the strategies above could result in, among other things, the deobligation of funding.

A February 28, 2013, Navy briefing states that potential impacts of the sequester on FY2013 SCN-funded programs include the following:<sup>7</sup>

- **The Virginia-class submarine program** could experience a sequestration of about \$81 million; the Navy would respond to this by deobligating funding for Virginia-class advance procurement (AP) items.
- **The DDG-51 class destroyer program** could experience a sequestration of about \$46 million, potentially affecting the Navy's ability to award a proposed multiyear procurement (MYP) contract for the program starting in FY2013.
- **The DDG-1000 class destroyer program** could experience a sequestration of about \$90 million, which could affect the Navy's ability to award contracts for mission system equipment and the deckhouse for DDG-1002, the third ship in the program.
- **The Moored Training Ship program** could experience a sequestration of about \$28 million, delaying by a year the delivery of the next moored training ship, which in turn would reduce the throughput of the Navy's program for training sailors in the operation of nuclear-powered ships.

At a February 28, 2013, hearing on CR and sequester impacts before the Tactical Air and Land Forces subcommittee of the House Armed Services Committee, the Navy testified that

Sequestration will impact our nuclear aircraft carrier force structure and the one-year CR impacts contract awards for carrier refueling. Specifically, the current CR would delay the contract award for the next Ford Class carrier, JOHN F. KENNEDY (CVN 79) and sequestration would further slow construction, which would result in a delivery delay. Current CR funding limitations would delay the completion of Nuclear Refueling Complex Overhaul (RCOH) for USS THEODORE ROOSEVELT (CVN 71), the start of RCOHs for USS ABRAHAM LINCOLN (CVN 72), and the defueling of USS ENTERPRISE (CVN 65). Given the short time available between sequential dry-docks, the CVN 72 and CVN 65 delays will also likely cause day-for-day impacts to the follow-on CVN 73 RCOH. The CVN 72 and CVN 73 delays will not be recoverable.<sup>8</sup>

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<sup>7</sup> Source: Navy briefing dated February 28, 2013. Sequestration funding figures shown are approximate and subject to refinement.

<sup>8</sup> Statement of Hon. Sean J. Stackley, Assistant Secretary of the Navy (Research, Development and Acquisition), and Vice Admiral Allen G. Myers, USN, Deputy Chief of Naval Operations [for] Integration of Capabilities and Resources, and Lieutenant General John E. Wissler, USMC, Deputy Commandant for Programs and Resources, before the Tactical Air and Land Forces Subcommittee of the House Armed Services Committee on Impacts of a Continuing Resolution (continued...)

In a set of briefing slides dated February 15, 2013, the Navy listed potential program actions resulting from a year-long CR and sequestration (see **Appendix H**). Potential shipbuilding-related actions resulting from sequestration that the Navy listed in the briefing included the following:

- **The Navy would seek congressional authority to use incremental funding for the inactivation of the aircraft carrier *Enterprise* (CVN-65) and apply the resulting FY2013 savings of about \$561 million to mitigate other impacts on FY2013 Navy programs of a year-long CR and sequester.**
- **About \$46 million in advance procurement funding for the DDG-51 program would be at risk.**
- **The Navy would defer awarding contracts for about \$90 million of work on DDG-1002, the third Zumwalt (DDG-1000) class destroyer.**

At a February 12, 2013, hearing before the Senate Armed Services Committee on potential impacts on the military services of a year-long CR and sequestration, the Navy testified that:

On top of reductions in operations and maintenance funding, sequestration will reduce FY13 funding for each investment program (about \$7.2 billion overall). In some programs, such F-35C Lightning II, P-8A Poseidon and E-2D Hawkeye, this reduction will compel us to reduce the number of platforms procured in FY13....

If Congress authorizes the Navy to transfer funds within the FY13 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P-8A Poseidon, F-35C Lightning II and Littoral Combat Ship—resulting in fewer of these platforms being procured in FY13.<sup>9</sup>

In connection with the above passage, it can be noted that reducing the number of LCSs procured in FY2013 below the requested quantity of four could compel the Navy to cancel or renegotiate at least one of the two multiyear block buy contracts that the Navy currently has with the two LCS builders.<sup>10</sup>

The above discussion focuses on the potential impact of sequestration on FY2013 Navy shipbuilding programs. Some observers are using the term sequestration to mean something broader, namely, a decision to reduce DOD spending (through sequestration or regular appropriations activity) in FY2013-FY2021 years to levels at or near the lower caps established in the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011). Navy officials state that a decision to reduce DOD's budget to such levels would eventually lead to a smaller Navy. At the February 12, 2013, hearing the Navy testified that:

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(...continued)

and Sequestration on Department of the Navy Acquisition, Programming & Industrial Base, February 28, 2013, p. 8.

<sup>9</sup> Statement of Admiral Jonathan Greenert, Chief of Naval Operations, before the Senate Armed Services Committee on the Impact of Sequestration, February 12, 2013, pp. 7, 8. Although the Navy's written statement for the hearing is from Admiral Greenert, the Navy's testimony at the hearing was actually given by the Vice Chief of Naval Operations, Admiral Mark E. Ferguson III, who was substituting for Admiral Greenert at the hearing. The Navy presented similar testimony at a similar hearing before the House Armed Services Committee on February 13, 2013.

<sup>10</sup> For more on the LCS block buy contracts, see CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Background and Issues for Congress*, by Ronald O'Rourke.

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In addition to sequestration for FY13, the BCA also required the lowering of the discretionary caps for FY14 through FY21. Beyond FY13, if the discretionary cap reductions are sustained for the full nine years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F-35 Lightning II, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.<sup>11</sup>

## **Navy Testimony, Memorandum, and Briefing Slides on CR and Sequester Impacts**

**Appendix E** through **Appendix J** present Navy materials on the potential impacts of a year-long CR and sequestration. The materials in these appendices predate the enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, including estimates shown above, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

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<sup>11</sup> Statement of Admiral Jonathan Greenert, Chief of Naval Operations, before the Senate Armed Services Committee on the Impact of Sequestration, February 12, 2013, pp. 8-9. Although the Navy's written statement for the hearing is from Admiral Greenert, the Navy's testimony at the hearing was actually given by the Vice Chief of Naval Operations, Admiral Mark E. Ferguson III, who was substituting for Admiral Greenert at the hearing. The Navy presented similar testimony at a similar hearing before the House Armed Services Committee on February 13, 2013.

Similarly, 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." (As quoted in 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).) On January 8, 2013, Vice Admiral William Burke, the Deputy Chief of Naval Operations for Warfare Systems, stated, "As a result of sequestration, what I testified to last year was we'll have, if sequestration is fully implemented, we'll have a force of about 230 ships.... I'm not talking about what the aviation numbers are, but they'll go down by a similar amount—a similar amount being 20 percent." (As quoted in Dan Taylor, "Adm. Burke: Navy Needs To Fill \$2 Billion Hole When OCO Goes Away," *Inside the Navy*, January 14, 2013. See also Michael Fabey, "U.S. Navy Prioritizes Ship Total Ownership Costs, Maintenance," *Aerospace Daily & Defense Report*, January 9, 2013: 3.)

## 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>12</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>13</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 306 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
- 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 306 ships can be viewed as one measure of the operational risk associated with the goal

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<sup>12</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>13</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.

of a fleet of 306 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 5** shows some of these proposals. For purposes of comparison, **Table 5** also shows the Navy's 306-ship goal of January 2013.

**Table 5. Recent Study Group Proposals for Navy Ship Force Structure**

| Ship type   | Navy's 306-ship goal of January 2013 | Project on Defense Alternatives (PDA) (November 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                                   | 7   | 14 <sup>c</sup>                  | 6  | 14   | 7  | 14  | 12  |
| SSGN  | 0                                    | 6-7   | 4                                | 0  | 4  | 4  | 0   | 2   |
| SSN   | 48                                   | 42  | 55                               | 40   | 55   | 37   | 40  | 41  |
| <i>Aircraft carriers</i>  |                                      |   |                                  |  |  |  |   |   |
| CVN   | 11                                   | 9   | 11                               | 8  | 11   | 9  | 8   | 11  |
| CVE   | 0                                    | 0   | 0                                | 0  | 0  | 0  | 0   | 4   |
| <i>Surface combatants</i>   |                                      |   |                                  |  |  |  |   |   |
| Cruiser   | 88                                   | 72-74   | 88                               | 22   | n/a  | 85   | 18  | 14  |
| Destroyer   |                                      |   |                                  | 65   | n/a  |  | 56  | 73  |
| Frigate   | 0                                    | 2-7 <sup>i</sup>                                      | 28 <sup>d</sup>                  | 14   | n/a  | 0  | 0   | 9 <sup>e</sup>  |
| LCS   | 52                                   | 12 <sup>j</sup>                                       |                                  | 4  | n/a  | 25   | 48  | 55  |
| SSC   | 0                                    | i   | 0                                | 0  | n/a  | 0  | 40  | 0 <sup>f</sup>  |
| <i>Amphibious and Maritime Prepositioning Force (Future) (MPF[F]) ships</i>   |                                      |   |                                  |  |  |  |   |   |
| Amphibious ships  | 33                                   | ≥23   | 37                               | 23   | n/a  | 27   | 36  | 33  |
| MPF(F) ships  | 0                                    | n/a   | 0                                | 0  | n/a  | n/a  | 0   | 3 <sup>g</sup>  |
| LSD station ships   | 0                                    | 0   | 0                                | 0  | 0  | 0  | 0   | 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 <sup>i</sup>                                       | 14                               | 11   | 0  | 0  | 0   | 0   |
| CLF ships   | 29                                   | n/a   | 33                               | 21   | n/a  | 36   | 40  | 31  |
| Support ships   | 33                                   | n/a   | 25                               | 27   | n/a  |  |   | 31  |
| <b>TOTAL battle force ships</b>   | <b>306</b>                           | <b>230</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). **For PDA:** Carl Conetta, *Reasonable Defense*, Project on Defense Alternatives, November 14, 2012, 31 pp.

**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 306 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.
- j. The report “prescribes ending procurement of the LCS with the 12 already purchased. The *Reasonable Defense* model foresees a future cohort of 28 to 33 small surface combatants, including a mix of the 12 LCS that have already been procured, 14 Mine Counter Measure (MCM) ships already in the fleet, and small frigates or ocean-going corvettes. As the MCM ships age and leave the fleet, the LCS should assume their role. The would leave a post-MCM requirement for 16 to 21 additional small surface combatants. For this, the Navy needs a simpler, less expensive alternative to the LCS.”

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>14</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 306 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>15</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 306-ship goal over the long run. The Navy projects that the fleet

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<sup>14</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>15</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.



would remain below 306 ships during most of the 30-year period and experience shortfalls at various points in 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 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>16</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 to the decision to reduce the size of the Navy following the end of the Cold War. Other instances were due to the material

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<sup>16</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.

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>17</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 6** summarizes the Navy and CBO estimates of the FY2013 30-year shipbuilding plan, as presented in the July 2012 CBO report.

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<sup>17</sup> Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2013 Shipbuilding Plan*, July 2012, Table 2 (page 11).

**Table 6. 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

|   | <b>First 10 years<br/>(FY2013-FY2022)</b> | <b>Next 10 years<br/>(FY2023-2032)</b> | <b>Final 10 years<br/>(FY2033-FY2042)</b> | <b>Entire 30 years<br/>(FY2013-FY2042)</b> |
|---|---|--|---|--|
| Navy estimate                                     | 15.1                                      | 19.5                                   | 15.9                                      | 16.8                                       |
| CBO estimate                                      | 16.8                                      | 22.0                                   | 21.2                                      | 20.0                                       |
| % difference<br>between Navy and<br>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**

Another issue for Congress for FY2013 is whether to restore procurement of a second Virginia-class boat in FY2014. Navy officials have testified that the second Virginia-class boat that had been programmed for FY2014 was deferred to FY2018 in the FY2013 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>18</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>19</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.

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<sup>18</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>19</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>20</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>21</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>22</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>23</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>24</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,

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<sup>20</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>21</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>22</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>23</sup> Source: Navy briefing to CRS and Congressional Budget Office (CBO), March 16, 2012.

<sup>24</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>25</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

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<sup>25</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>26</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>27</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>28</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>29</sup>

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<sup>26</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>27</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>28</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>29</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>30</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:

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(...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>30</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>31</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:

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<sup>31</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>32</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—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>33</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:

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<sup>32</sup> Source: Transcript of hearing.

<sup>33</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>34</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>35</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

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<sup>34</sup> Navy information paper dated April 25, 2012, sent to CRS on May 10, 2012.

<sup>35</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>36</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 requested funding for the procurement of 10 new battle force ships (i.e., ships that count against the 306 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/P.L. 112-239)

#### House

The House Armed Services Committee, in its report (H.Rept. 112-479 of May 11, 2012) on the FY2013 National Defense Authorization Act (H.R. 4310 of the 112<sup>th</sup> Congress), 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:

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<sup>36</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>37</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):

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<sup>37</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 the FY2013 National Defense Authorization Act (S. 3254 of the 112<sup>th</sup> Congress), 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 of the 112<sup>th</sup> Congress, 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.

## **Conference**

The conference report (H.Rept. 112-705 of December 18, 2012) on the FY2013 National Defense Authorization Act (H.R. 4310/P.L. 112-239 of January 2, 2013) recommends approving almost all of the Navy's requests for procurement funding for the 10 new battle force ships that the Navy requested for procurement in FY2013. The exception is the request for procurement funding for the CVN-78 aircraft carrier program, where the report recommends a reduction of \$2.9 million for "SEWIP [surface electronic warfare improvement program] block 2 cost growth." The report also recommends an additional \$777.7 million in FY2013 advance procurement funding to support the procurement of an additional Virginia-class attack submarine in FY2014. (See pdf page 473 of 629 of the Joint Explanatory Statement for H.R. 4310.)

**Section 121** of the conference report provides authority for using six-year incremental funding to procure the aircraft carriers CVN-79 and CVN-80. **Sections 122 and 123** authorize new multiyear procurement (MYP) arrangements for the Virginia-class attack submarine and DDG-51 destroyer programs, respectively. **Section 124** limits 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. **Section 126** designates the effort to develop and produce LCS mission modules as a Major Defense Acquisition Program (MDAP). **Section 127** requires a report on the two LCS designs. **Section 128** requires a GAO review of a review of the compliance of the Secretary of the Navy

with subpart 246.5 of title 48 of the *Code of Federal Regulations* and subpart 46.5 of the Federal Acquisition Regulation in accepting the first two LCSs. **Section 130** expresses the sense of the Congress regarding the Navy's ballistic missile submarine force and the Ohio replacement (SSBN[X]) ballistic missile submarine program. **Section 241** requires a report on LCS mission packages. 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 131** states:

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

(a) FINDINGS.—Congress finds the following:

(1) The Marine Corps is a combat force that 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 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 and, operating "from the sea", they require no third-party host nation permission to conduct military operations.

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

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

(5) 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 that 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 Navy should carefully evaluate amphibious lift capabilities to meet current and projected requirements;

(3) 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 354** states:

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

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.

Regarding Section 354, the Joint Explanatory Statement for H.R. 4310 states:

The House bill contained a provision (sec. 354) that would limit the obligation and expenditure of funds authorized to be appropriated or otherwise made available for fiscal year 2013 for the retirement, inactivation, or storage of a cruiser or dock landing ship. The provision would provide an exception for the retirement of the U.S.S. Port Royal (CG-73). Finally, the provision would require the Secretary of the Navy to maintain the operational capability and perform the necessary maintenance of the cruisers and dock landing ships in support of operational requirements of the combatant commands.

The Senate amendment contained a provision (sec. 344) that would express the sense of the Congress on Navy fleet requirements, including the fact that the Secretary of the Navy should maintain the operational capability and perform the necessary maintenance and for each cruiser and dock landing ship belonging to the Navy.

The Senate recedes with an amendment that would eliminate the exception for the retirement of the U.S.S. Port Royal. The U.S.S. Port Royal incurred significant damage following a grounding incident in 2009. Although the Navy indicates that the ship never completely recovered from the grounding, the Navy has not provided adequate analysis and cost data on the structural condition of the ship.

Therefore, the conferees direct the Secretary of the Navy to conduct a detailed material condition assessment of the U.S.S. Port Royal that will:

- (1) include a comprehensive inspection of the ship's major structural, machinery, electrical, combat and weapons systems elements;
- (2) identify the necessary repairs and modernization, including detailed costs to make those repairs and upgrades, that would be required for the ship to meet its expected service life, consistent with other ships in the Ticonderoga-class;
- (3) be conducted by the Navy, with the results evaluated by the appropriate Navy technical authority; and
- (4) be reviewed by an independent board of subject matter experts, from industry and the Department of Defense.

The conferees further direct the Secretary to submit the results of that assessment, along with results of independent reviews of that assessment, to the congressional defense committees within 180 days of enactment of this Act. The conferees further direct that the Government Accountability Office conduct a sufficiency review of this report. The Secretary shall also

provide the congressional defense committees a status update on the assessments within 120 days of enactment of this Act. (Pages 42-43)

**Section 1014** states:

SEC. 1014. 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):

“(e) LIMITATION ON AVAILABILITY OF FUNDS FOR FISCAL YEARS WITHOUT PLAN AND CERTIFICATION.—

(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 “section 231(g)(2)” and inserting “section 231(f)(2)”.

**Section 1015** states:

SEC. 1015. 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 1016** states:

SEC. 1016. 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 naval vessels for use in contingency operations.

(B) A comparison of the response time of the Marine Corps Prepositioning Program—Norway with the 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, the differences (if any) between that equipment and the equipment of a Maritime Prepositioning Ship squadron, and any increased risk or operational plan impacts associated with using Prepositioning Program—Norway to fulfill the Maritime Prepositioning Ship squadron requirements.

(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 future requirements, 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 1017** states:

SEC. 1017. 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 ocean.

(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.

## **Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013 (H.R. 933/P.L. 113-6)**

### **Version Passed by House on March 6, 2013**

On March 6, 2013, the House passed H.R. 933, the Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013. The bill includes an FY2013 DOD Appropriations Act as Division A.

Section 4 of the bill states, “The explanatory statement regarding this Act printed in the House of Representatives section of the Congressional Record on or about March 7, 2013 by the Chairman of the Committee on Appropriations of the House shall have the same effect with respect to the allocation of funds and implementation of this Act as if it were a joint explanatory statement of a committee of conference.” The explanatory statement reiterates this and states, “References in this explanatory statement to ‘conferees’ are deemed to be references to the Committees on Appropriations of the House of Representatives and the Senate, and references to the ‘conference

agreement' are deemed, in the case of division A, to be references to the Department of Defense Appropriations Act, 2013....<sup>38</sup>

Division A of H.R. 933 approves, with some adjustments, the Navy's requests for procurement funding for all 10 new battle force ships requested for procurement in FY2013. It also would provide additional funding to support the procurement of certain ships that are in addition to those that the Navy requested for procurement in FY2013. Specifically, the bill:

- **Reduces by \$42.824 million the request for procurement funding for the CVN-78 class aircraft carrier program**, consisting of reductions ranging from \$1 million to \$8 million for 11 separate pieces of equipment associated with the program;
- **Increases by \$777.679 million the request for advance procurement (AP) funding for the Virginia-class attack submarine program**, so as to support the procurement of an additional Virginia-class boat in FY2014;
- **Increases by \$987.97 million the request for procurement funding for the DDG-51 destroyer program**, with the increase consisting of an additional \$1 billion to support the procurement of an additional DDG-51 in FY2013, a reduction of \$10.214 million for a certain piece of equipment associated with the program, and a reduction of \$1.816 million for another piece of equipment associated with the program;
- **Provides \$263.255 million in unrequested advance procurement (AP) funding for the LPD-17 amphibious ship program**, to support the procurement of a 12<sup>th</sup> LPD-17 class ship in a future fiscal year (the Navy wants to end LPD-17 procurement with the 11<sup>th</sup> ship, which was procured in FY2012, and had not requested any funding for a 12<sup>th</sup> ship);
- **Reduces by \$19.613 million the request for procurement funding for the outfitting of Navy ships**; and
- **Increases by \$37.9 million the request for procurement funding for the air-cushioned landing craft (LCAC) service life extension program (SLEP)** to restore two craft to the program for FY2013.<sup>39</sup>

Regarding the \$777.679 million in additional advance procurement (AP) funding for the Virginia-class attack submarine program, the explanatory statement states: "The conferees direct the Navy to include ten Virginia Class Submarines in the program's next multi-year procurement opportunity."<sup>40</sup> (Procuring an additional Virginia-class boat in FY2014 would increase from 9 to 10 the number of boats in the Navy's requested FY2014-FY2018 multiyear procurement [MYP] contract for the program.)

**Section 8010** of Division A of the bill provides authority for multiyear procurement (MYP) contracts for certain DOD acquisition programs, including the DDG-51 destroyer program and the Virginia-class attack submarine program.

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<sup>38</sup> Explanatory statement, pdf pages 1 and 2 of 394.

<sup>39</sup> Explanatory statement, pdf page 150 of 394.

<sup>40</sup> Explanatory statement, pdf page 151 of 394.

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**Section 8041** of Division A rescinds some prior-year funding for certain DOD programs, including the DDG-51 destroyer program, the Littoral Combat Ship (LCS) program, and the aircraft carrier (CVN) refueling complex overhaul (RCOH) program.

**Section 8073** of Division A specifies that the \$372.573 million in procurement funding provided for the completion of ships procured in prior fiscal years (the amount requested by the Navy)<sup>41</sup> is to be used, as requested by the Navy, as follows: \$156.685 million for the LHA replacement program (for the amphibious assault ship LHA-6); \$80.888 million for the LPD-17 program (for the amphibious ship LPD-25); and \$135 million for the CVN RCOH program (for the RCOH of CVN-71).

**Section 8105** of Division A states the following:

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.

Regarding Section 8105 of Division A, the explanatory statement states:

As detailed in H.Rept. 112-493 and S.Rept. 112-196 [on H.R. 5856 of the 112<sup>th</sup> Congress—see next section], the conferees remain concerned with the Navy's proposal to prematurely retire capable and relevant ships with over 100 years of remaining service life following an initial investment of no less than \$11,600,000,000 in current fiscal year 2012 dollars.

Therefore, the conferees recommend denying these proposed retirements and direct the Secretary of the Navy to retain this force structure in its entirety. The conferees recommend full funding, as identified by the Navy, to man, operate, sustain, upgrade, 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 conference agreement. The conferees recommend full funding for all known requirements only for these specific platforms for the next two fiscal years, and provide 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 conferees direct funds to be transferred in accordance with the requirements previously identified to the congressional defense committees by the Navy and further direct that any deviation from those requirements shall be fully and clearly identified to the congressional defense

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<sup>41</sup> Explanatory statement, pdf page 150 of 394.

committees prior to the initiation of any such transfer. The conferees believe 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.

Additionally, the conferees direct the Comptroller General to review the Navy's methodology and analysis regarding its decommissioning proposal, to include an analysis of the extent to which readiness metrics, maintenance, and inspection data; operating and support costs; and cost metrics related to initial and proposed curtailed service lives were considered. This review shall also address the extent to which decommissioning costs and any costs for maintaining or acquiring like capabilities were considered, the extent to which combatant command requirements were taken into account when the proposal was made, and the impact of the reduced fleet size on the Navy's ability to meet operational and personnel tempo goals and maintenance requirements. The results of this review should be submitted to the congressional defense committees not later than 180 days after the enactment of this Act.

In addition, the USS Port Royal (CG-73) incurred significant damage following a grounding incident in 2009. Following the incident, the ship was repaired and has since completed a deployment. However, while the Navy claims that the ship never completely recovered from the grounding, the Navy has failed to provide adequate analysis and cost data on the structural condition of the USS Port Royal. Therefore, the conferees direct the Secretary of the Navy to carry out an independent structural assessment of the Port Royal that includes a comparative structural assessment to other cruisers of the same class. The independent review shall provide a detailed cost estimate to repair the ship and how that estimate differs from the cost to repair other cruisers of the same class, including what issues would be corrected during planned maintenance availabilities. The conferees further direct that this independent assessment be certified by the Government Accountability Office (GAO). Both the independent review and the GAO certification should be submitted to the congressional defense committees not later than 180 days after the enactment of this Act. (Pdf pages 6-7 of 394)

### **Version Passed by Senate and House on March 20 and 21, 2013 (P.L. 113-6)**

H.R. 933 of the 113<sup>th</sup> Congress as passed by the Senate on March 20, 2013, and the House on March 21, 2013, includes the FY2013 DOD appropriations act as Division C. The bill was signed into law as P.L. 113-6 on March 26, 2013.

The provisions of Division C of H.R. 933/P.L. 113-6 are very similar, but not identical, to the provisions of Division A of the version of H.R. 933 passed by the House on March 6, 2013 (see above).<sup>42</sup> The explanatory statement for Division C of H.R. 933/P.L. 113-6 is the essentially the same as the explanatory statement for Division A of H.R. 933 as passed by the House on March 6, 2013 (see above).<sup>43</sup>

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<sup>42</sup> Division C of H.R. 933 as passed by the Senate on March 20, 2013, and the House on March 21, 2013, does not include two provisions (Sections 8039 and 8104) contained in Division A of H.R. 933 as passed by the House on March 6, 2013, and includes a provision (Section 8129) that was not included in Division A of H.R. 933 as passed by the House on March 6, 2013. These provisions relate to matters other than those discussed in this CRS report.

<sup>43</sup> The explanatory statement for Division C of H.R. 933 as passed by the Senate on March 20, 2013 consists of the pages from the Congressional Record of March 6, 2013, containing the explanatory statement of Division A H.R. 933 as passed by the House on March 6, 2013 (Congressional Record, daily edition, March 6, 2013, pages H1029-H1256, plus 3 additional pages from the Congressional Record, numbered 1 through 3, presenting a table showing the new budget authority by account provided by the bill).

For the matters discussed in this CRS report, the provisions and report language of Division C of H.R. 933/P.L. 113-6 are the same as those discussed above for Division A of H.R. 933 as passed by the House on March 6, 2013, except that Section 8105 in Division A of H.R. 933 as passed by the House on March 6, 2013, is renumbered as **Section 8103 of Division C** of H.R. 933/P.L. 113-6.

Funding levels provided by H.R. 933/P.L. 113-6 have been reduced by the sequester on FY2013 funding implemented on March 1, 2013, under the Budget Control Act of 2011 (S. 365/P.L. 112-25 of August 2, 2011), as amended by American Taxpayer Relief Act of 2012 (H.R. 8/P.L. 112-240 of January 2, 2013).

## **FY2013 DOD Appropriations Act (H.R. 5856 of 112<sup>th</sup> Congress)**

### **House**

The House Appropriations Committee, in its report (H.Rept. 112-493 of May 25, 2012) on the FY2013 DOD Appropriations Act (H.R. 5856 of the 112<sup>th</sup> Congress), 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>44</sup> (Pages 156 and 157)

**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

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<sup>44</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 "intratheater connector"), but this appears to be a typo, as the Navy's FY2013 budget requested the \$189.2 million for the JHSV program.

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 the FY2013 DOD Appropriations Act (H.R. 5856 of the 112<sup>th</sup> Congress), 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)

## **Conference**

For further action on the FY2013 DOD Appropriations Act, see the entry above for H.R. 933 of the 113<sup>th</sup> Congress.

## **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>45</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.

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<sup>45</sup> Source: Transcript of hearing.



BLAKE:

And so what we have to do is we have to balance the requirement for amphibbs, 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 amphibbs 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 amphibbs 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>46</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>47</sup>

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<sup>46</sup> Source: Transcript of hearing.

<sup>47</sup> Source: Transcript of hearing.

## **Appendix B. Comparing Past Ship Force Levels to Current or Potential Future Ship Force Levels**

In assessing the appropriateness of the current or potential future number of ships in the Navy, observers sometimes compare that number to historical figures for total Navy fleet size. Historical figures for total fleet size, however, can be a problematic yardstick for assessing the appropriateness of the current or potential future number of ships in 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; and
- the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for the meeting the Navy's mission requirements in that year.

Regarding the first bullet point above, the Navy, for example, reached a late-Cold War peak of 568 battle force ships at the end of FY1987,<sup>48</sup> and as of March 12, 2013, included a total of 285 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 February 2013 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 March 2013 fleet in areas such as profusion of precision-guided air-delivered weapons, numbers of Tomahawk-capable ships, and the sophistication of C4ISR systems and networking capabilities.<sup>49</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, increased use of ship-based unmanned vehicles, and the potential fielding of new types of weapons such as lasers or electromagnetic rail guns.

The 568-ship fleet of FY1987 may or may not have been capable of performing its stated missions; the 285-ship fleet of March 2013 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

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<sup>48</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>49</sup> C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.

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 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.

Regarding the second of the two bullet points above, it can be noted that comparisons of the size of the fleet today with the size of the fleet in earlier years rarely appear to consider whether the fleet was appropriately sized in those earlier years (and therefore potentially suitable as a yardstick of comparison), even though it is quite possible that the fleet in those earlier years might not have been appropriately sized, and even though there might have been differences of opinion among observers at that time regarding that question. Just as it might not be prudent for observers years from now to tacitly assume that the 285-ship of March 2013 was appropriately sized for meeting the mission requirements of 2013, even though there currently are differences of opinion among observers on that question (as reflected, for example, in **Table 5**), simply because a figure of 285 ships appears in the historical records for 2013, so, too, might it not be prudent for observers today to tacitly assume that the number of ships of the Navy in an earlier year was appropriate for meeting the Navy's mission requirements that year, even though there might have been differences of opinion among observers at that time regarding that question, simply because the size of the Navy in that year appears in a table like **Table D-1**.

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, as well as the possibility that earlier force-structure plans might not have been appropriate for meeting the mission demands of their times, 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, and there was considerable debate during those years as to the appropriateness of the 600-ship goal.<sup>50</sup>

<sup>50</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>    |

(continued...)

## 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>51</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

(...continued)

|                           |                      |                 |                   |                   |
|---------------------------|----------------------|-----------------|-------------------|-------------------|
| <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.

<sup>51</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.

- 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 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 306 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 306 ship goal, Navy Plan from 1993 BUR, and Navy Plan from 2010 QDR Review Panel**

| Ship Type                    | Navy's 306 ship goal of March 2012                    | Bottom-Up Review (BUR) (1993)  | 2010 QDR Independent Review Panel (July 2010) |
|------------------------------|---|--|---|
| SSBNs                        | 12-14   | 18<br>(SSBN force was later reduced to 14 as a result of the 1994 Nuclear Posture Review)                | 14  |
| SSGNs                        | 0-4   | 0<br>(SSGN program did not yet exist)  | 4   |
| SSNs                         | ~48   | 45 to 55<br>(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<br>(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<br>(to be replaced by LCSs)                         | n/a  | n/a   |
| LCSs                         | ~55   | 0<br>(LCS program did not exist)   | n/a   |
| Amphibious ships             | ~32<br>(30 operational ships needed to lift 2.0 MEBs) | 41<br>(Enough to lift 2.5 MEBs)  | n/a   |
| Dedicated mine warfare ships | 0<br>(to be replaced by LCSs)                         | 26<br>(LCS program did not exist)  | n/a   |
| CLF ships                    | ~29   | 43   | n/a   |
| Support ships                | ~33   | 22   | n/a   |
| <b>TOTAL ships</b>           | <b>~306</b>   | <b>346</b><br>(numbers above add to 331-341) <sup>a</sup>  | <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>52</sup>

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<sup>52</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>53</sup> The Navy fell below 300 battle force ships in August 2003 and included 285 battle force ships as of March 12, 2013.

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, and because the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for the meeting the Navy's mission requirements in that year.

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.

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<sup>53</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**

| <b>FY<sup>a</sup></b> | <b>Number</b> | <b>FY<sup>a</sup></b> | <b>Number</b> | <b>FY<sup>a</sup></b> | <b>Number</b> |
|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| 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)

| 82 | 83 | 84 | 85 | 86 | 87 | 88             | 89             | 90             | 91 | 92 | 93 | 94              | 95 | 96 | 97 | 98 | 99 |
|----|----|----|----|----|----|----------------|----------------|----------------|----|----|----|-----------------|----|----|----|----|----|
| 17 | 14 | 16 | 19 | 20 | 17 | 15             | 19             | 15             | 11 | 11 | 7  | 4               | 4  | 5  | 4  | 5  | 5  |
| 00 | 01 | 02 | 03 | 04 | 05 | 06             | 07             | 08             | 09 | 10 | 11 | 12              | 13 | 14 | 15 | 16 | 17 |
| 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 306 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.

## **Appendix E. February 12, 2013, Navy Testimony on Potential CR and Sequester Impacts**

This appendix presents the full text of the Navy's written statement for a February 12, 2013, hearing before the Senate Armed Services Committee on the impact of a year-long CR and sequestration.<sup>54</sup> (Although the Navy's written statement for the hearing is from Admiral Jonathan Greenert, the Chief of Naval Operations, the Navy's testimony at the hearing was actually given by the Vice Chief of Naval Operations, Admiral Mark E. Ferguson III, who was substituting for Admiral Greenert at the hearing.) The Navy presented similar testimony at a similar hearing before the House Armed Services Committee on February 13, 2013.

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The text of the statement is as follows:

Chairman McKeon, Ranking Member Smith, and distinguished members of the Committee, thank you for holding this hearing and for the opportunity to testify on the impact on our Navy of sequestration and a full-year Continuing Resolution (CR).

Important qualities of our naval forces are their readiness to respond to crisis and persistent forward presence. Because they continuously operate overseas at the maritime crossroads, our Navy and Marine Corps are the first responders to crises such as terrorist attack, military aggression or natural disaster. Operating forward at strategic maritime crossroads such as the Straits of Malacca, Hormuz, or Gibraltar, naval forces contain conflict, deter aggression without escalation, and assure allies and build partnerships.

When I last appeared before you I assessed that our FY13 budget proposal, developed under the limitations of the Budget Control Act of 2011 (BCA), was not without risk. As I said last year, senior DoD leaders conducted an assessment of the ability of our force to implement the new Defense Strategic Guidance (DSG). In the Navy we also assessed the capabilities, training, and the number and type of ships and aircraft required to execute the strategy. We determined the force supported by the FY13 budget proposal was able to execute the strategy, but with some risk due to limitations in overall capacity.

There is no question we must get our nation's fiscal house in order, but we should do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability and forward presence – the attributes we depend upon from our Navy. Unless we change course we will, without proper deliberation, dramatically reduce: our overseas presence; our ability to respond to crises; our efforts to counter terrorism and illicit trafficking; and our material readiness across the Navy (afloat and ashore). Perhaps more disconcerting, we may irreversibly damage the military industrial base we depend on to build and maintain our ships and aircraft. Over the next decade, the combination of sequestration and the reduced

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<sup>54</sup> Statement of Admiral Jonathan Greenert, Chief of Naval Operations, before the Senate Armed Services Committee on the Impact of Sequestration, February 12, 2013, 10 pp. Emphasis as in original.

discretionary caps would compel us to dramatically reduce our fleet size. Under these circumstances, I assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy; and unable to fully support the Global Force Management Allocation Plan for our Combatant Commanders.

### **Our situation**

We face three separate, but linked, budget mechanisms that converge next month and place at risk our ability to carry out our defense strategy. As a result of the failure of the Joint Committee established under the BCA to achieve \$1.2 trillion in deficit reduction, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution (CR). Sequestration and the CR render us unable to continue our current and anticipated level of operations, compel us to cancel some maintenance and training, and constrain our ability to invest in future capability and capacity.

We will approach this challenge using our enduring tenets, established upon my assuming the office of CNO, to guide us:

- Warfighting first
- Operate forward
- Be ready

The Navy's primary mission is to be ready to fight and win today, while building the ability to win tomorrow; all our efforts will remain grounded in this fundamental responsibility. We will continue to operate forward, where the Navy is most effective; but at significantly lower levels. And we will endeavor to remain ready, providing our fleet and Sailors the best possible training, maintenance, and logistics to assure their confidence and proficiency.

### **FY13: A readiness crisis in the making**

Our immediate concern from the sequestration and the CR is their impact on readiness and training during this fiscal year. The CR is based on FY12 funding levels and therefore includes fewer operating dollars than we proposed, and Congress authorized, for FY13. Extended for the whole fiscal year, the CR would provide the Navy \$3.2 billion less in operations and maintenance funds than requested in the FY13 budget. In addition, we have incurred \$1.4 billion in unplanned costs in FY13 from emergent ship repairs and increased (and unbudgeted) presence in the Arabian Gulf. The CR also precludes the start of new projects. If the CR is extended for the whole fiscal year, we will stop work on two aircraft carrier refueling overhauls (USS ABRAHAM LINCOLN and USS THEODORE ROOSEVELT), one of which is within four months of completion. The prohibition on "new starts" under the CR also compels us to defer construction of USS JOHN F. KENNEDY (CVN-79), USS SOMERSET (LPD-25) and USS AMERICA (LHA-6) and cancel the planned procurement of an Arleigh Burke-class guided missile destroyer, multiple P-8A Poseidon aircraft and hundreds of weapons. Similarly, we will not begin about \$675 million in "new start" military construction projects while under the CR.

In addition to the CR funding shortfall in operating accounts, the March 1 sequestration order would impose significant additional cuts in FY13, which would reduce all of our accounts by about eight percent. And as mentioned above, second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be implemented on March 27. The Department estimates the combined effects of sequestration will be a nine percent reduction,

which would result in a \$4 billion cut in operations and maintenance funding from current levels and \$11.2 billion in the FY13 budget overall. Taken together, the CR, sequestration and emergent costs would create an \$8.6 billion shortfall in the operations and maintenance account for FY13. \$12.3 billion has already been spent from this account in FY13, and another \$16.4 billion is fixed in existing contracts and safety requirements. Therefore, we must find \$8.6 billion in savings from the remaining \$20.2 billion in operations and maintenance funding – more than a third of the money available in the account.

Therefore, we are compelled to take the following steps:

- Cancel 70% of ship maintenance in private shipyards and all aircraft maintenance scheduled in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of FY13; this affects up to 25 ships and 327 aircraft and eliminates critical ship and aircraft repair and adds to an existing maintenance backlog generated by a decade of high-tempo operations – resulting in an overall Navy maintenance backlog of about \$3 billion;
- Reduce by about one-third the number of days at sea and hours of flight operations for ships and aircraft permanently stationed in the Asia-Pacific; cancel all aircraft deployments and four of six ship deployments to the region;
- Reduce by half the number of days at sea and by one quarter the hours of flight operations for ships and aircraft in the Middle East and Arabian Gulf; reduce carrier presence in the Arabian Gulf to one (the requirement is two carriers);
- Stop Amphibious Ready Group (ARG) deployments to the Middle East / Arabian Gulf in FY14 after USS BOXER; this loses the nation's primary response force for crises such as noncombatant evacuations in Liberia and Lebanon, floods in Pakistan and Thailand and terrorism threats in Africa – all of which were addressed by ARGs in the past decade.
- Cancel five of six FY13 ship deployments (including USNS COMFORT) and stop all aircraft deployments to South America, stopping efforts that interdicted hundreds of tons of illegal drugs into the U.S. in 2012;
- Cancel all ship and aircraft deployments to Africa, halting support to counter-terrorism operations on the continent during a time when terrorist affiliates are active there;
- Stop training and certification of ballistic missile defense ships, resulting in no new deployments of these ships to Europe after October 2013;
- Cancel most non-deployed operations including exercises, pre-deployment certification, and all port visits in the continental U.S.; as a result, the number of ships available for homeland defense will be reduced and it will take 9-12 months for ships that were not preparing to deploy to regain certification for Major Combat Operations;
- Stop training and certification for Carrier Strike Groups (CSG) except for the one next to deploy to the Middle East / Arabian Gulf; We will have only one additional or “surge” CSG certified for Major Combat Operations in FY13 and throughout FY14 (down from almost three on average);
- Stop training and certification for Amphibious Ready Groups (ARG), resulting in no additional or “surge” ARG certified for Major Combat Operations in FY13 and FY14;
- Freeze hiring of civilian workers and release current temporary workers, resulting in a reduction of about 3,000 people from our shipyard workforce of Navy civilians;

- Plan to furlough up to about 186,000 civilians for 22 days, resulting in a 20 percent pay reduction.

On top of reductions in operations and maintenance funding, sequestration will reduce FY13 funding for each investment program (about \$7.2 billion overall). In some programs, such as F-35C Lightning II, P-8A Poseidon and E-2D Hawkeye, this reduction will compel us to reduce the number of platforms procured in FY13.

In addition to these immediate impacts, our actions in FY13 to address reductions from the CR and sequestration will begin to erode our readiness in four major ways:

**Degraded material condition and expected service life of our ships and aircraft.** The cancellation of maintenance for ships and aircraft will reduce their service lives, increase the likelihood of break downs and force us to pay a higher cost (premium) to make up the critical maintenance later. Should operations funding eventually become available, some ships and aircraft will be unavailable to deploy or surge because they need repairs; further, we will need to realign ship maintenance periods and repairs within an already tight operational schedule.

**Sailors lacking proficiency and confidence.** Cancelled training and exercises could result in some units in the fleet that, by the end of FY13, are not proficient in the basic skills necessary for effective warfighting operations. To be effective, we need all combatants able to deploy or surge to a contingency.

**A damaged industrial base.** Delayed or cancelled ship and aircraft construction, cancelled maintenance and repair, and reduction of the civilian workforce will immediately impact private shipyards, aircraft and weapons manufacturers and our military industrial base. The loss of work in FY13 alone may cause some smaller suppliers and service providers to shut down.

**Increased strain and operational tempo on our Sailors and Civilians.** The reduction of ready forces will put greater stress on the Sailors assigned to ships and squadrons that are currently deployed or soon to deploy. They will operate at a higher tempo; and we are already at an extraordinary operational tempo. While military compensation is exempt from sequestration, there is a cost to the force in having to do more. However, I remain committed to making sure we provide for our Sailors, Civilians and their Families by funding our most important missions and deployments, and Family Readiness Programs.

If Congress authorizes the Navy to transfer funds within the FY13 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P-8A Poseidon, F-35C Lightning II and Littoral Combat Ship – resulting in fewer of these platforms being procured in FY13.

#### **Longer-Term Effects: A Different Fleet and a Different Strategy**

In addition to sequestration for FY13, the BCA also required the lowering of the discretionary caps for FY14 through FY21. Beyond FY13, if the discretionary cap reductions are sustained for the full nine years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F-35 Lightning II, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.

Inevitably, these changes will severely damage our industrial base. Some shipyards will not be able to sustain steady construction or maintenance operations and may close or be inactivated. Aviation depots will reduce their operations or become idle. Aircraft and weapons manufacturers will slow or stop their work entirely. In particular, the small firms that are often the sole source for particular ship and aircraft components will quickly be forced to shut down. Once these companies and their engineers and craftspeople move on to other work, they are hard to reconstitute, sometimes impossible, at a later date when our national security demands it.

#### **Reducing the Impact of Sequestration and the Continuing Resolution**

We ask that this Congress act quickly to replace sequestration with a coherent approach to deficit reduction that addresses our national security interests. Additionally, the Department needs the Congress to pass FY13 appropriations legislation that allows the department to allocate reductions in this fiscal year in a deliberate and coherent manner to sustain current operations while meeting current obligations.

I am honored to represent about 600,000 Sailors and Civilians serving their country in the United States Navy. We understand the importance of resolving our fiscal challenges to ensure our nation's future prosperity. I look forward to working with the Congress to ensure our Navy will remain the world's preeminent maritime force while continuing to protect our nation's security and prosperity.



## **Appendix F. February 28, 2013, Department of the Navy Testimony on Potential CR and Sequester Impacts**

This appendix presents the full text of the Department of the Navy's written statement for a February 28, 2013, hearing before the Tactical Air and Land Forces subcommittee of the House Armed Services Committee on the impact of a year-long CR and sequestration.<sup>55</sup>

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The text of the statement is as follows:

### **IMPACTS OF A YEAR-LONG CONTINUING RESOLUTION AND SEQUESTRATION TO THE DEPARTMENT OF THE NAVY**

Chairman Turner, Ranking Member Sanchez, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the year-long Continuing Resolution (CR) and sequestration impacts to the Department of the Navy's (DoN) Acquisition Programs, Programming, and the Industrial Base.

The United States is a maritime nation with global responsibilities. Our Navy and Marine Corps' persistent presence and multi-mission capability represent U.S. power projection across the global commons. As you are aware, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution. The potential for sequestration and a year-long CR have already altered virtually every aspect of DoN planning and our ability to carry out our responsibilities. Without action by Congress, a year-long CR and sequestration will have immediate as well as long-term negative impacts. In the near-term, we will be driven to cancel maintenance and training that supports current readiness and our operational commitments at home and abroad. Long-term, the fiscal challenges will constrain our ability to invest in future capability and capacity. In short, if a strict year-long CR and sequestration occur, we will not be able to afford in the future the Navy and Marine Corps we have today.

In March 2012, Navy and Marine Corps leadership testified to this committee about the Fiscal Year 2013 budget which was restructured to reflect an updated defense posture as the

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<sup>55</sup> Statement of Hon. Sean J. Stackley, Assistant Secretary of the Navy (Research, Development and Acquisition), and Vice Admiral Allen G. Myers, USN, Deputy Chief of Naval Operations [for] Integration of Capabilities and Resources, and Lieutenant General John E. Wissler, USMC, Deputy Commandant for Programs and Resources, before the Tactical Air and Land Forces Subcommittee of the House Armed Services Committee on Impacts of a Continuing Resolution and Sequestration on Department of the Navy Acquisition, Programming & Industrial Base, February 28, 2013, 10 pp. Emphasis as in original.

wars in Iraq and Afghanistan wind down with a commensurate reduction of about \$500 billion over ten-years. The planned 2013 DoN budget request aligned with the new strategic guidance for the Department of Defense (DoD) and provided the DoN with the best balance of naval capabilities.

Currently, the budgetary uncertainty including the CR is driving changes to our force posture and operational capability absent any major review of strategic priorities and national security objectives. As the Chief of Naval Operations and the Commandant of the Marine Corps testified to the House Armed Services Committee earlier this month, there is no question we must get our nation's fiscal house in order. But we should do so in a coherent and thoughtful manner to ensure we have the weapon systems needed to project power and maintain appropriate readiness levels. Unless we change course, we may, without proper deliberation, dramatically impact our global presence and our material readiness (afloat and ashore). Further, we risk damaging the military industrial base we depend upon to build and maintain our weapon systems and rely upon to surge to meet urgent operational needs.

A restrictive year-long CR and nine years of reduced budgets triggered by sequestration will leave ships in ports, aircraft grounded for want of necessary maintenance, reduced flying hours, units only partially trained, and a force reset via new acquisition and modernization programs delayed, restructured, or canceled. Our concern is we will not have the ready forces when it matters and where it matters most to respond to crisis, assure allies, build partnerships, deter aggression, and contain conflict.

## **PERSONNEL/ACQUISITION/INDUSTRIAL BASE IMPACTS**

### National Economy/Employment Impacts:

The DoN \$7.8 billion dollar sequestration investment reduction would potentially impact over 100,000 private sector jobs across the nation considering direct and indirect impacts to the economy.

### DoN Personnel Impacts:

The DoN relies on a 'total force' of military (active and reserve) and civilian personnel to execute its mission. While military personnel accounts are exempt from sequestration in Fiscal Year 2013, the uncertainty of this year's fiscal action has already had a tangible effect on our civilian workforce as well as intangible effects on military personnel. Due to the possibility of the current CR being extended to a full year, the Navy has implemented an across the board hiring freeze for civilian positions and released many temporary employees. The Navy also started planning for civilian furloughs in case sequestration and full year CR were to occur.

**Hiring Freeze:** We estimate that the hiring freeze has already impacted over 1,000 Navy-wide vacancies. With an average Navy-wide civilian personnel attrition rate of approximately 350 per week, or approximately 18,000 vacancies per year, the impacts to the workforce are severe. The Marine Corps, which is not immediately implementing an across-the-board hiring freeze because it instituted hiring freezes in 2011 and 2012, is limiting expenditures on civilian labor resulting in approximately 400 full-time equivalents below 2010 levels.

**Temporary Civilian Employees:** In total, the Navy is planning to release more than 650 temporary civilian employees representing approximately 25 percent of this workforce.

**Furloughs:** In accordance with the Office of Personnel Management (OPM) guidance, the DoN is continuing to review the implications of sequestration-driven furloughs of up to

195,000 civilian employees. Furloughs will affect all fifty states and our internationally based workforce. We assess the impact of a 22 work day furlough in the latter half of this fiscal year will result in an approximate 20 percent pay reduction for affected employees during this period. With Congressional Notification provided on February 20, 2013, we anticipate furloughs could commence in the April 2013 timeframe. Consequently, the impacts to the civilian workforce are detrimental not to only the affected employees – but to their families, the DoN mission, and local economies.

In addition to the direct loss of labor hours, the workforce impacts of a year-long CR and sequestration will also lead to inefficiencies caused by loss of learning; productivity losses; cost increases driven by lengthening schedules; increased burdens on military personnel; and lower morale – all of which translates to reduced readiness. For example, the civilian hiring freeze and overtime restrictions in Naval Shipyards have already caused non-recoverable impacts to the shipyards' ability to execute many assigned workloads and nuclear submarine availabilities while threatening to impact Docking Planned Incremental Availabilities for the USS EISENHOWER (CVN 69) and the USS JOHN C. STENNIS (CVN 74).

#### Major Acquisition Programs

The combined effects of a full-year CR, including the current prohibition on new starts and increases in rates of production, and a reduction of about \$8 billion in DoN Fiscal Year 2013 investment accounts due to sequestration are far reaching – with impacts to naval aviation, ground-warfare systems, strike weapons, research & development, shipbuilding and the associated support, training, and outfitting required for current and future readiness.

The impact of sequestration in Fiscal Year 2013 would result in a loss of more than \$1.0 billion in aircraft production. The reductions will affect the F-35 Joint Strike Fighter, H-1 Huey and Cobra Rotary-Wing Aircraft, P-8 Poseidon Maritime Patrol Aircraft, E-2D Hawkeye Surveillance Aircraft, Vertical Take-Off Unmanned Aerial Aircraft (VTUAV), and the Small Tactical Unmanned Aerial Vehicle production lines. Further, the Department would delay the Initial Operating Capability (IOC) of VTUAV Intelligence, Surveillance and Reconnaissance in support of Special Operations Forces. We also expect to see unit price increases in current and future single-year procurements for tactical, surveillance, rotary-wing, and unmanned systems. An additional \$1.0 billion dollar impact will affect aviation supporting elements impacting trainers and simulators, stand-up of the MV-22 Osprey depot-level maintenance capability, ground support equipment, and spare parts for all for all aircraft types/models/series. These supporting elements are key contributors to maintaining the readiness of operational aircraft and aircrews.

Examples of the impacts due to a strict year-long CR include the inability to transition to an MV-22 multi-year procurement, resulting in approximately \$1.1 billion in additional program cost to deliver the same number of aircraft; the inability to execute new starts for KC-130J, which extends their delivery schedule; delayed development of the multi-intelligence sensor causing a one-year delivery delay to MQ-4C Triton unmanned aircraft; and delays in fielding radar and infra-red search and track upgrades for F/A-18 aircraft.

Current CR restrictions and potential sequestration-driven decreases to naval aviation readiness would impact Fleet Replacement Squadrons (FRS), reduce rotary-wing readiness in support of swarming boat defense, airborne mine counter-measures and anti-submarine warfare, and cancel aircraft and engine depot inductions in the 3<sup>rd</sup>/4<sup>th</sup> quarter of Fiscal Year 2013. Depot cancellations jeopardize planned aircraft modernization, mission system software capability improvements, fatigue-life management, depot support, and our flight hour program.

Aviation depot maintenance is critical to the long-term health of the force and our ability to meet mission tasking for both the Navy and Marine Corps. The combined impacts of full-year CR restrictions and sequestration on the operation and maintenance of Navy aircraft will be to degrade mission readiness, both to our Carrier Air Wings and other critical tactical helicopter and maritime patrol aircraft. The cancelling of depot engine and engine module inductions during the 3<sup>rd</sup>/4<sup>th</sup> quarter will impact engine and engine module inventories necessary for flight-line aircraft, spare parts, and war-time reserve.

Similarly, Marine Corps readiness will be degraded. Beyond twelve-months, we project impact to all Marine Corps home-station fixed-wing units. Specifically, USMC F/A-18 fixed-wing squadrons will have, on average, approximately only five of twelve assigned aircraft on the ramp due to aviation depot shutdowns. Causing further concern is that an extended CR, combined with sequestration, could impact our 'next-to-deploy' and some deployed forces. Across the DoN, there will be a total of 327 aircraft and over 1,200 engine modules that will miss induction in the 3<sup>rd</sup>/4<sup>th</sup> quarter of Fiscal Year 2013 due to CR and sequestration, with several years required to recover the backlog. If the forecast impacts were to occur, we would not be able to recover in a timely manner, even if funding were restored.

Our flight hour program is critical to maintaining our near-term ability to safely and effectively meet tasking. Decreasing flight hours raises the risk to flight safety and aircrew proficiency. For example, in non-deployed Marine Corps F/A-18 squadrons, pilots will average seven flight hours per month, well below the historically proven average of fifteen flight hours per pilot required to maintain safe flight and minimum aircrew proficiency.

The entirety of the Marine Corps Fiscal Year 2013 ground material modernization investment is only \$2.5 billion, comprising 12 percent of the baseline budget. Further reductions in ground investment accounts, although proportional to the other services in terms of a percentage reduction, will have disproportional impact on Marine Corps modernization and readiness, particularly after a decade of increased operational tempo. The impending sequestration will cause a cut of over \$850 million dollars and delay efforts of multiple ground programs directly impacting delivery of future capabilities. Examples include reduced procurement and installation of safety and force protection modification kits on both the Medium Tactical Vehicle Replacement and Logistics Vehicle System Replacement trucks which will decrease overall fleet capability. Program delays to the Amphibious Combat Vehicle will result in the Marines being required to operate and maintain the already 40-year old Assault Amphibious Vehicle for at least the next decade.

Due to sequestration our weapons and ammo procurement accounts will be reduced by approximately \$450 million dollars. Impacts will occur to sea-strike and sea-shield weapons procurement that include a reduction of over 200 air-launched weapons for air-to-air and air-to-ground combat; more than 50 sea-launched weapons, including our front-line, deep-strike land-attack weapons; and nearly all of our ammo and direct attack munitions accounts. Since many of our weapons programs are already at minimum sustaining rates, further quantity reductions will jeopardize the supplier base and drive higher unit production costs. Additionally, we will reduce procurement of acoustic device countermeasure systems impacting ship torpedo defense and reduce systems engineering and technical assistance oversight of our Mobile User Objective System (MUOS).

Early research, development, test and evaluation is integral to weapon system development. These efforts will be impacted by sequestration, resulting in reductions totaling more than \$1.6 billion dollars. Cuts will occur in university research initiatives, applied research, in-house laboratories, and the research and development for major acquisition programs. Acquisition program impacts include:

- Delays in Joint Strike Fighter at-sea testing due to postponement of required ship modifications, air-ship integration activities, and reduced progress on development of a deployable Autonomous Logistics Information System;
- A two-year delay in the MQ-4/Triton Unmanned Air System;
- Delays in CH-53K development; and
- Delays in the Multi-Stage Supersonic Target impacting completion of operational testing for Nuclear Aircraft Carriers, Standard Missile-2, Rolling Airframe Missile, Evolved Sea Sparrow Missile, Ship Self Defense System, Littoral Combat Ship, Amphibious Assault Ships (LHA), and DDG 1000.

All of these delays drive cost increases into the programs and result in less capability delivered for each defense dollar spent.

Sequestration will impact our nuclear aircraft carrier force structure and the one-year CR impacts contract awards for carrier refueling. Specifically, the current CR would delay the contract award for the next Ford Class carrier, JOHN F. KENNEDY (CVN 79) and sequestration would further slow construction, which would result in a delivery delay. Current CR funding limitations would delay the completion of Nuclear Refueling Complex Overhaul (RCOH) for USS THEODORE ROOSEVELT (CVN 71), the start of RCOHs for USS ABRAHAM LINCOLN (CVN 72), and the defueling of USS ENTERPRISE (CVN 65). Given the short time available between sequential dry-docks, the CVN 72 and CVN 65 delays will also likely cause day-for-day impacts to the follow-on CVN 73 RCOH. The CVN 72 and CVN 73 delays will not be recoverable.

#### Industrial Base

Sequestration's shadow engenders large uncertainties for the DoN as a whole and in particular our defense industrial base. We have observed prior disruptions to industry resulting in a loss of talent, a loss of learning, and a reduction to quality.

As Secretary Panetta has stated, sequestration also puts at risk a defense strategy established, in part, to ensure the United States maintains its industrial base and is not driven to contract with overseas companies to keep its technological edge.

For the DoN, sequestration will impact all 50 states – from prime contractors, to the supplier base, and to the scientific, engineering, and technical services sectors. Assuming a nine-percent sequestration reduction for the March 1 and March 27 potential orders combined, we project industry contract awards will be reduced by approximately \$6.7B in Fiscal Year 2013.

Delayed weapon system production and cancelled maintenance and repair will immediately impact aircraft, missile, and land system manufacturers and our military industrial supplier base. The projected loss of work in Fiscal Year 2013 alone will further stress smaller businesses that provide supplies and services to major manufacturers which have already been negatively impacted due to the general downward trend in defense spending. Many small businesses, which are often the sole-source for aircraft, missile, and land-system components, may be driven to shut down if meaningful disruptions to planned workload occur. Once these companies, their engineers and skilled workers move on to other work, they are hard and sometimes impossible to reconstitute, even if our national security requires it. With many weapon systems already at minimum sustaining rates and extended production runs, we are continually faced with the challenges of parts obsolescence that will be further exacerbated by sequestration and year-long CR disruptions.

What cannot be measured is the percentage of the supplier base that has decided, or will decide, that it is no longer in their economic best interests to participate in the defense sector due to business base uncertainties driven by frequent CRs, sequestration, and the prospect of nine years of continuing budget uncertainty. When suppliers determine that they can no longer rely on future work, or conclude that the regulatory and contractual environment is unavailing to a reasonably predictable business base, they will adapt and may turn to other economic sectors.

## **SUMMARY**

We ask that Congress act quickly to eliminate the threats posed by sequestration and a year-long CR by developing a coherent, balanced approach to deficit reduction that addresses our national security interests. The Department requests Congress pass a Fiscal Year 2013 Defense Appropriations bill and eliminate sequestration. If that course of action proves untenable, we request Congress at least act quickly to modify the CR to help us get the funds in the correct accounts, and allow for new starts, rate increases, and quantity variations that address our Fiscal Year 2013 CR-related readiness shortfalls and acquisition requirements. Such actions related to the CR; however, will do little to mitigate the significant cuts required by sequestration.

We understand the importance of resolving our fiscal challenges to ensure our nation's security and future prosperity and look forward to working with Congress to ensure our Navy and Marine Corps remain the world's preeminent maritime and expeditionary force.

## Appendix G. March 2, 2013, Navy Message on Navy's Response to Sequestration

This appendix reprints the text of a March 2, 2013, Secretary of the Navy message to Navy personnel on the Navy's response to sequestration.<sup>56</sup>

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The text of the message is as follows:

DTG 022300Z Mar 13

FM SECNAV WASHINGTON DC

TO ALNAV

INFO SECNAV WASHINGTON DC

CMC WASHINGTON DC

CNO WASHINGTON DC

BT

UNCLAS

ALNAV 014/13

MSGID/GENADMIN/SECNAV WASHINGTON DC/-/MAR//

SUBJ/DEPARTMENT OF THE NAVY RESPONSE TO SEQUESTRATION//

RMKS/1. LAST NIGHT, BECAUSE NO BUDGET DEAL HAD BEEN REACHED, THE BUDGET CONTROL ACT REQUIRED SETTING IN MOTION THE AUTOMATIC, GOVERNMENT-WIDE CUTS KNOWN AS SEQUESTRATION. GIVEN THAT REALITY AND THE ASSOCIATED IMPACT OF BUDGETARY UNCERTAINTY IMPOSED BY AN INDEFINITE CONTINUING RESOLUTION, THE DEPARTMENT OF THE NAVY INTENDS TO COMMENCE SOME REDUCTIONS IMMEDIATELY.

2. NAVY PLANS TO:

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<sup>56</sup> The text of the message was posted at *InsideDefense.com* (subscription required) on March 3, 2013, and at other web sites.

A. SHUT DOWN CARRIER AIR WING TWO (CVW-2) IN APRIL. THIS WILL INITIATE THE PREPARATIONS TO GRADUALLY STAND-DOWN FLYING IN AT LEAST THREE ADDITIONAL AIR WINGS WITH TWO MORE AIR WINGS BEING REDUCED TO MINIMUM SAFE FLYING LEVELS BY THE END OF THE YEAR; B. DEFER USNS COMFORT HUMANITARIAN DEPLOYMENT TO CENTRAL AND SOUTH AMERICA, \$B!H(JCONTINUING PROMISE 2013\$B!m(J, INCLUDING SUPPORTING SHIPS, SEABEES, AND MEDICAL UNITS; C. CANCEL OR DEFER THE DEPLOYMENTS OF UP TO SIX SHIPS TO VARIOUS AORS THROUGHOUT THE MONTH OF APRIL; D. LAY UP FOUR COMBAT LOGISTICS FORCE (CLF) UNITS IN PACOM STARTING IN APRIL; E. RETURN USS SHOUP (DDG 86) TO HOMEPORT EARLY AND NOT PROCEED AS USS NIMITZ (CVN 68) ESCORT TO CENTCOM; F. RETURN USS THACH (FFG 43) TO HOMEPORT EARLY FROM DEPLOYMENT TO SOUTHCOM.

3. WE WILL ALSO IMMEDIATELY:

A. BEGIN NEGOTIATING CONTRACT MODIFICATIONS TO DE-OBLIGATE EFFORTS FOR ANY INVESTMENT PROGRAMS FOR WHICH THE REMAINING UNOBLIGATED BALANCE WILL BE INSUFFICIENT AFTER THE SEQUESTRATION REDUCTION IS APPLIED. MAJOR PROGRAMS AFFECTED INCLUDE VIRGINIA-CLASS SSN ADVANCE PROCUREMENT, REACTOR POWER UNITS AND JOINT HIGH SPEED VESSEL (JHSV 10); B. COMMENCE FINAL PLANNING TO SLOW MARINE CORPS DEPOT MAINTENANCE ACTIVITIES, INCLUDING REDUCTIONS IN THE NON-PERMANENT WORKFORCE; C. CANCEL MARCH INTRODUCTORY FLIGHT SCREENING FOR FUTURE PILOTS/NFOS; D. ANNOUNCE INTENT TO CANCEL BLUE ANGELS SHOWS SCHEDULED FOR APRIL 2013 [FOUR SHOWS: MACDILL AFB (TAMPA, FL), NAS CORPUS CHRISTI TX, VIDALIA GA, MCAS BEAUFORT SC]; E. CEASE NEW USMC ENROLLMENTS IN VOLUNTARY EDUCATION TUITION ASSISTANCE; F. CANCEL MARCH NAVY RECRUITING MEDIA SUPPORT AND REDUCE THE MAJORITY OF ADVERTISING CONTRACTS AS MUCH AS POSSIBLE UNDER CONTRACTUAL CONDITIONS.

4. THESE ACTIONS ARE BEING TAKEN TO PRESERVE SUPPORT FOR THOSE FORCES STATIONED OVERSEAS AND CURRENTLY FORWARD-DEPLOYED. REDUCTIONS IN LOWER-PRIORITY FORWARD OPERATIONS, AND SIGNIFICANT REDUCTIONS IN ALL OTHER OPERATIONS, TRAINING, AND MAINTENANCE ARE THE RESULTS OF THIS SELECTION PROCESS. WE MADE THESE CHOICES CAREFULLY, WHILE TRYING TO PRESERVE OUR ABILITY TO REVERSE OR QUICKLY RESTORE NEGATIVE EFFECTS IF AND WHEN FUNDING IS RESTORED.

5. ACTIONS WE HAVE TAKEN TO DATE WILL CONTINUE, TO INCLUDE THOSE AFFECTING THE DEFERRAL OF MAINTENANCE FOR USS ABRAHAM LINCOLN (CVN 72); THE DEFERRAL OF REPAIR WORK FOR USS MIAMI (SSN 755) AND USS PORTER (DDG 78); THE DELAYED DEPLOYMENT OF USS HARRY S TRUMAN (CVN 75) AND USS GETTYSBURG (CG 64); THE CIVILIAN HIRING FREEZE; THE PLANNING FOR CIVILIAN FURLOUGHS; AND THE REDUCTION OF ALL TRAINING NOT RELATED TO THE READINESS OF DEPLOYED OR NEXT-TO-DEPLOY FORCES.

6. NAVY DEPARTMENT LEADERSHIP UNDERSTANDS THE UNCERTAINTY THAT THESE AND OTHER DECISIONS CREATE BOTH AMONGST OUR PEOPLE AND IN THE DEFENSE INDUSTRY UPON WHICH WE RELY. THE LACK OF A LEGISLATIVE SOLUTION TO AVOID SEQUESTRATION IS DEEPLY REGRETTABLE. THAT SAID, WE MUST ENDEAVOR TO DEAL WITH THE SITUATION AS WE FACE IT, NOT AS WE WISH IT COULD OTHERWISE BE. WE



WILL CONTINUE TO KEEP THE SAFETY AND WELL-BEING OF OUR PEOPLE FOREMOST IN MIND, EVEN AS WE TRY HARD TO KEEP WHOLE THE FORCE STRUCTURE WHICH SUPPORTS THEM. WE WILL ALSO CONTINUE TO KEEP THE FLEET AND FLEET MARINE FORCE FULLY INFORMED AS FOLLOW-ON DECISIONS ARE MADE.

7. RELEASED BY RAY MABUS, SECRETARY OF THE NAVY.// BT

## **Appendix H. January 25, 2013, Navy Memorandum on Potential CR and Sequester Impacts**

This appendix reprints a January 25, 2013, Navy memorandum on potential impacts of a year-long continuing resolution (CR) and sequestration.<sup>57</sup>

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The memorandum begins on the next page.

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<sup>57</sup> The memorandum was posted at InsideDefense.com (subscription required) and other internet sites.



DEPARTMENT OF THE NAVY  
CHIEF OF NAVAL OPERATIONS  
2000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

7000  
Ser N00/10005  
25 Jan 13

From: Chief of Naval Operations

Subj: DIRECTION REGARDING THE CONTINUING RESOLUTION AND  
SEQUESTRATION

Ref: (a) DSD guidance (10 Jan)  
(b) SECNAV WASHINGTON DC 112146Z Jan 13 (ALNAV 006/13)  
(c) CNO WASHINGTON DC 161811Z Jan 13 (NAVADMIN 007/13)  
(d) ASN RDA memo of 15 Jan 13  
(e) ASN FMC memo of 14 Jan 13

1. Navy is facing budget shortfalls today because we are funded under a Continuing Resolution (CR). Unless Congress legislates changes, we may have significant additional budget reductions starting in March because of sequestration. These reductions will have the greatest impact on Navy's Operation and Maintenance (OMN) account in the near term. References (a) through (e) provide guidance for the near-term, reversible actions we are taking today, or soon will take, to slow our obligation rate of OMN funds.

2. This memorandum provides additional detail with regard to actions being taken now to address the CR. It also directs planning and outlines longer-term impacts to Navy should sequestration be triggered. Our priority in the OMN account will be to preserve overseas and forward-deployed readiness to the maximum extent possible.

3. The following near-term actions are in effect, per references (b) through (e). They may be reversed if Congress passes a FY13 Defense Appropriations Bill or grants Navy permission to reprogram funds from investment accounts to OMN. Commanders and Commanding Officers may request authority not to implement these steps should they conclude that mission-essential activities would be harmed or that actions directed in this section will have an irreversible and severe impact on our ability to execute our mission. However, failure to reduce current obligation rates of OMN is not an option. Any exceptions to the following directed actions shall be replaced by alternative actions from the respective Budget Submitting Office (BSO) which won't have a similar damaging impact. This is

Subj: DIRECTION REGARDING THE CONTINUING RESOLUTION AND  
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necessary in order to meet the targeted OMN reductions identified in reference (e). Rationale for such decisions must be articulated with the chain of command.

a. Beginning 15 February 2013, Fleet Commanders shall notify contractors and cancel all private-sector FY13 3rd and 4th Quarter surface ship maintenance availabilities. NAVAIR, in conjunction with the Aviation Type Commanders, shall cancel all FY13 3rd and 4th Quarter aircraft depot maintenance.

b. The hiring of civilians has been frozen. Unless a formal job offer was made or an Entrance on Duty date was established on or before 14 January 2013. No Commanders and Commanding Officers shall hire civilians or extend employees on term or temporary appointments. Exceptions can be granted for those billets the BSO commander deems mission-critical. BSO commanders shall notify Assistant Secretary of the Navy (Financial Management & Comptroller) if mission essential hiring action or exceptions are required.

c. All Commanders and Commanding Officers shall curtail all temporary travel, duties and professional training not deemed mission essential, to include attendance at conferences and seminars. Re-approval of existing government-sponsored conferences shall be obtained through Director, Navy Staff per reference (e).

d. Commander, Navy Installations Command shall reduce base operating support by 10 percent and facilities sustainment expenditures by 50 percent. We have cancelled 30 facilities demolition projects for the repair and modernization (R&M) of all piers, runways, buildings, barracks and other facilities through September 2013. The only exceptions will be for critical and emergent repairs for safety and security.

e. Installation commanders shall implement across-the-board efficiencies and reduce appropriated fund support for community and recreational activities, reduce levels of installation service delivery, and reduce new and current contracts to minimum levels without incurring penalties and consistent with preserving life, health or safety. Commanders shall reduce utilities consumption to the maximum extent possible.

f. Fleet Commanders shall curtail training and education, including training events not related to either maintaining forward-deployed readiness or the readiness of next-to-deploy

Subj: DIRECTION REGARDING THE CONTINUING RESOLUTION AND  
SEQUESTRATION

forces. To the extent that such an action, which reduces unit readiness, is irreversible, unit commanders will notify the first Flag in the operational chain of command for further review. Flag Officers reviewing these cases should keep in mind the basic tenet that obligation rates must be reduced and balance that against: 1) the training impact of a specific event on a specific unit and 2) the expected missions that unit will likely execute during its next deployment to determine whether to proceed with the training event or cancel it. If the Flag Officer reverses the decision to cancel or delay a training event, the Flag Officer must notify the appropriate BSO in the chain of command and, working together, identify the alternative offsets needed to execute that event.

g. All Commanders and Commanding Officers shall limit administrative expenses and supply purchases to essential consumption only. We will stop minor purchases that are not mission-essential, such as furniture, information technology, and unit equipment. Ceremony expenses shall be similarly limited.

4. In the event sequestration is triggered in March, Navy will face an additional \$4 billion OMN reduction in FY13, further affecting training and readiness. BSOs have submitted initial assessments of operational impacts and decisions relating to sequestration. Absent the authority to reprogram (transfer) funds from other accounts to OMN, Navy will be compelled to significantly reduce OMN expenditures through numerous actions, including but not limited to:

- a. Stop all deployments to the Caribbean and South America.
  - b. Limit European deployments to only those supporting ballistic missile defense missions.
  - c. Reduce the number of ships and aircraft deployed. Reduce days at sea and flying hours across the entire force.
  - d. Cease stateside training, flying, steaming and other operations for the majority of ships and aircraft preparing to deploy, unless funded by Fleet Commander's proposed offsets.
5. Finally, we will consider the possibility of civilian furloughs of up to 22 days in FY13 consistent with direction from the administration.

## **Appendix I. February 15, 2013, Navy Briefing Slides on Potential CR and Sequester Impacts**

This appendix reprints February 15, 2013, Navy briefing slides on potential impacts of a year-long continuing resolution (CR) and sequestration.<sup>58</sup>

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The briefing slides begin on the next page.

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<sup>58</sup> The briefing slides were posted at [InsideDefense.com](http://InsideDefense.com) (subscription required).

## Fiscal Year 2013 Draft Plan for Continuing Resolution and Sequestration

### Navy's Planning Assumptions

- Congress enacts a year-long Continuing Appropriations Resolution (CR) for Fiscal Year 2013 (FY13)
- The Sequestration and Budget Control Act limitations take full effect in March 2013
- Congress does not increase transfer authority limits or authorize major reprogramming actions
- Any change to the assumptions above would alter our plan
- The potential actions outlined in this brief are “representative in nature” to meet the assumed fiscal targets imposed by the assumptions above

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## Potential actions fleet-wide

| Continuing Resolution<br>(\$4.6B OMN + 5.02B investments)  | Sequestration (\$4.0B OMN, \$7.75B investment accounts)   |
|--|---|
| <ul style="list-style-type: none"> <li>Cancel ship depot maintenance (rolling schedule): <ul style="list-style-type: none"> <li>11 ship avails in Norfolk, VA (\$287M)</li> <li>5 ship avails in San Diego, CA (\$103M)</li> <li>1 ship avail in Mayport, FL (\$4M)</li> <li>1 ship avail in New London, CT (\$45M)</li> <li>1 ship avail in Hawaii (\$35M)</li> <li>2 ship avails in Japan (\$17M)(1 is de-scoped)</li> <li>1 ship avail in Bahrain (\$2M)</li> </ul> </li> <li>Cancel 3<sup>rd</sup> and 4<sup>th</sup> Quarter aircraft depot maintenance (rolling schedule) in San Diego CA, Norfolk VA, Jacksonville FL, Whidbey Island WA, Lemoore CA, &amp; Cherry Point NC (\$433M)</li> <li>Reduce ship ops, flying hours (\$557M)</li> <li>Cut NECE by 20% (\$182M)</li> <li>Release up to 655 temporary workers (\$12M)</li> <li>Implement civilian hiring freeze (\$70M)</li> <li>Cut administrative expenditures by 25% (\$385M)</li> <li>Cut IT expenditures by 25% (\$141M)</li> <li>Eliminate non-essential travel/conferences (\$26M)</li> <li>Reduce Facilities Sustainment, Restoration, and Modernization (FSRM) by 50% (\$1.16B)</li> <li>Reduce Base Operating Support (BOS) by 10% (\$495M)</li> <li>Cancel 29 building demolition projects (rolling schedule) (\$56M)</li> <li>Delay decommissioning and/or disposal prep (\$33M)</li> </ul> | <ul style="list-style-type: none"> <li>Seek Congressional authority to incrementally-fund USS ENTERPRISE (CVN 65) inactivation over multiple years and apply FY13 savings (~\$561M) to restore Navy CR and Sequestration impacts</li> <li>Cancel deployments (rolling sked): 10 DDG (7 are BMD in FY14), FFGs</li> <li>Delay HARRY S TRUMAN (CVN 75) CSG deployment; reduce Middle East CSG presence 50%</li> <li>Cease workups for 2 CSGs (RONALD REAGAN (CVN 76), CARL VINSON (CVN 70))</li> <li>Cancel BATAAN (LHD 5) Amphibious Readiness Group Deployment</li> <li>Shut down 4 of 9 CVWs. 9-12 months to restore readiness at 2-3x cost</li> <li>Stop non-deployed ops that do not support pre-deployment training</li> <li>Reduce non-deployed operations for pre-deployment training</li> <li>Cut WESTPAC deployed ops ~35%; Non-deployed PAC ships cut ~40%</li> <li>Cancel ops to S. America (CONTINUING PROMISE – USNS COMFORT)</li> <li>Cancel non-BMD deployments to Europe in FY13</li> <li>Reduce exercises (e.g., MALABAR, CARATs, FOAL EAGLE)</li> <li>Reduce CONUS and OCONUS port visits</li> <li>Lay-up 4 combat logistics force ships</li> <li>Cancel 3 ship depot avails (rolling schedule) in San Diego, CA (\$72M)</li> <li>Defer repairs to USS PORTER (\$125M), USS MIAMI (\$339M)</li> <li>Reduce SYSCOM fly-away emergent repair travel teams</li> <li>Delay/defer combat vehicle, weapon, trainer maintenance</li> <li>Delay up to 20 CVN / Submarine public shipyard availabilities</li> <li>Cancel F-35B testing w/ USS WASP(LHD 1); further program delay</li> <li>Planning furlough (~186k eligible) Civilians for 22 work days (\$448M)</li> <li>Reduce throughput of new pilots/flight officers in flight training 44%</li> <li>Cancel Midshipmen summer training programs</li> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Qtr Blue Angels (\$28M); Cut outreach (e.g.-Fleet Week)</li> </ul> |

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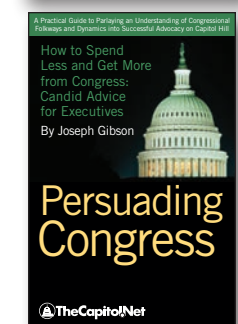
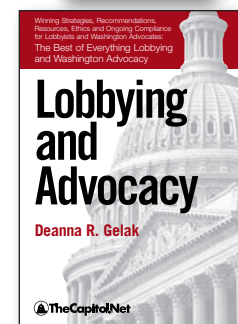
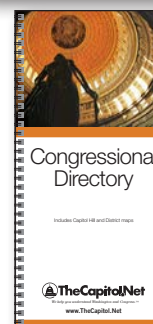
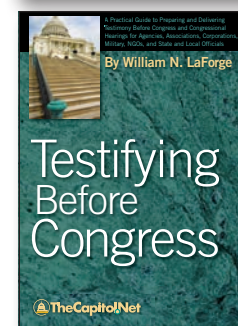
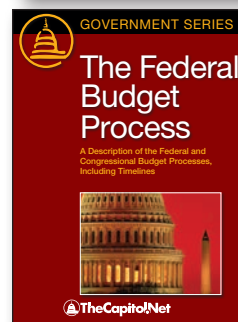
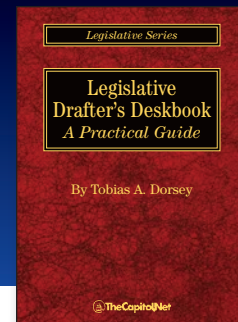
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## Potential actions fleet-wide, con't.

| Continuing Resolution<br>(\$4.6B OMN + \$5.02B investments)   | Sequestration (\$4.0B OMN, \$7.75B investment accounts)  |
|---|--|
| <p><b>"New Start", Multi-Year Procurement (MYP), Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>• Defer "new start" MILCON projects (\$675M)</li> <li>• Defer "new start" construction of CVN 79 (\$608M)</li> <li>• Defer "new start" aircraft procurements (\$150M)</li> <li>• Defer "new start" research and development (\$263M)</li> <li>• Cancel construction of 1 DDG 51 (\$1.4B) in FY13 – quantity limit</li> <li>• Cancel procurement of at least 271 weapons (\$124M) –qty limit</li> <li>• ABRAHAM LINCOLN (CVN 72) Refueling Complex Overhaul (RCOH) funding (\$1.5B) at risk</li> <li>• Defer THEODORE ROOSEVELT (CVN 71) RCOH completion (\$67M)</li> <li>• Defer completion of AMERICA (LHA 6) (\$157M)</li> <li>• Moored Training Ship funding (\$176M) at risk</li> <li>• DDG 1002 funding (\$216M) at risk</li> </ul> <p><b>Impacts</b></p> <ul style="list-style-type: none"> <li>• Reduced forward presence and ability to respond to crises</li> <li>• Reduced ship and aircraft material condition and expected service life</li> <li>• A damaged industrial base</li> <li>• Small businesses supporting Naval bases will compete for fewer and/or reduced value contracts</li> <li>• Increased strain and OPTEMPO on our Sailors and Civilians</li> <li>• Local economies hurt by job hiring freezes by approximately 1,400 people per month</li> <li>• Aircraft depot cuts affect up to 327 airframes and 1208 engines</li> <li>• Procurement deferrals "recompete" in FY14 budget for funding</li> <li>• Unlikely procurement of 2<sup>nd</sup> VA-class &amp; 2<sup>nd</sup> DDG 51-class in FY14</li> </ul> | <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>• Reduce Investment in ships, aircraft, weapons, R&amp;D (by \$7.75B)</li> <li>• DDG 51 advance procurement at risk (\$46M) in ME, NJ, MS</li> <li>• Defer LYNDON B JOHNSON (DDG 1002) contract awards in MS, MA and ME (\$90M)</li> <li>• Delay Moored Training Ship (MTS) award in Norfolk (\$28M)</li> <li>• Defer DDG 65 (San Diego, CA) DDG 58 (Norfolk) Mod (\$44M)</li> <li>• Reduce procurement quantities: JSF ((-4) 2 x F-35B, 2 x F-35C), UH-1Y/AH-1Z (-3), P-8A (-1), E-2D (-1), JPATS (-3), MQ-8C (-2) [Increases current/future unit pricing]</li> </ul> <p><b>Impacts</b></p> <ul style="list-style-type: none"> <li>• Unable to meet approved FY13/14 GFMAP deployments</li> <li>• Immediate coverage gaps in multiple COCOMs</li> <li>• JOHN C STENNIS, DWIGHT D EISENHOWER, RONALD REAGAN, THEODORE ROOSEVELT CSGs will shut down at various intervals, with 9-12 months required to restore normal readiness</li> <li>• By Oct 13, CONUS forces will require 9+ months to deploy due to maintenance and training curtailments</li> <li>• Less readiness for 9 surge sealift, 22 RRF ships (incl. T-AH ships)</li> <li>• One CSG surge-capable in FY13</li> <li>• Zero surge-capable ARG in late FY13 and into FY14</li> <li>• Up to 30-40 fewer ships in fleet by 2030</li> <li>• Multi-year recovery to private sector industrial base</li> <li>• Furloughs likely to contribute to delayed maintenance for CVNs/Subs in public shipyards; reduced hours of base operation, medical facilities, business offices, port ops; reduced acquisition oversight, auditing and investment planning/execution analysis</li> <li>• Navy Civilians could lose up to 20% of salary through a furlough</li> </ul> |

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## Potential actions by region - Mid-Atlantic

| Continuing Resolution (~\$3.0B)  | Sequestration  |
|--|--|
| <ul style="list-style-type: none"> <li>Cancel ship depot maintenance (rolling schedule) of 11 ship avails in Norfolk (\$287M): <ul style="list-style-type: none"> <li>USS OSCAR AUSTIN (DDG 79), USS PORTER (DDG 78), USS LABOON (DDG 58), USS FORREST SHERMAN (DDG 98), USS MCFAUL (DDG 74), USS WINSTON S CHURCHILL (DDG 81), USS JASON DUNHAM (DDG 109), USS BARRY (DDG 52), USS WASP (LHD 1), USS DWIGHT D EISENHOWER (CVN 69), USS SHAMAL (PC 13)</li> </ul> </li> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Quarter aircraft depot maintenance (rolling schedule) in Cherry Point, NC (\$81M)</li> <li>Reduce ship ops, flying hours (\$557M)*</li> <li>Cut NECE by 20% (\$147M)</li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Qtr (\$12M)*</li> <li>Implement civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$98M); Reduce BOS 10% (~\$90M)</li> <li>Cancel 2 demolition projects in Norfolk (\$9M)</li> <li><b>"New Start", "MYP", Quantity, and Rate Prohibitions</b></li> <li>Defer "new start" construction of CVN 79 (\$608M)</li> <li>Defer "new start" aircraft procurements (\$150M)*</li> <li>Defer "new start" research and development (\$263M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)*</li> <li>CVN 72 RCOH funding (\$1.5B) at risk</li> <li>Defer CVN71 RCOH completion (\$67M)</li> <li>Defer 4 MILCON projects (2 at Dahlgren, 1 Oceana, 1 Norfolk NSY - \$100M)</li> </ul> <p>*= Navy-wide total cut</p> | <ul style="list-style-type: none"> <li>Defer emergent repairs to USS PORTER (DDG 78)(\$125M)** in FY13</li> <li>Cancel Blue Angels shows in Virginia Beach, Lynchburg (Sep 13)</li> </ul> <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> <li>Delay Moored Training Ship award in Norfolk (\$28M)</li> <li>Defer DDG 65 (San Diego), DDG 58 (Norfolk) modernization (\$44M)</li> </ul> <p>** = These repairs will take place somewhere on the east coast</p> <p>21 ships and submarines are scheduled to deploy from Virginia between now and end of FY13</p> |

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## Potential actions by region – CALIFORNIA

| Continuing Resolution (\$563M)   | Sequestration   |
|--|---|
| <ul style="list-style-type: none"> <li>Cancel 5 ship avails (rolling schedule) in San Diego (\$103M): <ul style="list-style-type: none"> <li>USS RUSHMORE (LSD 47), USS SAMPSON (DDG 102), USS BENFOLD (DDG 65), USS PRINCETON (CG 59), USS PELELIU (LHA 5)</li> </ul> </li> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Quarter aircraft depot maintenance (rolling schedule) in North Island (\$83M)</li> <li>Reduce ship ops, flying hours (\$557M)*</li> <li>Cut NECE by 20% (\$35M)</li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarter (\$12M)*</li> <li>Implement Civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$78M)</li> <li>Reduce BOS 10% (~\$70M)</li> <li>Cancel 8 demolition projects (rolling schedule) (1 in Ventura, 2 Lemoore, 3 San Diego, 1 China Lake - \$11M total)</li> </ul> <p><b>“New Start” , “MYP” , Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>Defer “new start” aircraft procurements (\$150M)*</li> <li>Defer “new start” research and development (\$263M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> <li>Defer 5 MILCON projects (3 in San Diego, 1 Seal Beach, 1 Pt Mugu - \$183M)</li> </ul> <p><i>*= Navy-wide total cut</i></p> | <ul style="list-style-type: none"> <li>Cancel 3 ship avails (rolling schedule) in San Diego (\$72M): <ul style="list-style-type: none"> <li>USS RUSSELL (DDG 59), USS GRIDLEY (DDG 101), USS PIONEER (MCM 9)</li> </ul> </li> <li>Cancel Blue Angels shows in Pt. Mugu, Miramar, and San Francisco</li> </ul> <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> <li>Defer DDG 65 (San Diego), DDG 58 (Norfolk) modernization (\$44M)</li> <li>Reduce procurement quantity: MQ-8C (-2)</li> </ul> <p><i>14 ships and submarines are scheduled to deploy between now and end of FY13</i></p> |

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## Potential actions by region – PACIFIC NORTHWEST

| Continuing Resolution (\$280M)  | Sequestration  |
|---|--|
| <ul style="list-style-type: none"> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Quarter aircraft depot maintenance (\$83M) in Whidbey Island, WA (rolling schedule)</li> <li>Reduce ship ops, flying hours (\$557M)*</li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarter (\$12M)*</li> <li>Implement civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$158M)</li> <li>Reduce BOS 10% (\$30M)</li> <li>Cancel 1 demolition project in Bremerton, WA (\$3M)</li> </ul> <p><b>“New Start”, “MYP”, Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>Defer “new start” aircraft procurements (\$150M)*</li> <li>Defer “new start” research and development (\$263M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> <li>Defer 1 MILCON project at Whidbey Island, WA (\$6M)</li> </ul> <p><i>*= Navy-wide total cut</i></p> | <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> <li>Reduce procurement quantity: P-8A (-1)</li> <li>Cancel Blue Angels show in Seattle, WA and Hillsboro, OR</li> <li>Cancel Fleet participation in Portland Rose Festival, Seattle SeaFair and Fleet Week San Francisco.</li> </ul> <p><i>2 ships and submarines are scheduled to deploy from the Pacific NW between now and the end of FY13</i></p> |

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## Potential actions by region- FLORIDA

| Continuing Resolution (~\$299M)  | Sequestration  |
|--|--|
| <ul style="list-style-type: none"> <li>Cancel one 3<sup>rd</sup>/4<sup>th</sup> Quarter ship avail in Mayport (\$4M) <ul style="list-style-type: none"> <li>USS FARRAGUT (DDG 99)</li> </ul> </li> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Quarter aircraft depot maintenance in Jacksonville (\$135M) (rolling schedule)</li> <li>Reduce ship ops, flying hours (\$557M)*</li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarter (\$12M)*</li> <li>Implement civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$59M)</li> <li>Reduce BOS 10% (\$75M)</li> <li>Cancel 4 demolition projects in Pensacola (\$3.2M) and 1 Key West (\$0.5M) (rolling schedule)</li> </ul> <p><b>"New Start" , "MYP" , Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>Defer 1 MILCON project at Jacksonville (\$22M)</li> <li>Defer "new start" aircraft procurements (\$150M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> <li>Defer "new start" research and development (\$263M)*</li> </ul> <p><i>*= Navy-wide total cut</i></p> | <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> <li>Reduce procurement quantity: E-2D (-1 in NY, FL)</li> <li>Cancel Blue Angels shows in Pensacola, Tampa ,and Jacksonville</li> <li>Cancel fleet participation in Fleet Week Tampa Bay and Fort Lauderdale.</li> </ul> <p><i>8 ships are scheduled to deploy from Florida between now and the end of FY13</i></p> |

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## Potential actions by region - NORTHEAST

| Continuing Resolution (~\$580M)  | Sequestration   |
|--|---|
| <ul style="list-style-type: none"> <li>Cancel one 3<sup>rd</sup>/4<sup>th</sup> Quarter ship avail, USS PROVIDENCE (SSN 719) at New London, CT (\$45M)</li> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Quarter aircraft depot maintenance in Patuxent River, MD (rolling schedule)</li> <li>Reduce ship ops, flying hours (\$557M)*</li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarter (\$12M)*</li> <li>Implement civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$51M)</li> <li>Reduce BOS 10% (\$90M)</li> <li>Cancel 3 demolition projects in Patuxent River, MD (\$9M), 2 in New London, CT, 1 in Potomac, MD (\$13M) (rolling schedule)</li> </ul> <p><b>"New Start" , "MYP" , Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>Defer "new start" aircraft procurements (\$150M)*</li> <li>Defer "new start" research and development (\$263M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> <li>Cancel construction of 1 DDG 51 in FY13 (\$1.4B)-quantity limit ***</li> <li>Defer 1 MILCON project at Moorestown, NJ (\$33M)</li> </ul> <p>*= Navy-wide total cut<br/>***= This construction could take place in MS or ME</p> | <ul style="list-style-type: none"> <li>Defer emergent repairs to USS PORTER (DDG 78)(\$125)** in FY13 and USS MIAMI (SSN 755)(\$339M in Maine)</li> <li>Cancel Blue Angels shows in Annapolis, Ocean City (MD), North Kingstown (RI), Patuxent River, Brunswick (ME)</li> <li>Cancel fleet participation in Navy week in Rockford, ME and Rhode Island</li> </ul> <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> <li>Defer LYNDON B JOHNSON (DDG 1002) contract awards in MS, MA and ME (\$90M)</li> <li>Reduce procurement quantities: JSF (-2F-35B, 2 F-35C in TX, CT), E-2D (-1 in NY, FL)</li> </ul> <p>** = These repairs will take place somewhere on the east coast</p> <p>5 ships and submarines are scheduled to deploy from the Northeast between now and the end of FY13</p> |

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## Potential actions by region - HAWAII

| Continuing Resolution (~\$110M)   | Sequestration   |
|---|---|
| <ul style="list-style-type: none"> <li>Cancel one 3<sup>rd</sup>/4<sup>th</sup> Quarter ship avail in Hawaii (\$35M) <ul style="list-style-type: none"> <li>USS CHAFEE (DDG 90)</li> </ul> </li> <li>Cancel 3<sup>rd</sup>/4<sup>th</sup> Quarter aircraft depot maintenance (rolling schedule)</li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarter (\$12M)*</li> <li>Implement civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$35M)</li> <li>Reduce BOS 10% (\$40M)</li> </ul> <p><b>“New Start” , “MYP” , Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>Defer “new start” aircraft procurements (\$150M)*</li> <li>Defer “new start” research and development (\$263M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> </ul> <p><i>*= Navy-wide total cut</i></p> | <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> </ul> <p><i>6 ships and submarines are scheduled to deploy from Hawaii between now and the end of FY13</i></p> |

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## Potential actions by region – All Other CONUS

| Continuing Resolution (~\$241M)   | Sequestration   |
|---|---|
| <ul style="list-style-type: none"> <li>• Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarter (\$12M)*</li> <li>• Implement civilian hiring freeze (\$70M)*</li> <li>• Cut administrative expenditures by 25% (\$385M)*</li> <li>• Cut IT expenditures by 25% (\$141M)*</li> <li>• Eliminate non-essential travel/conferences (\$26M)*</li> <li>• Reduce FSRM by 50% (\$1.16B)*</li> <li>• Reduce BOS by 10% (\$495M)*</li> <li>• Cancel 6 demolition projects (4 NS Great Lakes, IL (\$2M), 1 JRB New Orleans (\$0.25M) 1 NAS Meridian, MS (\$1M)) (rolling schedule)</li> </ul> <p><b>“New Start”, “MYP”, Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>• Defer “new start” aircraft procurements (\$150M)*</li> <li>• Defer “new start” research and development (\$263M)*</li> <li>• Defer completion AMERICA (LHA 6) (\$157M) (Pascagoula, MS)</li> <li>• Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> </ul> <p><i>*= Navy-wide total cut</i></p> | <p><b>Investment Actions:</b></p> <ul style="list-style-type: none"> <li>• Reduce investment in ships, aircraft, weapons, R&amp;D by \$7.75B*</li> <li>• Defer LYNDON B JOHNSON (DDG 1002) contract awards in MS, MA and ME (\$90M)</li> <li>• Reduce procurement quantities: JSF (-2 F-35B, 2 F-35C in TX, CT), UH-1Y/AH-1Z (-3 in TX), JPATS (-3 in KS)</li> <li>• Cancel Blue Angels shows in Corpus Christi (TX), Vidalia (GA), Beaufort (SC), Barksdale AFB (LA), Jackson (MS), Seymour Johnson AFB (NC), Rockford (IL), Indianapolis (IN), Evansville (IN), St. Cloud (MN), Fargo (ND), Kansas City (MO), Eau Claire (WI), Fort Worth (TX)</li> </ul> |

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## Potential actions by region – OCONUS

| Continuing Resolution (~\$19M)   | Sequestration |
|--|---------------|
| <ul style="list-style-type: none"> <li>Cancel ship depot maintenance availabilities (rolling schedule): <ul style="list-style-type: none"> <li>Descope 1 ship avail in Japan USS DENVER (LPD 9) (\$17M)**</li> <li>Cancel 1 ship avail in Japan USS AVENGER (MCM 1) (\$17M)**</li> <li>Cancel 1 ship avail in Bahrain (\$2M) – USS CHINOOK (PC 9)</li> </ul> </li> <li>Release up to 655 temporary workers in 3<sup>rd</sup>/4<sup>th</sup> Quarters (\$12M)*</li> <li>Implement civilian hiring freeze (\$70M)*</li> <li>Cut administrative expenditures by 25% (\$385M)*</li> <li>Cut IT expenditures by 25% (\$141M)*</li> <li>Eliminate non-essential travel/conferences (\$26M)*</li> <li>Reduce FSRM by 50% (\$1.16B)*</li> <li>Reduce BOS by 10% (\$495M)*</li> </ul> <p><b>“New Start”, “MYP”, Quantity, and Rate Prohibitions</b></p> <ul style="list-style-type: none"> <li>Defer “new start” aircraft procurements (\$150M)*</li> <li>Defer “new start” research and development (\$263M)*</li> <li>Cancel procurement of at least 271 weapons (\$124M)* –qty limit</li> </ul> <p>*= Navy-wide total cut<br/> ** = Total for both availabilities in Japan</p> |               |

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## **Appendix J. February 28, 2013, Navy Briefing Slides on Potential CR and Sequester Impacts**

This appendix reprints February 28, 2013, Navy briefing slides on potential impacts of a year-long continuing resolution (CR) and sequestration.<sup>59</sup>

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The briefing slides begin on the next page.

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<sup>59</sup> The briefing slides were posted at [InsideDefense.com](http://InsideDefense.com) (subscription required).



# Continuing Resolution and Sequestration

## FMB View

*28 February 2013*

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## Aligning to Strategic Guidance



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## *Sustaining U.S. Global Leadership CJCS National Security Interests*

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- Survival of the Nation
- Security of the Global Economic System
- Prevention of Catastrophic Attacks on the Nation
- Secure, Confident, and Reliable Allies and Partners
- Protection of American Citizens Abroad
- Preservation of and, Where Possible, Extension of Universal Values



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## *How we got here*

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- Budget Control Act (BCA) of 2011 resulted in agreement between the President and Congress to reduce spending by \$917B over the next 10 years
  - -\$11B cut to DoD: Spending was at \$557B -- \$11B over the \$546B cap
  - The Joint Select Committee was established, but failed to recommend legislation. This triggered sequestration enactment on 1/1/13. Initial cut was \$54.7B - DON share of \$15.1B
  - The American Taxpayer relief Act of 2012 deferred sequestration to 1 March. Shifted and cut \$12B of the cut from FY13 to FY14, and reduced the DoD cut by \$6B
    - **DOD estimate: -\$46B and the DON share is -\$12.6B (Navy -11.2B, USMC -1.4B)**
- Development of the DON plan
  - Navy BSOs developed implementation plans for the annualized FY13 CR and sequestration
  - Navy near term implementation impacts passed to OSD 1 Feb
  - DON plan – including investment impacts - due to OSD 8 Feb
- Planning assumptions address \$8.6B FY13 O&M,N challenge - Tier Alpha and Bravo
  - Fleet GFMF and FDNF operations supported for CENTCOM and PACOM
    - CVN presence affected by Presidential decision to delay TRUMAN; CSG presence under review
      - On average maintains 1 CSG with face-to-face turnovers
    - ARG deployments under review due to fiscal considerations
    - Rota Spain FDNF plan under review
      - Ships to remain on track to transfer -- level of proficiency subject to fiscal considerations
  - Fleet exercise support for COCOMs deferred

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## The Math

| APPN            | 2013 Base Annualized CR | 2013 OCO Annualized CR | 2012 & Prior Unobligated Balance (March 1, 2013) | Total Budgetary Resources (March 1, 2013) | Sequestration 9% Cut (1/18/13) | CR Reductions     | Practical Impact CR+Seq |  |
|-----------------|-------------------------|------------------------|--|---|--------------------------------|-------------------|-------------------------|--|
| MPN             | 26,967,370              | 874,625                | 0  | 27,841,995                                | 0                              | -123,523          | -123,523                |  |
| MPMC            | 13,718,583              | 1,621,356              | 0  | 15,339,939                                | 0                              |                   | 0                       |  |
| RPN             | 1,947,390               | 39,335                 | 0  | 1,986,725                                 | 0                              |                   | 0                       |  |
| RPMC            | 648,668                 | 24,722                 | 0  | 673,390                                   | 0                              | -15,973           | -15,973                 |  |
| OMIN            | 38,354,120              | 5,880,395              | 14,589   | 44,249,104                                | -3,982,419                     | -3,252,823        | -7,235,242              |  |
| OMIMC           | 5,576,860               | 4,066,340              | 121  | 9,643,321                                 | -867,899                       | -406,303          | -1,274,202              |  |
| OMINR           | 1,313,121               | 55,924                 | 0  | 1,369,045                                 | -123,214                       |                   | -123,214                |  |
| OMIMCR          | 273,104                 | 25,477                 | 0  | 298,581                                   | -26,872                        |                   | -26,872                 |  |
| ERN             | 310,557                 | 0                      | 0  | 310,557                                   | -27,950                        | -37               | -27,987                 |  |
| KAHO            | 0                       | 0                      | 17   | 17  | -2                             |                   | -2                      |  |
| KAHO & ERN      | 0                       | 0                      | 43   | 43  | -4                             |                   | -4                      |  |
| APN             | 17,705,432              | 164,582                | 2,914,295  | 20,784,309                                | -1,870,588                     |                   | -1,870,588              |  |
| WPN             | 3,209,680               | 23,500                 | 702,846  | 3,936,026                                 | -354,242                       |                   | -354,242                |  |
| PANMC           | 602,249                 | 285,747                | 104,861  | 992,857                                   | -89,357                        | -157,290          | -246,647                |  |
| SCN             | 15,010,419              | 0                      | 7,459,494  | 22,469,913                                | -2,022,292                     |                   | -2,022,292              |  |
| OPN             | 5,990,224               | 98,882                 | 1,319,578  | 7,408,684                                 | -666,782                       | -179,154          | -845,936                |  |
| PMC             | 1,431,276               | 943,683                | 1,179,609  | 3,554,568                                 | -319,911                       | -191,679          | -511,590                |  |
| RDTE            | 17,848,141              | 60,119                 | 952,994  | 18,861,254                                | -1,697,513                     |                   | -1,697,513              |  |
| NDSF            | 1,107,254               | 0                      | 0  | 1,107,254                                 | -99,653                        |                   | -99,653                 |  |
| MCON            | 2,100,600               | 0                      | 1,708,662  | 3,809,262                                 | -342,834                       |                   | -342,834                |  |
| MCONRA          | 0                       | 0                      | 0  | 0   | 0                              |                   | 0                       |  |
| MCONR           | 26,460                  | 0                      | 40,764   | 67,224                                    | -6,050                         | -23,072           | -29,122                 |  |
| FHCON           | 101,590                 | 0                      | 245,492  | 347,082                                   | -31,237                        | -592              | -31,829                 |  |
| FHOPS           | 370,114                 | 0                      | 0  | 370,114                                   | -33,310                        | -8,116            | -41,426                 |  |
| BRAC            | 0                       | 0                      | 0  | 0   | 0                              | -9,031            | -9,031                  |  |
| Coastal Defense | 0                       | 0                      | 3,678  | 3,678                                     | -331                           |                   | -331                    |  |
| Ford Island     | 0                       | 0                      | 100  | 100                                       | -9                             |                   | -9                      |  |
| Roosmoor Trust  | 0                       | 0                      | 0  | 0   | 0                              |                   | 0                       |  |
| NWCF            | 0                       | 0                      | 0  | 0   | 0                              |                   | 0                       |  |
| <b>TOTAL</b>    | <b>154,613,212</b>      | <b>14,164,687</b>      | <b>16,647,143</b>                                | <b>185,425,042</b>                        | <b>-12,562,469</b>             | <b>-4,367,593</b> | <b>-16,930,062</b>      |  |
| <b>w/o BRAC</b> | <b>154,613,212</b>      | <b>14,164,687</b>      | <b>16,647,143</b>                                | <b>185,425,042</b>                        | <b>-12,562,469</b>             | <b>-4,358,562</b> | <b>-16,921,031</b>      |  |

~\$10.5B O&M impact with Growth  
 \$8.6B Navy / \$1.9B USMC

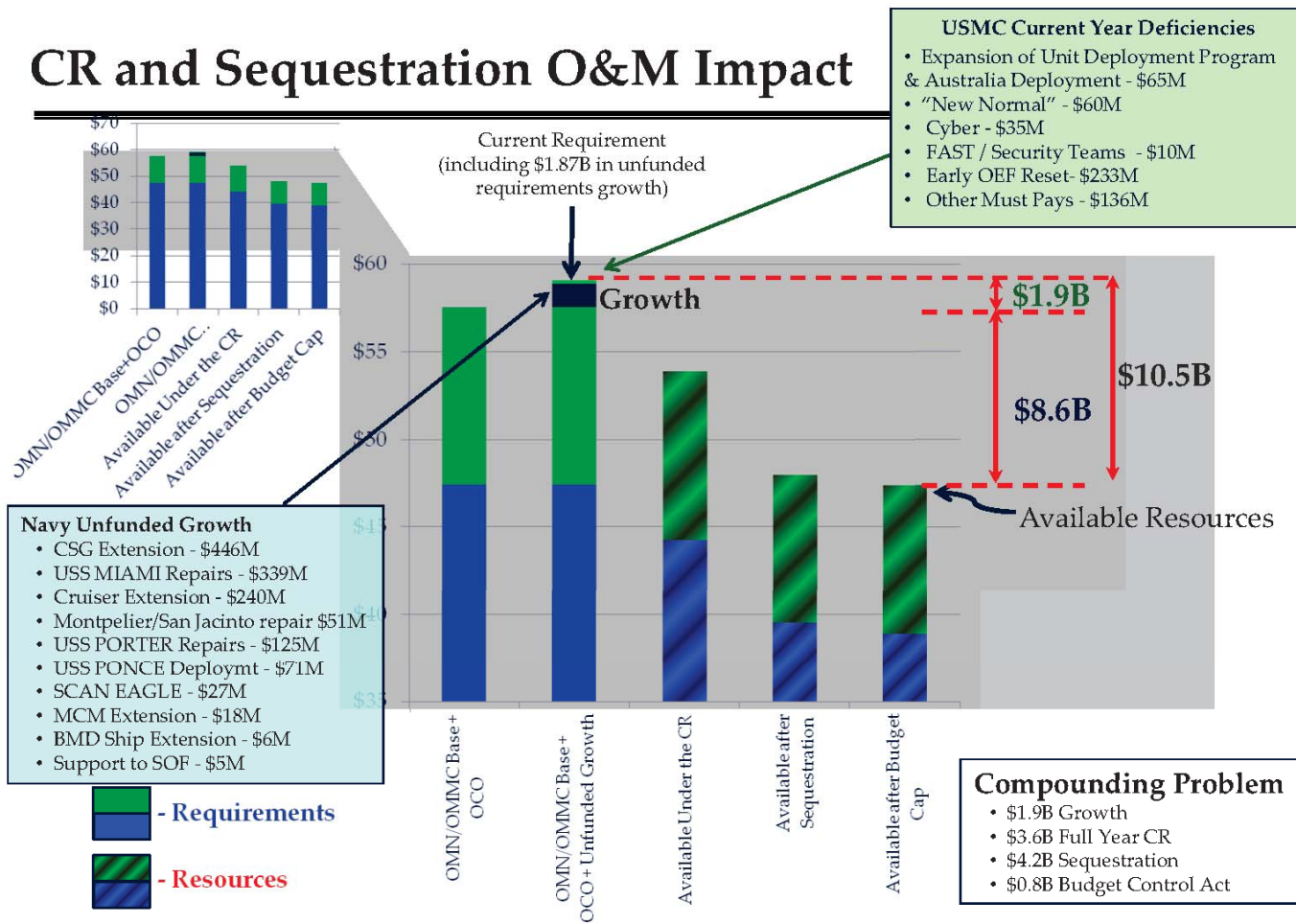
\$12.6B  
 Sequestration  
 Reduction

\$16.9B  
 Total  
 Reduction

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# CR and Sequestration O&M Impact



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## *“Untouchable” versus “Touchable” OMN*

|                                |  | Funding |
|--------------------------------|--|---------|
| Remaining Unobligated Balances | December Obligations                   | 12,539  |
|                                | Non-Discretionary                      |         |
|                                | NGen-CoSC                              | 450     |
|                                | National Intelligence Program          | 371     |
|                                | "Must Pay" Admin (DFAS/PenRen/ToT/etc) | 371     |
|                                | Coast Guard and PACOM                  | 348     |
|                                | DISN-GIG                               | 217     |
|                                | Satellite Lease                        | 168     |
|                                | Remaining CIVPERS                      | 6,105   |
|                                | Discretionary                          |         |
|                                | Baseline Air Ops                       | 5,151   |
|                                | Baseline Ship Ops                      | 3,949   |
|                                | Baseline Weapons Maintenance           | 3,395   |
|                                | Remaining Wartime Operations           | 2,423   |
|                                | Non Labor Public Yard Ship Maint       | 1,653   |
|                                | NECE                                   | 705     |
|                                | Remaining Available for Cuts           | 9,642   |
|                                | FY13 Pres Bud Request (Base & OCO)     | 47,487  |

- Even “touchable” OMN contains large regions that are inaccessible (most utilities, ENTERPRISE inactivation, etc.)
- Tier Alpha and Tier Bravo identified only \$3.7B of cuts in the “touchable” OMN.
  - Some of this is still high-risk (Potentially unexecutable cuts to FSA contracts, CNIC BOS)
- **The remaining \$4.9B must come from previously “untouchable” OMN:**
  - Furlough ✓
  - Hiring freeze ✓
  - Training operations ✓
  - Deployed operations ☐ Protect as much as possible

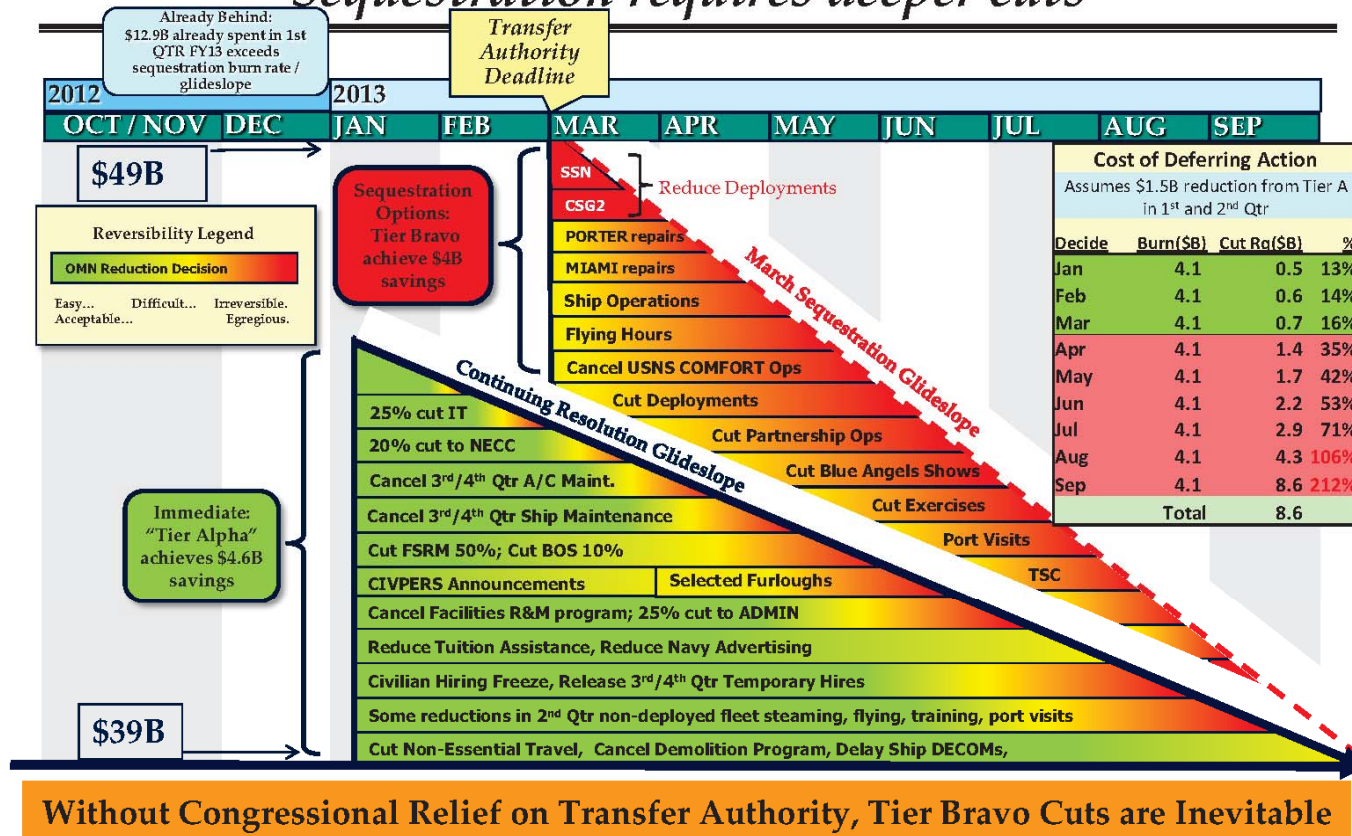
- BSO activities have been obligating as directed (Oct-Dec...already spent – \$12.5B)
  - **January actual obligations: ~\$3.8B (burn rate is still too high)**
- Minimized cuts at front end IAW CNO Sailing Directions prioritization
- There are certain contracts we “just can’t get at”
- We can’t pay less for services we demand just because we don’t have the money:
  - E.g., to lower Pentagon Rent bill, we have to move out; Can’t lease 80% of a satellite...

**Can’t cut 89% of what’s left – only 38%. \$4.9B must come from “Touchable” OMN.**

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# Navy: Acting Now to Mitigate CR Impacts ... Sequestration requires deeper cuts



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## *Major CR Impacts to Investment Programs*

- CVN 72 RCOH (FY13 contract pending Year-long CR Anomaly)
  - RDA/PEO concerns regarding awarding CVN 72 RCOH without remaining \$1.5B required in FY13 as anomaly in Year-long CR
- Cost to Complete Transfer Authority
  - Funding level and program changes from FY12 to FY13 requires unique general provision transfer authority for specific hulls (CVN-71 RCOH, LPD-25, LHA-6)
- CVN 79 (FY13 shipbuilding contract award pending Year-long CR Anomaly)
  - Requires New Start authority
- V-22, Virginia Class and DDG-51 Multi-Year Procurement (MYP)
  - Requires MYP authority
- MILCON
  - Only permitted to execute Planning and Design (P&D) and two incrementally-funded projects
- Funding Increases from FY12 to FY13 in SCN (line item appropriated)
  - Moored Training Ship (MTS), DDG-1000
- Quantity Increases from FY12 to FY13 that Require Anomalies:

| APPN | Title                              | Q2012 | Q2013 | FY12(\$M) | FY13(\$M) |
|------|------------------------------------|-------|-------|-----------|-----------|
| SCN  | DDG-51                             | 1     | 2     | \$2,081   | \$3,515   |
| APN  | UH-1Y/AH-1Z                        | 25    | 28    | \$740     | \$791     |
| APN  | P-8A                               | 11    | 13    | \$2,254   | \$2,746   |
| WPN  | Sidewinder (AIM-9X)                | 69    | 150   | \$50      | \$80      |
| WPN  | JT Standoff Weapon (JSOW)          | 246   | 280   | \$132     | \$128     |
| WPN  | Standard Missile                   | 89    | 94    | \$357     | \$399     |
| WPN  | Rolling Airframe Missile (RAM)     | 61    | 65    | \$66      | \$67      |
| WPN  | Hellfire                           | 426   | 768   | \$37      | \$75      |
| WPN  | Evolved Sea Sparrow Missile (ESSM) | 35    | 37    | \$48      | \$58      |
| WPN  | HARM Mods                          | 72    | 100   | \$77      | \$87      |
| WPN  | MK-54 Torpedo Mods                 | 45    | 75    | \$77      | \$74      |

**CR impacts to investment programs is significant -- numerous anomalies required**

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## Major Sequestration Impacts to Investment Programs

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- VIRGINIA CLASS AP (\$81.0M Sequestration)
  - Deobligate Advanced Procurement items until funding restored.
- DDG 51 AP (\$46.0M Sequestration) (FY13 contract awards pending Year-long CR Anomaly)
  - Remaining reduction (\$34.4M) in FY13 has impact to Aegis Weapons System multiyear contract award – requires reprogramming action in FY13 to award
- DDG 1000 (\$90.2M Sequestration)
  - Impact to award of Mission System Equipment and Deckhouse for DDG 1002 with associated disruption to schedule and higher cost – requires restoration of funds in FY14
- MTS AP (\$28.0M Sequestration)
  - Applied to FY13 with year delay in delivery of MTS 701 – Requires restoration in FY14
  - Impact to training program, reducing nuclear operator training throughput
- DDG Mods (\$44.0M Sequestration)
  - Unable to fully support the Combat System (CS) installation for DDG-65 with sequestration reduction and unable to fully fund one HM&E installation on DDG-58 and one CS installation on DDG-65 in FY13 with both sequestration and CR reductions.
- Programs with unobligated balances less than the sequestration amount
  - SOPGM (Griffin Missiles) , Sonobuoys
    - After de-obligation, no payback is required
  - MH-60S Advance Procurement, JHSV, VA-Class Advance Procurement ,Reactor Power Units
    - After de-obligation, payback in future year is required to deliver end-item
- Programs with significant quantity reductions
  - JSF STOVL (-2), JSF CV (-2), UH-1Y/AH-1Z (-3), P-8A (-1), E-2D (-1), STUAS (-1), MQ-8 (-2)

THIS IS NOT THE FINAL PICTURE

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## Initial estimate of Outyear Impact of Sequestration

| (\$M)          | Prior Year     | FY13           | FY14       | FYDP         | Outside FYDP |
|----------------|----------------|----------------|------------|--------------|--------------|
| <b>Account</b> |                |                |            |              |              |
| APN            | (565)          | (1,515)        | 79         | 753          | 1,211        |
| WPN            | (128)          | (239)          | 5          | 207          | 155          |
| PANMC          | (12)           | (78)           | -          | 39           | 39           |
| PMC            | (194)          | (149)          |            | 172          | 172          |
| SCN            | (982)          | (1,023)        | 284        | 945          |              |
| OPN            | (61)           | (630)          |            | 315          | 315          |
| RDTEN (N)      | (248)          | (1,382)        | 265        | 355          | 1,010        |
| RDTEN (MC)     | (35)           | (56)           |            | 40           | 51           |
| MILCON         | (197)          | (158)          |            | 108          |              |
| NDSF           | (3)            | (97)           | 96         |              |              |
| <b>Total</b>   | <b>(2,425)</b> | <b>(5,327)</b> | <b>729</b> | <b>2,934</b> | <b>2,953</b> |



- FMB Strategy
  - Apply Sequestration to prior year unobligated balances to the greatest extent possible
  - Reductions applied to FY13 with a focus to minimize FY14 and FYDP paybacks
  - Look to restore funding outside FYDP to the greatest extent possible
- Coordination required between OPNAV N8, HQMC P&R, HQMC DC Air, ASN(RDA) and FMB on out-year efforts and acquisition strategy

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## *The Way Ahead*

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What We Need—Options in order of desirability: (the first four—largely equivalents)

- FY13 Defense Appropriations Bill; or
  - Full-Year CR Bill: HAC/SAC Defense and MILCON Conference Reports inserted; or
  - Full-Year CR Bill with initial DoD realignment opportunity:
    - Report to Congress via “Basis for Reprogramming” (DD-1414) or equivalent notification— with suitable wait period for Congressional comments
  - Pursue enactment of the NDAA mark-up with HAC/SAC with one “free” move
    - NDAA baseline results in \$139M OMN “excess” above PB13
      - 1414 mark-up within 45 days of enactment
      - Requires coordination for transfers across appropriations (special rules beyond standard 1414)
  - A full-year CR with sufficient transfer authority & expedited treatment:
    - New-starts, quantity increases, multi-year procurement
    - SCN and MILCON data tables
    - Much greater General Transfer Authority than a typical year (~\$5B)
- **What Won't Work:** CR date changed (3/27 to 9/30) with no flexibility or authorities

**Any option requires OSD/OMB/Congress coordination**

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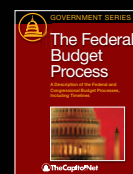
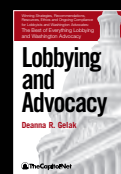
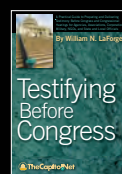
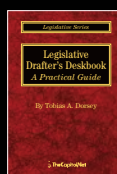


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## **Author Contact Information**

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