

Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress

Updated July 28, 2020

Congressional Research Service

<https://crsreports.congress.gov>

R43546

Summary

The Navy began procuring John Lewis (TAO-205) class oilers in FY2016, and a total of six have been procured through FY2020, including two in FY2020. The first six TAO-205s are being procured under a block buy contract that was authorized by Section 127 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015). The Navy's FY2021 budget submission estimates that TAO-205s cost about \$530 million each when they are procured at a rate of two per year. The Navy wants to procure a total of 20 TAO-205s. The ships are being built by General Dynamics/National Steel and Shipbuilding Company (GD/NASSCO) of San Diego, CA.

The Navy's FY2020 budget submission projected a request for one TAO-205 class ship in FY2021 and programmed a total of six over the period FY2021-FY2025. Under the Navy's FY2021 budget submission, however, no TAO-205 class ship is requested for procurement in FY2021, and a total of four are programmed for the period FY2021-FY2025. The Navy's FY2021 budget requests \$59.9 million in FY2021 cost-to-complete procurement funding to cover cost growth on TAO-205s procured in prior fiscal years, but it does not request any FY2021 funding for the procurement of additional TAO-205s.

Issues for Congress include the following:

- the potential impact of the COVID-19 (coronavirus) situation on the execution of U.S. military shipbuilding programs, including the TAO-205 program;
- whether to fund the procurement in FY2021 of no TAO-205 class ship (as requested by the Navy), one TAO-205 class ship (as was projected for FY2021 under the Navy's FY2020 budget submission), or two TAO-205s (as were procured in FY2020 and also in FY2019).
- the number of oilers the Navy will require in coming years to support its operations, particularly in light of the Navy's new Distributed Maritime Operations (DMO) operating concept; and
- whether to encourage or direct the Navy to build TAO-205s with more ship self-defense equipment than currently planned by the Navy.

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Introduction

This report provides background information and issues for Congress on the John Lewis (TAO-205) class oiler shipbuilding program, a program to build a new class of 20 fleet oilers for the Navy. The Navy's proposed FY2021 budget does not request any funding for the procurement of additional TAO-205s.

Issues for Congress regarding the TAO-205 program include the number of TAO-205s to procure in FY2021, the number of oilers the Navy will require in coming years to support its operations, and whether to encourage or direct the Navy to build TAO-205s with more ship self-defense equipment than currently planned by the Navy.

For an overview of the strategic and budgetary context in which the TAO-205 program and other Navy shipbuilding programs may be considered, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

Background

Navy Fleet Oilers

Role of Fleet Oilers

The primary role of Navy fleet oilers is to transfer fuel to Navy surface ships that are operating at sea, so as to extend the operating endurance of these surface ships and their embarked aircraft. Fleet oilers also provide other surface ships with lubricants, fresh water, and small amounts of dry cargo. Fleet oilers transfer fuel and other supplies to other surface ships in operations called underway replenishments (UNREPs). During an UNREP, an oiler steams next to the receiving ship and transfers fuel by hose (see **Figure 1**, **Figure 2**, and **Figure 3**).¹

Oilers are one kind of Navy UNREP ship; other Navy UNREP ships include ammunition ships, dry cargo ships, and multiproduct replenishment ships. The Navy's UNREP ships are known more formally as the Navy's combat logistics force (CLF). Most of the Navy's CLF ships are operated by the Military Sealift Command (MSC).

Although the role of fleet oilers might not be considered as glamorous as that of other Navy ships, fleet oilers are critical to the Navy's ability to operate in forward-deployed areas around the world

¹ The Navy states that

A typical connected replenishment starts when a warship makes an "approach" on a CLF ship. The CLF ship maintains steady course and speed while the "customer ship" approaches and comes alongside the CLF ship, matching course and speed. The distance between the two ships is usually between 120-200 feet. The CLF ship then passes heavy metal wires, to the customer ship, that are connected at the replenishment stations. These wires are placed under tension to support fuel hoses for refueling operations or trolleys that move pallets of provisions, ammunition, or other cargo from ship to ship. Ships with flight decks can also receive provisions and ammunition via vertical replenishment. During this evolution a helicopter transfers cargo in external sling loads, or in the case of mail or passengers, inside the helicopter.

(Statement of Mr. F. Scott DiLisio, Director, Strategic Mobility / Combat Logistics Division, Office of the Chief of Naval Operations, on the Logistics and Sealift Force Requirements and Force Structure Assessment Before the House Armed Services Committee Seapower and Projection Forces Subcommittee, July 30, 2014, p. 3.)

on a sustained basis. The U.S. Navy's ability to perform UNREP operations in a safe and efficient manner on a routine basis is a skill that many other navies lack. An absence of fleet oilers would significantly complicate the Navy's ability to operate at sea on a sustained basis in areas such as the Western Pacific or the Indian Ocean/Persian Gulf region. The Navy states that

the ability to rearm, refuel and re-provision our ships at sea, independent of any restrictions placed on it by a foreign country, is critical to the Navy's ability to project warfighting power from the sea.

As the lifeline of resupply to Navy operating forces underway, the ships of the Navy's Combat Logistic Force (CLF) enable Carrier Strike Groups and Amphibious Ready Groups to operate forward and remain on station during peacetime and war, with minimal reliance on host nation support.²

Figure 1. Fleet Oiler Conducting an UNREP



Source: Navy photo accessed May 5, 2014, at http://www.navy.mil/view_image.asp?id=163895. The Navy states that the photo is dated October 24, 2013, and shows the oiler *Tippecanoe* (TAO-199) extending its fuel probe to the Aegis cruiser USS *Antietam* (CG-54), a part of the *George Washington* (CVN-73) Carrier Strike Group, in the South China Sea.

Existing *Kaiser* (TAO-187) Class Oilers

The Navy's existing force of fleet oilers consists of 15 *Henry J. Kaiser* (TAO-187) class ships (**Figure 4**), commonly called *Kaiser*-class oilers for short.³ These ships were procured between FY1982 and FY1989 and entered service between 1986 and 1996. They have an expected service

² Statement of Mr. F. Scott DiLisio, Director, Strategic Mobility / Combat Logistics Division, Office of the Chief of Naval Operations, on the Logistics and Sealift Force Requirements and Force Structure Assessment Before the House Armed Services Committee Seapower and Projection Forces Subcommittee, July 30, 2014, pp. 2-3.

³ The oilers shown in **Figure 1**, **Figure 2**, and **Figure 3** are also *Kaiser*-class class oilers.

life of 35 years; the first ship in the class will reach that age in 2021. The ships are about 677 feet long and have a full load displacement of about 41,000 tons, including about 26,500 tons of fuel and other cargo. The ships were built by Avondale Shipyards of New Orleans, LA, a shipyard that eventually became part of the shipbuilding firm Huntington Ingalls Industries (HII). HII subsequently wound down Navy shipbuilding operations at Avondale, and the facility no longer builds ships. (HII continues to operate two other shipyards that build Navy ships.)

Figure 2. Fleet Oiler Conducting an UNREP



Source: Navy photo accessed May 5, 2014, at http://www.navy.mil/view_image.asp?id=61415. The Navy states that the photo is dated July 13, 2008, and shows the oiler *Leroy Grumman* (TAO-195) refueling the frigate *Underwood* (FFG-36) during an exercise with the *Iwo Jima* (LHD-7) Expeditionary Strike Group in the Atlantic Ocean.

TAO-205 Program

Program Name

Navy oilers carry the designation TAO (sometimes written as T-AO). The T means that the ships are operated by MSC with a mostly civilian crew; the A means it is an auxiliary ship of some kind; and the O means that it is, specifically, an oiler. TAO-205 will be the Navy's next oiler after TAO-204, which is the final *Kaiser*-class oiler.

On January 6, 2016, then-Secretary of the Navy Ray Mabus announced that the TAO-205 class ships will be named for “people who fought for civil rights and human rights,”⁴ and that the first ship in the class, TAO-205, which was procured in FY2016, was being named for Representative John Lewis,⁵ making TAO-205 one of a small number of Navy ships that have been named for people who were living at the time that the naming announcement was made.⁶ TAO-205 class ships consequently are now known as John Lewis-class oilers.

Figure 3. Fleet Oiler Conducting an UNREP



Source: Navy photo accessed May 5, 2014, at http://www.navy.mil/view_image.asp?id=1737. The Navy states that the photo is dated June 19, 2002, and shows the oiler *Walter S. Diehl* (TAO-193), at center, conducting simultaneous UNREPs with the aircraft carrier *John F. Kennedy* (CV-67) and the Aegis destroyer *Hopper* (DDG-70). CV-67, a conventionally powered carrier, has since retired from the Navy, and all of the Navy's aircraft carriers today are nuclear powered. Even so, Navy oilers continue to conduct UNREPs with Navy aircraft carriers to provide fuel for the carriers' embarked air wings.

⁴ Valerie Insinna, “Navy to Name Next Generation Oilers for Civil Rights Icons,” *Defense Daily*, January 7, 2016. For more on the names of TAO-205 class ships, see CRS Report RS22478, *Navy Ship Names: Background for Congress*, by Ronald O'Rourke.

⁵ “Secretary of the Navy Ray Mabus Names Fleet Replenishment Oiler,” *Navy News Service*, January 6, 2016; Sam LaGrone, “SECNAV Mabus Names First TAO(X) Next Generation Oiler After Rep. John Lewis,” *USNI News*, January 6, 2016; “Navy to Name New Oiler after Civil Rights Icon,” *Military.com*, January 6, 2020; Valerie Insinna, “Navy to Name Next Generation Oilers for Civil Rights Icons,” *Defense Daily*, January 7, 2016.

⁶ Representative Lewis died on July 17, 2020. For more on Navy ships named for people who were living at the time that the naming announcement was made, see CRS Report RS22478, *Navy Ship Names: Background for Congress*, by Ronald O'Rourke.

Figure 4. Kaiser (TAO-I87) Class Fleet Oiler



Source: U.S. Navy image accessed April 14, 2014, at <http://www.navy.mil/management/photodb/photos/130703-N-TG831-240.jpg>. (The oilers shown in **Figure 1**, **Figure 2**, and **Figure 3** are also Kaiser-class class oilers.)

Ship Design and Capabilities

The TAO-205 class design (**Figure 5**) will have capabilities similar to those of the *Kaiser*-class ships, and will rely on existing technologies rather than new technologies. To guard against oil spills, TAO-205s are to be double-hulled, like modern commercial oil tankers, with a space between the two hulls to protect the inner hull against events that puncture the outer hull. (The final *Kaiser*-class ships are double-hulled, but earlier ships in the class are single-hulled.)

Total Planned Quantity

As part of its goal for achieving a fleet of 355 ships, the Navy wants to procure a total of 20 TAO-205s.⁷ The required number of oilers largely depends on the numbers and types of other surface ships (and their embarked aircraft) to be refueled, and the projected operational patterns for these ships and aircraft.

Annual Procurement Quantities

The Navy procured the first TAO-205 in FY2016, the second in FY2018, the third and fourth in FY2019, and the fifth and sixth in FY2020. The first TAO-205 is scheduled for delivery in June 2021.

⁷ For more on the Navy's 355-ship force-level goal, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

Figure 5. Artist's Rendering of the Oiler John Lewis (TAO-205)

Source: “US Navy Picks General Dynamics to Build First Six T-AO 205 Replenishment Oilers,” *NavalToday.com*, July 1, 2016, which credits the image to GD/NASSCO. The background shows the skyline of San Diego, where GD/NASSCO is located.

Table 1 compares the Navy’s FY2020 and FY2021 budget submissions in terms of numbers of TAO-205s programmed for procurement during the period FY2021-FY2025. As can be seen in the table, the Navy’s FY2020 budget submission projected a request for one TAO-205 class ship in FY2021 and programmed a total of six TAO-205s over the period FY2021-FY2025, while the Navy’s FY2021 budget submission does not request a TAO-205 class ship in FY2021 (or FY2022) and programs a total of four over the period FY2021-FY2025.

Table 1. TAO-205 Procurement Quantities, FY2021-FY2025

Under Navy’s FY2020 and FY2021 budget submissions

	FY21	FY22	FY23	FY24	FY25	Total FY2021- FY2025
FY2020 budget	1	1	2	1	1	6
FY2021 budget	0	0	1	2	1	4
Difference	-1	-1	-1	+1	—	-2

Source: Table prepared by CRS based on navy’s FY2020 and FY2021 budget submissions.

Unit Procurement Cost

The Navy’s FY2021 budget submission estimates that TAO-205s cost about \$530 million each when they are procured at a rate of two per year.

Builder

TAO-205s are being built by General Dynamics/National Steel and Shipbuilding Company (GD/NASSCO) of San Diego, CA, a shipyard that builds Navy auxiliaries and DOD sealift ships.

Block Buy Contract

The first six TAO-205s are being procured under a block buy contract that was authorized by Section 127 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015). It was earlier estimated that the block buy contract would reduce the procurement cost of the second through sixth TAO-205s by an average of about \$45 million each, compared to costs under the standard or default DOD approach of annual contracting.⁸ The Navy states that about \$35 million of the \$45 million in per-ship savings will come from using advance procurement (AP) funding for batch-ordering TAO-205 components. The Navy states that this use of AP funding could have occurred under annual contracting, and that the savings that are intrinsic to the block buy contract are thus about \$10 million per ship.⁹

U.S. Content Requirement for Certain Components

Section 8113(a) of the FY2020 Appropriations Act (Division A of 1158/P.L. 116-93 of December 20, 2020) states the following:

Sec. 8113. (a) None of the funds provided in this Act for the TAO Fleet Oiler program shall be used to award a new contract that provides for the acquisition of the following components unless those components are manufactured in the United States: Auxiliary equipment (including pumps) for shipboard services; propulsion equipment (including engines, reduction gears, and propellers); shipboard cranes; and spreaders for shipboard cranes.

⁸ The Senate Armed Services Committee, in its report (S.Rept. 114-49 of May 19, 2015) on the FY2016 National Defense Authorization Act (S. 1376), stated:

Fleet replenishment oiler program (sec. 118)

The committee recommends a provision [Section 118] that would grant the Secretary of the Navy contracting authority to procure up to six fleet replenishment oilers (T-AO(X)). This new ship class is a nondevelopmental recapitalization program based on existing commercial technology and standards. The ship design is considered to be low risk by the Navy, with the design scheduled to be complete prior to the start of construction on the lead ship. This provision would generate an estimated \$45.0 million in savings per ship compared to annual procurement cost estimates. In addition, the provision would provide a long-term commitment to the shipbuilder and vendors, which would enable workforce stability and planning efficiency. (Pages 11-12)

The committee print that includes the legislative text and joint explanatory statement for the enacted FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015) stated:

Fleet replenishment oiler program (sec. 127)

The Senate amendment contained a provision (sec. 118) that would grant the Secretary of the Navy contracting authority to procure up to six fleet replenishment oilers (T-AO (X)). This new ship class is a non-developmental recapitalization program based on existing commercial technology and standards. The ship design is considered to be low risk by the Navy, with the design scheduled to be complete prior to the start of construction on the lead ship. This provision would enable an estimated \$45.0 million in savings per ship, for ships 2–6, for a total of \$225.0 million in savings compared to current annual procurement cost estimates.

(114th Congress, 1st Session, Committee Print No. 2, *National Defense Authorization Act for Fiscal Year 2016, Legislative Text and Joint Explanatory Statement to accompany S. 1356, P.L. 114-92, November 2015*, Printed for the use of the Committee on Armed Services of the House of Representatives, p. 608)

For more on block buy contracts, 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.

⁹ Source: Navy briefing on TAO-205 program for CRS and CBO, April 12, 2019.

FY2021 Funding

The Navy's FY2021 budget requests \$59.9 million in FY2021 cost-to-complete procurement funding to cover cost growth on TAO-205s procured in prior fiscal years, but it does not request any FY2021 funding for the procurement of additional TAO-205s.

Issues for Congress

Potential Impact of COVID-19 (Coronavirus) Situation

One issue for Congress concerns the potential impact of the COVID-19 (coronavirus) situation on the execution of U.S. military shipbuilding programs, including the TAO-205 program. For additional discussion of this issue, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

Number of TAO-205s to Procure in FY2021

One issue for Congress is whether to fund the procurement in FY2021 of no TAO-205 class ship (as requested by the Navy), or one TAO-205 class ship (as was projected for FY2021 under the Navy's FY2020 budget submission), or two TAO-205s (as were procured in in FY2020 and also in FY2019). In assessing this issue, Congress may consider various factors, including the following:

- the expected service lives and scheduled retirement dates of the existing TAO-187 class oilers;
- construction times for new TAO-205s;
- potential changes in the required number of oilers (see next section);
- shipyard workloads and employment levels at NASSCO;
- potential cost impacts (including shipyard and supplier firm production learning curve impacts) of procuring or not procuring one or two TAO-205s in FY2021;
- the amount of funding that would be needed to procure one or two TAO-205s in FY2021; and
- competing Navy or other DOD uses for such funding.

Required Number of Oilers

Another issue for Congress concerns the number of oilers the Navy will require in coming years to support its operations. The Navy is implementing a new operational concept, called Distributed Maritime Operations (DMO), that could lead to the development of a fleet with larger numbers of individually smaller ships, and to more-widely dispersed Navy operations. DMO could affect requirements for Navy logistics, including oilers. The Navy states that

Recapitalizing the auxiliary and sealift fleet in support of DMO has become a top priority. The initial reviews of the requirements to support this operational maritime concept indicate potential growth across the five lines of effort: refuel, rearm, resupply, repair, and revive. Coincident is the review of the level of effort needed to distribute logistics into a contested maritime environment following safe transfer by the logistics fleet—smaller, faster, multi-mission transports likely resident within the future battle force. The work to

fully flesh out the requirement is ongoing, but the aggregate is expected to be no less than the current requirement, reinforcing the urgency to recapitalize the current fleet.¹⁰

An August 2017 GAO report states the following:

The readiness of the surge sealift and combat logistics fleets has trended downward since 2012. For example, GAO found that mission-limiting equipment casualties—incidents of degraded or out-of-service equipment—have increased over the past 5 years, and maintenance periods are running longer than planned, indicating declining materiel readiness across both fleets....

The Navy has not assessed the effects of widely distributed operations, which could affect the required number and type of combat logistics ships. The Navy released its new operational concept of more widely distributed operations—ships traveling farther distances and operating more days to support a more distributed fleet—in 2017. The Navy has not assessed the effects that implementing this concept will have on the required number and type of combat logistics ships. These effects could be exacerbated in the event that the Navy is less able to rely on in-port refueling—which has comprised about 30 percent of all refuelings over the past 3 years—placing greater demand on the combat logistics fleet. Given the fleet’s dependence on the combat logistics force, waiting until 2019 or 2020 to conduct an assessment, as planned, could result in poor investment decisions as the Navy continues to build and modernize its fleet. Furthermore, without assessing the effects of widely distributed operations on logistics force requirements and modifying its force structure plans accordingly, the Navy risks being unprepared to provide required fuel and other supplies.¹¹

Issues Discussed in June 2020 GAO Report

A June 2020 Government Accountability Office (GAO) report—the 2020 edition of an annual GAO report assessing major DOD acquisition programs—stated the following about the TAO-205 program:

Technology Maturity, Design Stability, and Production Readiness

All Lewis class critical technologies are mature and the design is stable. The critical technologies were all determined to be mature based on prototype testing conducted before detail design contract award—an approach consistent with best practices.

Lead ship construction began in September 2018 with 95 percent of the ship’s total design effort, including the basic and functional design, complete—also consistent with best practices. Throughout detail design and now into construction, the Navy has not changed the Lewis class program’s performance requirements. The Navy also leveraged commercial vessel designs to minimize design and construction risks. The Lewis class features a modern double-hull construction, an environmental-based design standard for commercial tankers, to ensure the ships can dock at ports-of-call.

According to the program office, as of January 2020, lead ship construction was 65 percent complete and second ship construction was less than 10 percent complete. Both ships experienced cost growth primarily due to quantity increases but also due to higher-than-forecast overhead and labor costs; increasing costs of steel and vendor components; and, according to officials, a small amount of cybersecurity related design cost growth.

¹⁰ U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, March 2019, p. 24.

¹¹ Government Accountability Office, *Navy Readiness[:] Actions Needed to Maintain Viable Surge Sealift and Combat Logistics Fleets*, GAO-17-503, August 2017, summary page.

Delivery of the lead ship has slipped by 7 months from November 2020 to June 2021. Program officials stated that the delay is primarily due to late delivery of the ship's main reduction gear and delays by the subsidiary of the contractor. A tool for transporting reduction gears from a heat treatment cracked and needed to be replaced, causing the reduction gear delay. According to program officials, the flooding of a graving dock in 2018 shifted ship construction schedules and accelerated construction in certain trades, such as pipefitting. This increased production demand for additional pipes and vents that one subsidiary has been unable to meet and has negatively impacted the schedule for both the lead and second ships. In addition, while repairs are being planned and implemented, the graving dock's unavailability has disrupted the contractor's schedule for future ships. According to the program office, the flooding incident resulted in an average of 5- to 12-month delays to the delivery dates for ships two through six. As a result of these delays, the Lewis class will not meet its initial operational capability (IOC) date of January 2022. The revised IOC date is now August 2022.

Software and Cybersecurity

The program is using off-the-shelf software systems tailored for the T-AO 205 design and did not collect details of its software development costs or activities.

With regard to cybersecurity, the program conducted its first cyber tabletop test—an exercise used to assess the probability of success for attackers—in January 2018. Based on the results, the program has another cyber test scheduled in January 2020, which will include several of the ship's linked subsystems. The program reported it has experienced increases in costs related to meeting cybersecurity requirements. Specifically, officials reported that in March 2019, the program began making modifications to the contract to address cyber requirements that were not in effect at the 2016 contract award. The changes are expected to cost approximately \$7.4 million over the first six ships, an amount that will be reflected in the program's forthcoming revised acquisition program baseline.

Other Program Issues

As part of the Navy's plan to expand the fleet, the Navy concluded in fiscal year 2019 that it would need an additional three Lewis class ships. To date, the Navy has procured six of the 20 ships the Navy plans to purchase. In addition to these six ships, the Navy plans to add one more ship to the low-rate initial production phase via a modification to what it refers to as the "block buy" contract. Program officials stated they plan to competitively award the remaining 13 ships, likely awarding contracts to more than one contractor. The program plans to use the same design for these 13 remaining ships.

Program Office Comments

We provided a draft of this assessment to the program office for review and comment. The program office provided technical comments, which we incorporated where appropriate. The program office stated that the lead ship's delivery initially slipped due to the late delivery of main engines and reduction gear, but was further impacted by the late delivery of outfitting material. The program office also stated the fiscal year 2021 President's budget submission removes the planned procurement of one ship each in fiscal years 2021 and 2022 but does not impact the six-ship "block buy" contract. The program office noted that the Navy plans to procure a seventh ship through the existing six-ship "block buy" contract in fiscal year 2022. The program office further noted that the revised acquisition program baseline is complete and reflects the planned update to the total number of ships.¹²

¹² Government Accountability Office, *Defense Acquisitions Annual Assessment[:]* Drive to Deliver Capabilities Faster Increases Importance of Program Knowledge and Consistent Data for Oversight, GAO-20-439, p. 142.

TAO-205 Ship Self-Defense Equipment

Another issue for Congress is whether to encourage or direct the Navy to build TAO-205s with more ship self-defense equipment than currently planned by the Navy. The issue relates to how changes in the international security environment might affect how the Navy operates and equips its underway replenishment ships. For additional background information on this issue, see **Appendix A**.

Legislative Activity for FY2021

Summary of Congressional Action on FY2021 Funding

Table 2 summarizes congressional action on the Navy's request for FY2021 funding for procurement of additional TAO-205s. (It consequently does not show the Navy's request for \$59.9 million in cost-to-complete procurement funding to cover cost growth on TAO-205s procured in prior fiscal years.)

Table 2. Congressional Action on FY2021 Funding for Additional TAO-205s

Millions of dollars, rounded to nearest tenth

	Request	Authorization			Appropriation		
		HASC	SASC	Conf.	HAC	SAC	Conf.
Procurement	0	0	0		20.0		
Advance procurement (AP)	0	0	0		0		
(Quantity)	(0)	(0)	(0)		(0)		

Source: Navy FY2021 budget submission, committee and conference reports, and explanatory statements on FY2021 National Defense Authorization Act and FY2021 DOD Appropriations Act.

Notes: **HASC** is House Armed Services Committee; **SASC** is Senate Armed Services Committee; **HAC** is House Appropriations Committee; **SAC** is Senate Appropriations Committee; **Conf.** is conference agreement.

FY2021 National Defense Authorization Act (H.R. 6395/S. 4049)

House

The House Armed Services Committee, in its report (H.Rept. 116-442 of July 9, 2020) on H.R. 6395, recommended the funding levels shown in the HASC column of **Table 2**.

Section 823 of H.R. 6395 as reported by the committee states:

SEC. 823. REQUIREMENT THAT CERTAIN SHIP COMPONENTS BE MANUFACTURED IN THE NATIONAL TECHNOLOGY AND INDUSTRIAL BASE.

(a) TECHNICAL AMENDMENT.—The second subsection (k) of section 2534 of title 10, United States Code (relating to Implementation of Auxiliary Ship Component Limitation), is redesignated as subsection (l).

(b) COMPONENTS FOR AUXILIARY SHIPS.—Section 2534(a) of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(6) COMPONENTS FOR AUXILIARY SHIPS.—Subject to subsection (l), the following components:

“(A) Large medium-speed diesel engines.

“(B) Auxiliary equipment, including pumps, for all shipboard services.

“(C) Propulsion system components, including engines, reduction gears, and propellers.

“(D) Shipboard cranes.

“(E) Spreaders for shipboard cranes.”.

(c) IMPLEMENTATION.—Subsection (l) of section 2534 of title 10, United States Code, as redesignated by subsection (a), is amended—

(1) by redesignating the second sentence to appear as flush text at the end;

(2) by striking “auxiliary ship after the date” and inserting the following: “auxiliary ship—

“(1) with respect to large medium-speed diesel engines described under subparagraph (A) of such subsection, after the date”;

(3) in paragraph (1) (as so designated), by striking “Navy.” and inserting “Navy; and”; and

(4) by inserting after paragraph (1) (as so designated) the following new paragraph:

“(2) with respect to components listed in subparagraphs (B) through (E) of such subsection, after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2021 using funds available for National Defense Sealift Fund programs or Shipbuilding and Conversion, Navy.”.

Senate (Committee Report)

The Senate Armed Services Committee, in its report (S.Rept. 116-236 of June 24, 2020) on S. 4049, recommended the funding levels shown in the SASC column of **Table 2**.

Section 812 of S. 4049 as reported by the committee states:

SEC. 812. MISCELLANEOUS LIMITATIONS ON THE PROCUREMENT OF GOODS OTHER THAN UNITED STATES GOODS.

Section 2534 of title 10, United States Code, is amended—

(1) in subsection (a)—

(A) by striking paragraphs (2) through (5);

(B) by inserting after paragraph (1) the following new paragraph:

“(2) COMPONENTS FOR NAVAL VESSELS.—

“(A) Vessel propellers with a diameter of six feet or more.

“(B) The following components of vessels, to the extent they are unique to marine applications: gyrocompasses, electronic navigation chart systems, steering controls, propulsion and machinery control systems, and totally enclosed lifeboats.”;

(C) by redesignating paragraph (6) as paragraph (3); and

(D) in paragraph (3), as redesignated by subparagraph (C), by striking “(k)” and inserting “(j)”;

(2) in subsection (b)—

(A) by striking paragraph (2) and redesignating paragraph (3) as paragraph (2); and

(B) in paragraph (2), as redesignated by subparagraph (A), by striking “subsection

- (a)(3)(A)(iii)” and inserting “subsection (a)(2)(A)”;
- (3) in subsection (c)—
 - (A) by striking “ITEMS.” and all that follows through “Subsection (a) does not apply” in paragraph (1) and inserting “ITEMS.—Subsection (a) does not apply”; and
 - (B) by striking paragraphs (2) through (5);
- (4) in subsection (g)—
 - (A) by striking “(1) This section” and inserting “This section”; and
 - (B) by striking paragraph (2);
- (5) in subsection (h), by striking “subsection (a)(3)(B)” and inserting “subsection (a)(2)(B)”;
- (6) in subsection (i)(3), by striking “Acquisition, Technology, and Logistics” and inserting “Acquisition and Sustainment”;
- (7) by striking subsection (j); and (8) by redesignating the first subsection designated subsection (k) as subsection (j).

Section 1025 of S. 4049 as reported by the committee states (emphasis added):

SEC. 1025. SENSE OF CONGRESS ON ACTIONS NECESSARY TO ACHIEVE A 355-SHIP NAVY.

It is the sense of Congress that to achieve the national policy of the United States to have available, as soon as practicable, not fewer than 355 battle force ships—

(1) the Navy must be adequately resourced to increase the size of the Navy in accordance with the national policy, which includes the associated ships, aircraft, personnel, sustainment, and munitions;

(2) across fiscal years 2021 through 2025, the Navy should start construction on not fewer than—

- (A) 12 Arleigh Burke-class destroyers;
- (B) 10 Virginia-class submarines;
- (C) 2 Columbia-class submarines;
- (D) 3 San Antonio-class amphibious ships;
- (E) 1 LHA-class amphibious ship;
- (F) 6 John Lewis-class fleet oilers;** and
- (G) 5 guided missile frigates;

(3) new guided missile frigate construction should increase to a rate of between two and four ships per year once design maturity and construction readiness permit;

(4) the Columbia-class submarine program should be funded with additions to the Navy budget significantly above the historical average, given the critical single national mission that these vessels will perform and the high priority of the shipbuilding budget for implementing the National Defense Strategy;

(5) stable shipbuilding rates of construction should be maintained for each vessel class, utilizing multi-year or block buy contract authorities when appropriate, until a deliberate transition plan is identified; and

(6) prototyping of potential new shipboard sub systems should be accelerated to build knowledge systematically, and, to the maximum extent practicable, shipbuilding prototyping should occur at the subsystem-level in advance of ship design.

Senate (Floor Consideration)

On June 29, 2020, the chairman of the Senate Armed Services Committee, Senator Inhofe, proposed Senate Amendment 2301, an amendment in the nature of a substitute. This amendment would, among other things, amend S. 4049 to add **Section 5812**, which states:

SEC. 5812. MISCELLANEOUS LIMITATIONS ON THE PROCUREMENT OF GOODS OTHER THAN UNITED STATES GOODS.

Notwithstanding the amendments made by section 812--

(1) the subparagraph (A) proposed to be included in subsection (a)(2) of section 2534 of title 10, United States Code, shall not be included;

(2) subsection (b) of such section is deemed to read as follows:

“(b) Manufacturer in the National Technology and Industrial Base.--A manufacturer meets the requirements of this subsection if the manufacturer is part of the national technology and industrial base.”; and

(3) the amendment to subsection (h) of such section is deemed to insert the following: “subsection (a)(2)”.

FY2021 DOD Appropriations Act (H.R. 7617)

House

The House Appropriations Committee, in its report (H.Rept. 116-453 of July 16, 2020) on H.R. 7617, recommended the funding levels shown in the HAC column of **Table 2**. The recommended increase of \$20.0 million in procurement funding is for “Program increase—affordability initiatives.” (Page 184) Regarding this funding recommendation, H.Rept. 116-453 states:

TAO FLEET OILER PROGRAM

The Committee recognizes that Navy TAO Fleet Oilers are essential for providing fuel to deployed ships, allowing them and their embarked aircraft to remain combat ready and extending the reach of naval forces worldwide. However, while the Committee remains supportive of the TAO Fleet Oiler program, it understands there are long term affordability concerns with the program due to aggregate capability and material choices made during the post-contract award phase. The Committee also believes that ship costs must be reduced in order to build the required fleet of ships. Therefore, the Committee recommendation includes \$20,000,000 for non-recurring engineering costs to execute cost reduction initiatives and requirements changes that should be inserted into the TAO design as soon as practical.

Additionally, the Committee directs the Secretary of the Navy to submit a report to the congressional defense committees not later than 45 days after the enactment of this Act that details how these changes will be implemented and the savings they will produce. (Page 185)

Section 8104(a) of H.R. 7617 as reported by the committee states:

Sec. 8104. (a) None of the funds provided in this Act for the TAO Fleet Oiler program shall be used to award a new contract that provides for the acquisition of the following components unless those components are manufactured in the United States: Auxiliary

equipment (including pumps) for shipboard services; propulsion equipment (including engines, reduction gears, and propellers); shipboard cranes; and spreaders for shipboard cranes.

Regarding Section 8104(a) and certain other provisions, H.Rept. 116-453 states:

DOMESTIC MANUFACTURING REQUIREMENTS FOR NAVY SHIPBUILDING

The Committee consistently has expressed its concern with the Department of the Navy sourcing surface ship components from foreign industry partners rather than promoting a robust domestic industrial base. To address these concerns, the Committee retains several provisions from fiscal year 2020 and a new provision that expands the domestic manufacturing requirement for several classes of ships under development. Absent stringent contract requirements in these future surface ship classes, the Committee lacks confidence that the Navy will make the necessary decisions and provide the required resources to support a robust domestic industrial base. (Page 13)

Appendix A. TAO-205 Ship Self-Defense Equipment

This appendix provides additional background information on the issue of whether to encourage or direct the Navy to build TAO-205s with more ship self-defense equipment than currently planned by the Navy.

During the Cold War, the Navy procured underway replenishment ships to support a two-stage approach to underway replenishment in which single-product “shuttle” ships (such as oilers, ammunition ships, and dry stores ships) would take their supplies from secure ports to relatively safe midocean areas, where they would then transfer them to multiproduct “station” ships called TAOEs and AORs. The TAOEs and AORs would then travel to Navy carrier strike groups operating in higher-threat areas and transfer their combined supplies to the carrier strike group ships. As a result, single-product shuttle ships were equipped with lesser amounts of ship self-defense equipment, and TAOEs and AORs were equipped with greater amounts of such equipment.

When the Cold War ended and transitioned to the post-Cold War era, threats to U.S. Navy ships operating at sea were substantially reduced. As a consequence, the amount of ship self-defense equipment on the TAOEs and AORs was reduced, and a single-stage approach to underway replenishment, in which oilers and dry stores ships took supplies from secure ports all the way to carrier strike group ships, was sometimes used.

Now that the post-Cold War era has transitioned to a new strategic environment featuring renewed great power competition with countries like China and Russia,¹³ and a consequent renewal of potential threats to U.S. Navy ships operating at sea, the question is whether TAO-205s should be equipped with lesser amounts of ship self-defense equipment, like oilers were during both the Cold War and post-Cold War eras, or with greater amounts of ship self-defense equipment, like TAOEs and AORs were during the Cold War. Building TAO-205s with more ship self-defense equipment than currently planned by the Navy could increase TAO-205 procurement costs by tens of millions of dollars per ship, depending on the amount of additional ship self-defense equipment.

Section 1026 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015) required an independent assessment of the Navy’s combat logistics force ships. The report was delivered to Congress in February 2016. A copy of the report was posted by the media outlet Politico on March 11, 2016. The report states the following:

The T-AO(X) will only have a limited capability to defeat a submarine launched torpedo attack and no capability to defeat a missile attack. When delivered, the TAO(X) will have:

—[the] NIXIE Torpedo Countermeasure System [for decoying certain types of torpedoes]

—[the] Advanced Degaussing System (Anti-Mine) [for reducing the ship’s magnetic signature, so as to reduce the likelihood of attack by magnetically fused mines]

When required, the T-AO(X) will also have ability to embark Navy Expeditionary Combat Command Expeditionary Security Teams (EST). The ESTs will embark with several crew served weapons and are designed to provide limited self-defense against a small boat attack.

¹³ For more on this transition, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

The T-AO(X) will have Space, Weight, Power and Cooling (SWAP-C) margins for future installations of the following systems:

—[the] Close In Weapon System (CIWS) or SeaRAM (Rolling Airframe Missile) [for defense against missile attack]

—[the] Anti-Torpedo Torpedo Defense System (ATTDS) [for destroying torpedoes]

Even after the installation of a CIWS or ATTDS, if the T-AO(X) was to operate in anything other than a benign environment, the ship will require both air and surface escorts.

The decision to rely on [other] Fleet assets to provide force protection [i.e., defense against attacks] for the T-AO(X) was validated by the JROC [in June 2015].¹⁴

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¹⁴ Department of the Navy, *Report to Congress on Requirements for the Fleet Replenishment Oiler, T-AO(X)*, February 2016 (with cover letter dated February 12, 2016), p. 8. The report was posted by Politico on March 11, 2016, at <http://static.politico.com/1e/e0/f26a9fb1471aacd5358c420fcf10/navy-oiler-report.pdf>, and accessed by CRS on March 15, 2016.