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

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Summary

The John Lewis (TAO-205) class oiler shipbuilding program, previously known as the TAO(X) program, is a program to build a new class of 20 fleet oilers for the Navy. 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. The first ship in the TAO-205 program was funded in FY2016. The second was funded in FY2018.

The Navy's proposed FY2019 budget requests the procurement of the third and fourth ships in the program. The Navy estimates the combined procurement cost of the two ships at $1,052.2 million, or an average of $526.1 million each. The two ships have received $75.1 million in prior-year advance procurement (AP) funding, and the Navy's proposed FY2019 budget requests the remaining $977.1 million in procurement funding needed to complete the two ships' estimated combined procurement cost. The Navy's proposed FY2019 budget also requests $75.0 million in AP funding for TAO-205s to be procured in future fiscal years, and $15.4 million in cost-to-complete procurement funding to cover cost growth on TAO-205s procured in prior fiscal years, bringing the total FY2019 procurement funding request for the TAO-205 program (aside from outfitting and postdelivery costs) to $1,067.6 million.

The Navy was granted authority for using a block buy contract for procuring the first six TAO-205s by Section 127 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015). On June 30, 2016, the Navy awarded a fixed-price incentive block buy contract for the first six TAO-205s to General Dynamics' National Steel and Shipbuilding Company (GD/NASSCO) of San Diego, CA.

Issues for Congress for FY2019 regarding the TAO-205 program include the following:

- whether to approve, reject, or modify the Navy's FY2019 procurement funding request for the program;
- 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.

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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 TAO-205 program was previously known as the TAO(X) program. The Navy's proposed FY2019 budget requests the procurement of the third and fourth ships in the program.

Issues for Congress for FY2019 regarding the TAO-205 program include the following: whether to approve, reject, or modify the Navy's FY2019 procurement funding request for the program; 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. Decisions that Congress makes regarding the program could affect Navy capabilities and funding requirements and the U.S. shipbuilding industrial base.

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).

[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.)

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.

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.

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 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]

[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.

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.

Existing Henry J. 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**).[3] These ships were procured between FY1982 and FY1989 and entered service between 1986 and 1996. They have an expected service 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 has wound down Navy shipbuilding operations at Avondale. (HII continues to operate two other shipyards that build Navy ships.)

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

TAO-205 Program

Program Name

The TAO-205 class program was originally called the TAO(X) program, with the (X) meaning that the exact design of the ship had not yet been determined. On January 6, 2015, then-Secretary of the Navy Ray Mabus announced that ships in the class 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, will be named for Representative John Lewis.[5] The class consequently is now known as the John Lewis (TAO-205) class.[6]

[4] Valerie Insinna, "Navy to Name Next Generation Oilers for Civil Rights Icons," *Defense Daily*, January 7, 2016: 4. For more on Navy ship names, 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.

[6] For more on the names of TAO-205 class ships, see CRS Report RS22478, *Navy Ship Names: Background for Congress*, by Ronald O'Rourke.

Figure 4. Henry J. Kaiser (TAO-187) 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.)

Quantity

As part of its goal for achieving a fleet of 355 ships, the Navy wants to procure a total of 20 TAO-205 class ships. 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.[7]

Schedule

The first TAO-205 class ship was procured in FY216, and the second in FY2018. The Navy's five-year (FY2019-FY2023) calls for procuring the next eight ships in the class in annual quantities of 2-1-2-1-2. The Navy's FY2019 30-year (FY2019-FY2048) shipbuilding plan calls for procuring the remaining 10 ships in the program at a rate of one per year starting in FY2024. The first TAO-205 is scheduled for delivery in November 2020; the second is scheduled for delivery in April 2021.

Funding

Table 1 shows FY2019-FY2023 procurement funding for the TAO-205 program in the Navy's FY2019 budget submission.

[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.

Table 1. TAO-205 Program Procurement Funding

(Millions of dollars, rounded to nearest tenth)

	FY19 (req.)	FY20 (proj.)	FY21 (proj.)	FY22 (proj.)	FY23 (proj.)
Procurement	977.1	461.2	960.8	447.7	1,025.4
Advance procurement (AP) funding	75.0	74.4	74.3	75.8	77.4
Cost to complete	15.4	3.7	0	0	0
TOTAL	**1,067.6**	**539.4**	**1,035.1**	**523.5**	**1,102.8**
(Procurement quantity)	(2)	(1)	(2)	(1)	(2)
Estimated unit procurement cost of ship(s) being procured that year	526.1	536.3	517.6	522.0	550.6

Source: Navy FY2019 budget submission.

Ship Design and Capabilities

The Navy anticipates that 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.)

Figure 5. Artist's Rendering of 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.

Builder

Combined Solicitation Limited to Two Builders[8]

On June 25, 2015, the Navy, as part of its acquisition strategy for TAO-205 program, issued a combined solicitation consisting of separate Requests for Proposals (RFPs) for

- the detailed design and construction (DD&C) of the first six TAO-205s;
- the DD&C in FY2017 (and also procurement of long lead-time materials in FY2016) for an amphibious assault ship called LHA-8 that the Navy procured in FY2017; and
- contract design support for the LPD-17 Flight II program (previously called the LX[R] program), a program to procure a new class of 13 amphibious ships.[9]

The Navy limited bidding in this combined solicitation to two bidders—Ingalls Shipbuilding of Huntington Ingalls Industries (HII/Ingalls) and National Steel and Shipbuilding Company of General Dynamics (GD/NASSCO)—on the grounds that these are the only two shipbuilders that have the capability to build both TAO-205s and LHA-8.

Under the Navy's plan for the combined solicitation, one of these two yards was to be awarded the DD&C contract for the first six TAO-205s, the other yard was to be awarded the DD&C contract (and procurement of long lead-time materials) for LHA-8, and the shipyard with the lowest combined evaluated price was to receive a higher profit on its DD&C contract[10] and was to be awarded the majority of the LPD-17 Flight II contract design engineering man-hours.

Block Buy Contract Awarded to GD/NASSCO

On June 30, 2016, the Navy announced its awards in the above-described combined solicitation, awarding a fixed price incentive block buy contract for the DD&C of the first six TAO-205s to GD/NASSCO. (The Navy awarded the contract for the DD&C of LHA-8 to HII/Ingalls.[11] HII/Ingalls was also awarded the majority of the LPD-17 Flight II contract design engineering man-hours.)[12] The Navy was granted authority for using a block buy contract to procure the first six TAO-205s by Section 127 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015). The Navy estimates that the block buy contract will reduce the

[8] Source for this section: Navy briefing for CRS and Congressional Budget Office (CBO), March 23, 2015.

[9] Press reports describe it as a single RFP; see, for example, Sam LaGrone, "Navy Issues RFP for Oilers and LHA-8 to NASSCO, Ingalls," *USNI News*, July 10, 2015; Valerie Insinna, "Navy Quietly Issues RFP for LHA-8, TAO(X)," *Defense Daily*, July 14, 2015: 2. For more on the LPD-17 Flight II program, see CRS Report R43543, *Navy LPD-17 Flight II (LX[R]) Amphibious Ship Program: Background and Issues for Congress*, by Ronald O'Rourke. Contract design work is intended to develop the design of a ship enough so that a contract can then be awarded for the detailed design of the ship.

[10] The Navy is planning to employ a Profit Related to Offer (PRO) contracting approach within this combined solicitation strategy to encourage competitive pricing by the shipyards. Under PRO bidding, both bidders are granted work, but the bidder with the lower price is given a high profit margin. PRO bidding has been used in other Navy shipbuilding programs, particularly the DDG-51 destroyer program, where it has been used since the 1990s.

[11] DOD's contract awards for June 30, 2016, are posted at http://www.defense.gov/News/Contracts/Contract-View/Article/822083.

[12] Source: Navy Office of Legislative Affairs email to CRS, July 12, 2016.

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.[13]

FY2019 Procurement Funding Request

The Navy's proposed FY2019 budget requests the procurement of the third and fourth ships in the TAO-205 program. The Navy estimates the combined procurement cost of the two ships at $1,052.2 million, or an average of $526.1 million each. The two ships have received $75.1 million in prior-year advance procurement (AP) funding, and the Navy's proposed FY2019 budget requests the remaining $977.1 million in procurement funding needed to complete the two ships' estimated combined procurement cost. The Navy's proposed FY2019 budget also requests $75.0 million in AP funding for TAO-205s to be procured in future fiscal years, and $15.4 million in cost-to-complete procurement funding to cover cost growth on TAO-205s procured in prior fiscal years, bringing the total FY2019 procurement funding request for the TAO-205 program (aside from outfitting and postdelivery costs) to $1,067.6 million.

Issues for Congress

FY2019 Procurement Funding

One issue for Congress is whether to approve, reject, or modify the Navy's FY2019 procurement funding request for the TAO-205 program. In assessing this issue, Congress may consider, among other things, whether the Navy has accurately priced the work that it is requesting to fund in FY2019.

Required Number of Oilers

Another issue for Congress concerns the number of oilers the Navy will require in coming years to support its operations. An August 2017 Government Accountability Office (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

[13] 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.

> 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.[14]

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.

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 mid-ocean 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,[15] 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]

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

[15] 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.

> 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.
>
> 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].[16]

Legislative Activity for FY2019

Summary of Congressional Action on FY2019 Funding

Table 2 summarizes congressional action on the Navy's request for FY2019 procurement funding for the TAO-205 program.

Table 2. Congressional Action on FY2019 Procurement Funding

Millions of dollars, rounded to nearest tenth

		Authorization			Appropriation		
	Request	HASC	SASC	Conf.	HAC	SAC	Conf.
Procurement	977.1	957.1	977.1	977.1	977.1	977.1	
Advance procurement (AP)	75.0	75.0	75.0	75.0	75.0	75.0	
Cost to complete	15.4	15.4	15.4	15.4	15.4	15.4	

Source: Navy FY2019 budget submission, committee and conference reports, and explanatory statements on FY2019 National Defense Authorization Act and FY2019 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.

[16] 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.

National Defense Authorization Act for Fiscal Year 2019/John S. McCain National Defense Authorization Act for Fiscal Year 2019 (H.R. 5515/S. 2987)

House

The House Armed Services Committee's report (H.Rept. 115-676 of May 15, 2018) on H.R. 5515 recommends the funding levels for the TAO-205 program shown in the HASC column of **Table 2**. The recommended reduction of $20 million in procurement funding is for "Accelerated contracts learning curve." (Page 345.)

Section 841 of H.R. 5515 as reported by the committee states:

> SEC. 841. Requirement that certain ship components be manufactured in the national technology and industrial base.
>
> (a) Additional procurement limitation.—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 (k), the following components:
>
> "(A) Auxiliary equipment, including pumps, for all shipboard services.
>
> "(B) Propulsion system components, including engines, reduction gears, and propellers.
>
> "(C) Shipboard cranes.
>
> "(D) Spreaders for shipboard cranes.".
>
> (b) Implementation.—Such section is further amended by adding at the end the following new subsection:
>
> "(k) Implementation of auxiliary ship component limitation.—Subsection (a)(6) applies only with respect to contracts awarded by the Secretary of a military department for new construction of an auxiliary ship after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2019 using funds available for National Defense Sealift Fund programs or Shipbuilding and Conversion, Navy. For purposes of this subsection, the term 'auxiliary ship' does not include an icebreaker.".

Senate

The Senate Armed Services Committee's report (S.Rept. 115-262 of June 5, 2018) on S. 2987 recommends the funding levels for the TAO-205 program shown in the SASC column of **Table 2**.

S.Rept. 115-262 states:

> **John Lewis-class fleet oiler multiyear procurement strategy**
>
> The committee notes the fiscal year 2019 Navy shipbuilding plan includes seven John Lewis-class fleet oilers (T–AO) procured in fiscal years 2020 through 2024 at a cost of more than $3.6 billion. The committee further notes that the first ship of this class, USS John Lewis (T–AO–205), was awarded in fiscal year 2016 and will be delivered to the Navy in November 2020.
>
> The committee believes sufficient design maturity and cost-estimating precision have been achieved to merit consideration of a multiyear procurement contract for John Lewis-class fleet oilers in future budget requests.

> The committee also notes recent shipbuilding multiyear procurement contract proposals projected savings in excess of 10 percent, as compared to annual procurement.
>
> Therefore, the committee urges the Secretary of the Navy to consider a multiyear procurement strategy for John Lewis-class fleet oilers in future budget requests. (Page 46)

Conference

The conference report (H.Rept. 115-874 of July 25, 2018) on H.R. 5515 recommends the funding levels for the TAO-205 program shown in the authorization conference column of **Table 2**.

Section 841 of H.R. 5515 states:

> SEC. 841. REPORT ON LIMITED SOURCING OF SPECIFIC COMPONENTS FOR NAVAL VESSELS.
>
> (a) REPORT REQUIRED.—Not later than March 1, 2019, the Secretary of the Navy shall submit to the congressional defense committees a report that provides, for the components described in subsection (b), a market survey, a cost assessment, national security considerations, and a recommendation regarding whether competition for the procurement of the components should be limited to sources in the national technology and industrial base (as defined in section 2500 of title 10, United States Code).
>
> (b) COMPONENTS.—The components described in this subsection are the following:
>
> (1) Naval vessel components listed in section 2534(a)(3) of title 10, United States Code.
>
> (2) The following components for auxiliary ships:
>
> (A) Auxiliary equipment, including pumps.
>
> (B) Propulsion system components, including engines, reduction gears, and propellers.
>
> (C) Shipboard cranes.
>
> (D) Spreaders for shipboard cranes.

Regarding Section 841, H.Rept. 115-874 states:

> *Report on limited sourcing of specific components for Naval vessels (sec. 841)*
>
> The House bill contained a provision (sec. 842) that would require the Secretary of the Navy to submit a report to the congressional defense committees by March 1, 2019, that provides a market survey and cost assessment associated with limiting competition to domestic sources for certain naval components.
>
> The Senate amendment contained no similar provision.
>
> The Senate recedes with an amendment that would modify the report to include national security considerations, recommendations from the Secretary of the Navy, and sources in the National Technology and Industrial Base. The report would be limited to components listed in section 2534(a)(3) of title 10, United States Code, and additional specified components for auxiliary ships.
>
> The conferees encourage the manufacturers of waterjet marine propulsion systems, azimuth thrusters, and bow thrusters to consider utilizing the process contained in section 844 this Act.[17] (Pages 905-906)

[17] Section 844 of H.R. 5515 states:

> SEC. 844. LIMITATION ON CERTAIN PROCUREMENTS APPLICATION PROCESS.
>
> (a) IN GENERAL.—Section 2534 of title 10, United States Code, is amended by adding at the end

Section 847 of H.R. 5515 states:

---

the following new subsections:

''(k) LIMITATION ON CERTAIN PROCUREMENTS APPLICATION PROCESS.—

''(1) IN GENERAL.—The Secretary of Defense shall administer a process to analyze and assess potential items for consideration to be required to be procured from a manufacturer that is part of the national technology and industrial base.

''(2) ELEMENTS.—The application process required under paragraph (1) shall include the following elements:

''(A) The Secretary shall designate an official within the Office of the Secretary of Defense responsible for administration of the limitation on certain procurements application process and associated policy.

''(B) A person or organization that meets the definition of national technology and industrial base under section 2500(1) of this title shall have the opportunity to apply for status as an item required to be procured from a manufacturer that is part of the national technology and industrial base. The application shall include, at a minimum, the following information:

''(i) Information demonstrating the applicant meets the criteria of a manufacturer in the national technology and industrial base under section 2500(1) of this title.

''(ii) For each item the applicant seeks to be required to be procured from a manufacturer that is part of the national technology and industrial base, the applicant shall include the following information:

''(I) The extent to which such item has commercial applications.

''(II) The number of such items to be procured by current programs of record.

''(III) The criticality of such item to a military unit's mission accomplishment.

''(IV) The estimated cost and other considerations of reconstituting the manufacturing capability of such item, if not maintained in the national technology and industrial base.

''(V) National security regulations or restrictions imposed on such item that may not be imposed on a non-national technology and industrial base competitor.

''(VI) Non-national security-related Federal, State, and local government regulations imposed on such item that may not be imposed on a non-national technology and industrial base competitor.

''(VII) The extent to which such item is fielded in current programs of record.

''(VIII) The extent to which cost and pricing data for such item has been deemed fair and reasonable.

''(3) CONSIDERATION OF APPLICATIONS.—

''(A) RESPONSIBILITY OF DESIGNATED OFFICIAL.—The official designated pursuant to paragraph (2)(A) shall be responsible for providing complete applications submitted pursuant to this subsection to the appropriate component acquisition executive for consideration not later than 15 days after receipt of such application.

''(B) REVIEW.—Not later than 120 days after receiving a complete application, the component acquisition executive shall review such application, make a determination, and return the application to the official designated pursuant to paragraph (2)(A).

''(C) ELEMENTS OF DETERMINATION.—The determination required under subparagraph (B) shall, for each item proposed pursuant to paragraph (2)(B)(ii)—

''(i) recommend inclusion under this section;

''(ii) recommend inclusion under this section with further modifications; or

''(iii) not recommend inclusion under this section.

''(D) JUSTIFICATION.—The determination required under subparagraph (B) shall also include the rationale and justification for the determination.

''(4) RECOMMENDATIONS FOR LEGISLATION.—For applications recommended under subsection (3), the official designated pursuant to paragraph (2)(A) shall be responsible for preparing a legislative proposal for consideration by the Secretary.''.

(b) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect one year after the date of the enactment of this Act.

> SEC. 847. LIMITATION ON PROCUREMENT OF CERTAIN ITEMS FOR T–AO–205 PROGRAM.
>
> Effective during fiscal year 2019, the Secretary of Defense may procure the following items for the T–AO–205 program only if the manufacturer of the item is in the United States:
>
> (1) Auxiliary equipment, including pumps, for all shipboard services.
>
> (2) Propulsion system components, including engines, reduction gears, and propellers.
>
> (3) Shipboard cranes.
>
> (4) Spreaders for shipboard cranes.

FY2019 DOD Appropriations Act (H.R. 6157/S. 3159)

House

The House Appropriations Committee's report (H.Rept. 115-769 of June 20, 2018) on H.R. 6157 recommends the funding levels for the TAO-205 program shown in the HAC column of **Table 2**.

Section 8110 of H.R. 6157 as reported states:

> Sec. 8110. 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.

Senate

The Senate Appropriations Committee's report (S.Rept. 115-290 of June 28, 2018) on S. 3159 recommends the funding levels for the TAO-205 program shown in the SAC column of **Table 2**.

Section 8079 of S. 3159 as reported states:

> Sec. 8079. None of the funds provided in this Act for the TAO–205 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.

Author Information

Ronald O'Rourke
Specialist in Naval Affairs

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