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

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Summary

In December 2016, the Navy released a force-structure goal that calls for achieving and maintaining a fleet of 355 ships of certain types and numbers. The 355-ship goal was made U.S. policy by Section 1025 of the FY2018 National Defense Authorization Act (H.R. 2810/P.L. 115-91 of December 12, 2017). The Trump Administration has identified the achievement of a Navy of 355 or more ships within 10 years as a high priority. The Navy states that it is working as well as it can, within a Navy budget top line that is essentially flat in real (i.e., inflation-adjusted terms), toward achieving that goal while also adequately funding other Navy priorities, such as restoring eroded ship readiness and improving fleet lethality. Navy officials state that while the 355-ship goal is a priority, they want to avoid creating a so-called hollow force, meaning a Navy that has an adequate number of ships but is unable to properly crew, arm, operate, and maintain those ships.

The Navy states that its proposed FY2021 budget requests the procurement of eight new ships, but this figure includes LPD-31, an LPD-17 Flight II amphibious ship that Congress procured (i.e., authorized and appropriated procurement funding for) in FY2020. Excluding this ship, the Navy's proposed FY2021 budget requests the procurement of seven new ships rather than eight.

A figure of 7 new ships is less than the 11 that the Navy requested for FY2020 (a figure that excludes CVN-81, an aircraft carrier that Congress authorized in FY2019) or the 13 that Congress procured in FY2020 (a figure that again excludes CVN-81, but includes the above-mentioned LPD-31 as well as an LHA amphibious assault ship that Congress also procured in FY2020). The figure of 7 new ships is also less than the 10 ships that the Navy projected under its FY2020 budget submission that it would request for FY2021, and less than the average ship procurement rate that would be needed over the long run, given current ship service lives, to achieve and maintain a 355-ship fleet.

In dollar terms, the Navy is requesting a total of about $19.9 billion for its shipbuilding account for FY2021. This is about $3.9 billion (16.3%) less than the Navy requested for the account for FY2020, about $4.1 billion (17.0%) less than Congress provided for the account for FY2020, and about $3.6 billion (15.3%) less than the $23.5 billion that the Navy projected under its FY2020 budget submission that it would request for the account for FY2021.

The Navy states that its FY2021 five-year (FY2021-FY2025) shipbuilding plan includes 44 new ships, but this figure includes the above-mentioned LPD-31 and LHA amphibious ships that Congress procured in FY2020. Excluding these two ships, the Navy's FY2021 five-year shipbuilding plan includes 42 new ships, which is 13 less than the 55 that were included in the FY2020 (FY2020-FY2024) five-year plan and 12 less than the 54 that were projected for the period FY2021-FY2025 under the Navy's FY2020 30-year shipbuilding plan.

The Navy's 355-ship force-level goal is the result of a Force Structure Assessment (FSA) conducted by the Navy in 2016. A new FSA, referred to as the Integrated Naval FSA (INFSA), is to be published sometime during the spring of 2020. Statements from Department of the Navy (DON) officials suggest that the INFSA could result in a once-in-a-generation change in the Navy's fleet architecture, meaning the mix of ships that make up the Navy. DON officials suggest that the INFSA could shift the fleet to a more distributed architecture that includes a reduced proportion of larger ships, an increased proportion of smaller ships, and a newly created category of large unmanned surface vehicles (USVs) and large unmanned underwater vehicles (UUVs). Such a change in fleet architecture could alter the mix of ships to be procured for the Navy and the distribution of Navy shipbuilding work among the nation's shipyards.

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Introduction

This report presents background information and issues for Congress concerning the Navy's force structure and shipbuilding plans. The current and planned size and composition of the Navy, the annual rate of Navy ship procurement, the capacity of the naval shipbuilding industry, and the prospective affordability of the Navy's shipbuilding plans have been oversight matters for the congressional defense committees for many years.

The Navy states that its proposed FY2021 budget requests the procurement of eight new ships, but this figure includes LPD-31, an LPD-17 Flight II amphibious ship that Congress procured (i.e., authorized and appropriated procurement funding for) in FY2020. Excluding this ship, the Navy's proposed FY2021 budget requests the procurement of seven new ships rather than eight, including one Columbia-class ballistic missile submarine (SSBN), one Virginia-class attack submarine (SSN), two DDG-51 destroyers, one FFG(X) frigate, and two TATS towing, salvage, and rescue ships.

The issue for Congress is whether to approve, reject, or modify the Navy's proposed FY2021 shipbuilding program and the Navy's longer-term shipbuilding plans. Decisions that Congress makes on this issue can substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

Detailed coverage of certain individual Navy shipbuilding programs can be found in the following CRS reports:

- CRS Report R41129, *Navy Columbia (SSBN-826) Class 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 RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of the Administration's FY2020 budget proposal, which the Administration withdrew on April 30, to not fund a mid-life refueling overhaul [called a refueling complex overhaul, or RCOH] for the aircraft carrier *Harry S. Truman* [CVN-75], and to retire CVN-75 around FY2024.)
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R44972, *Navy Frigate (FFG[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

For a discussion of the strategic and budgetary context in which U.S. Navy force structure and shipbuilding plans may be considered, see **Appendix A**.

Background

Navy's 355-Ship Ship Force-Structure Goal

Introduction

On December 15, 2016, the Navy released a force-structure goal that calls for achieving and maintaining a fleet of 355 ships of certain types and numbers.[1] The force level of 355 ships is a goal to be attained in the future; the actual size of the Navy in recent years has generally been between 270 and 300 ships. **Table 1** shows the composition of the 355-ship force-level objective.

Table 1. 355-Ship Force-Level Goal

Ship Category	Number of ships
Ballistic missile submarines (SSBNs)	12
Attack submarines (SSNs)	66
Aircraft carriers (CVNs)	12
Large surface combatants (i.e., cruisers [CGs] and destroyers [DDGs])	104
Small surface combatants (i.e., frigates [FFGs], Littoral Combat Ships, and mine warfare ships)	52
Amphibious ships	38
Combat Logistics Force (CLF) ships (i.e., at-sea resupply ships)	32
Command and support ships	39
TOTAL	**355**

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, Table A-1 on page 10.

355-Ship Goal Resulted from 2016 Force Structure Assessment (FSA)

The 355-ship force-level goal is the result of a Force Structure Assessment (FSA) conducted by the Navy in 2016. An FSA is an analysis in which the Navy solicits inputs from U.S. regional combatant commanders (CCDRs) regarding the types and amounts of Navy capabilities that CCDRs deem necessary for implementing the Navy's portion of the national military strategy and then translates those CCDR inputs into required numbers of ships, using current and projected Navy ship types. The analysis takes into account Navy capabilities for both warfighting and day-to-day forward-deployed presence.[2]

Although the result of the FSA is often reduced for convenience to single number (e.g., 355 ships), FSAs take into account a number of factors, including types and capabilities of Navy ships, aircraft, unmanned vehicles, and weapons, as well as ship homeporting arrangements and operational cycles. Thus, although the number of ships called for by an FSA might appear to be a one-dimensional figure, it actually incorporates multiple aspects of Navy capability and capacity. The Navy conducts a new FSA or an update to the existing FSA every few years, as circumstances require, to determine its force-structure goal.

[1] For previous Navy force-level goals, see **Appendix B**.

[2] For further discussion, see U.S. Navy, *Executive Summary, 2016 Navy Force Structure Assessment (FSA)*, December 15, 2016, pp. 1-2.

355-Ship Goal Made U.S. Policy by FY2018 NDAA

Section 1025 of the FY2018 National Defense Authorization Act, or NDAA (H.R. 2810/P.L. 115-91 of December 12, 2017), states the following:

> SEC. 1025. Policy of the United States on minimum number of battle force ships.
>
> (a) Policy.—It shall be the policy of the United States to have available, as soon as practicable, not fewer than 355 battle force ships, comprised of the optimal mix of platforms, with funding subject to the availability of appropriations or other funds.
>
> (b) Battle force ships defined.—In this section, the term "battle force ship" has the meaning given the term in Secretary of the Navy Instruction 5030.8C.

The term *battle force ships* in the above provision refers to the ships that count toward the quoted size of the Navy in public policy discussions about the Navy.[3]

355-Ship Goal Is an Administration Priority

The Trump Administration has identified the achievement of a Navy of 355 or more ships within 10 years as a high priority.[4] The Navy states that it is working as well as it can, within a Navy budget top line that is essentially flat in real (i.e., inflation-adjusted terms), toward achieving that goal while also adequately funding other Navy priorities, such as restoring eroded ship readiness and improving fleet lethality. Navy officials state that while the 355-ship goal is a priority, they want to avoid creating a so-called hollow force, meaning a Navy that has an adequate number of ships but is unable to properly crew, arm, operate, and maintain those ships.

Large Unmanned Vehicles and Navy Ship Count

Because large unmanned surface and underwater vehicles now being developed by the Navy could (and might need to be) be deployed directly from pier, rather than from a manned Navy ship, to perform missions that might otherwise be assigned to manned ships and submarines, some observers have raised a question as to whether these large unmanned surface and underwater vehicles in the future should be included in the top-level count of the number of ships in the Navy. Department of Defense (DOD) officials since late-2019 have sent mixed signals on this question, but most recently have indicated that the top-level count in the future will include large unmanned vehicles (UVs).[5]

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[3] The battle force ships method for counting the number of ships in the Navy was established in 1981 by agreement between the Secretary of the Navy and the Secretary of Defense, and has been modified somewhat over time, in part by Section 1021 of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (H.R. 3979/P.L. 113-291 of December 19, 2014).

[4] See, for example, Lara Seligman, "How Robert O'Brien helped steer the Pentagon toward a bigger Navy," *Politico*, September 22, 2020.

[5] In December 2019, it was reported that the Office of Management and Budget (OMB) had directed the Navy to include in its FY2021 budget submission a legislative proposal to formally change the definition of which ships count toward the quoted size of the Navy (known as the number of battle force ships) to include not only manned ships, but also large UVs that operate essentially as unmanned ships. (See Justin Katz, "OMB: Pentagon Must Submit Proposal to 'Redefine' Battleforce Ships to Include Unmanned Vehicles," *Inside Defense*, December 20, 2019; Joseph Trevithick, "White House Asks Navy To Include New Unmanned Vessels In Its Ambitious 355 Ship Fleet Plan," *The Drive*, December 20, 2019; Paul McCleary, "Navy To Slash 24 Ships in 2021 Plan, Bolster Unmanned Effort," *Breaking Defense*, December 20, 2019, David B. Larter, "Pentagon Proposes Big Cuts to US Navy Destroyer Construction, Retiring 13 Cruisers," *Defense News*, December 24, 2019.)

In January 2020, Admiral Michael Gilday, the Chief of Naval Operations, stated that the top-level expression of the

Navy's FY2021, Five-Year, and 30-Year Shipbuilding Plans

Treatment of Procurement Dates of CVN-81, LPD-31, and LHA-9

The Navy's FY2021 budget submission presents the aircraft carrier CVN-81 as a ship that Congress procured in FY2020. Consistent with congressional action on the Navy's FY2019 budget regarding the procurement of CVN-81, this CRS report treats CVN-81 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2019. Discussion in this CRS report of the Navy's FY2021 budget submission is adjusted to show CVN-81 as a ship that was procured in FY2019.

The Navy's FY2021 budget submission presents LPD-31, an LPD-17 Flight II amphibious ship, as a ship requested for procurement in FY2021, and the amphibious assault ship LHA-9 as a ship projected for procurement in FY2023. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LPD-31 and LHA-9, this CRS report treats LPD-31 and LHA-9 as ships that Congress procured (i.e., authorized and provided procurement funding for) in FY2020. Discussion in this CRS report of the Navy's FY2021 budget submission is adjusted to show LPD-31 and LHA-9 as ships that were procured in FY2020.

For additional discussion regarding the treatment in this report of the procurement dates of CVN-81, LPD-31, and LHA-9, see **Appendix I**.

FY2021 Shipbuilding Request

The Navy states that its proposed FY2021 budget requests the procurement of eight new ships, but this figure includes LPD-31, an LPD-17 Flight II amphibious ship that Congress procured (i.e., authorized and appropriated procurement funding for) in FY2020 (see previous section.) Excluding this ship, the Navy's proposed FY2021 budget requests the procurement of seven new ships rather than eight, including

- one Columbia-class ballistic missile submarine (SSBN),
- one Virginia-class attack submarine (SSN),
- two DDG-51 destroyers,
- one FFG(X) frigate, and
- two TATS towing, salvage, and rescue ships.

A figure of seven new ships is less than

- the 11 ships that the Navy requested for FY2020 (a figure that excludes CVN-81, an aircraft carrier that Congress authorized in FY2019);

ship force-level goal resulting from the Navy's next FSA would not include UVs. (See, for example, Sam LaGrone, "CNO Gilday Calls for Budget Increase to Reach 355 Ship Fleet; New Battle Force Count Won't Include Unmanned Ships," *USNI News*, January 14, 2020; Rich Abott, "CNO: Ship Count Will Not Include Unmanned; Bigger Topline Needed For Fleet Goal," *Defense Daily*, January 15, 2020; John M. Doyle, "CNO Wants Larger Slice of Defense Budget to Modernize, Meet China Threat," *Seapower*, January 15, 2020; Rich Abott, "CNO: Ship Count Will Not Include Unmanned; Bigger Topline Needed For Fleet Goal," *Defense Daily*, January 15, 2020.)

In September 2020, Secretary of Defense Mark Esper signaled that the stated ship-force level goal will include large UVs. (See, for example, Megan Eckstein, "Esper: Unmanned Vessels Will Allow the Navy to Reach 355-Ship Fleet," *USNI News*, September 18, 2020.)

- the 13 ships that Congress procured in FY2020 (a figure that again excludes CVN-81, but includes the above-mentioned LPD-17 Flight II amphibious ship as well as an LHA amphibious assault ship that Congress also procured in FY2020);
- the 10 ships that the Navy projected under its FY2020 budget submission that it would request for FY2021; and
- the average ship procurement rate that would be needed over the long run, given current ship service lives, to achieve and maintain a 355-ship fleet.

In dollar terms, the Navy is requesting a total of about $19.9 billion for its shipbuilding account for FY2021. This is about

- $3.9 billion (16.3%) less than the Navy requested for the account for FY2020;
- $4.1 billion (17.0%) less than Congress provided for the account for FY2020; and
- $3.6 billion (15.3%) less than the $23.5 billion that the Navy projected under its FY2020 budget submission that it would request for the account for FY2021.

FY2021 Five-Year (FY2021-FY2025) Shipbuilding Plan

The Navy states that its FY2021 five-year (FY2021-FY2025) shipbuilding plan (**Table 2**) includes 44 new ships, but this figure includes the above-mentioned LPD-31 and LHA amphibious ships that Congress procured in FY2020. Excluding these two ships, the Navy's FY2021 five-year shipbuilding plan includes 42 new ships, which is

- 13 ships less than the 55 that were included in the FY2020 (FY2020-FY2024) five-year plan, and
- 12 ships less than the 54 that were projected for the period FY2021-FY2025 under the Navy's FY2020 30-year shipbuilding plan.

Table 2 also shows, for reference purposes, the ships funded for procurement in FY2020.

Table 2. FY2021 Five-Year (FY2021-FY2025) Shipbuilding Plan

FY2019 shown for reference

	FY20 (enacted)	FY21 (req.)	FY22	FY23	FY24	FY25	FY21-FY25 Total
Columbia (SSBN-826) class ballistic missile submarine		1			1		2
Gerald R. Ford (CVN-78) class aircraft carrier	*[a]*						
Virginia (SSN-774) class attack submarine	*2*	1	2	2	2	2	9
Arleigh Burke (DDG-51) class destroyer	*3*	2	2	1	2	1	8
FFG(X) frigate	*1*	1	1	2	2	3	9
LHA amphibious assault ship	*1 [b]*			[b]			
LPD-17 Fight II amphibious ship	*1 [b]*	[b]		1		1	2
Expeditionary Fast Transport (EPF) ship	*1*						
Submarine tender (AS[X])					1		1
John Lewis (TAO-205) class oiler	*2*			1	2	1	4
TATS towing, salvage, and rescue ship	*2*	2	1				3
TAGOS(X) ocean surveillance ship			1	1	1	1	4
TOTAL	***13***	**7**	**7**	**8**	**11**	**9**	**42**

Source: Table prepared by CRS based on FY2021 Navy budget submission, with adjustments as noted below.

Notes: [a] The Navy's FY2021 budget submission presents the aircraft carrier CVN-81 as a ship that Congress procured in FY2020. Consistent with congressional action on the Navy's FY2019 budget regarding the procurement of CVN-81, this CRS report treats CVN-81 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2019. For additional discussion, see **Appendix I**. [b] The Navy's FY2021 budget submission presents LPD-31, an LPD-17 Flight II amphibious ship, as a ship requested for procurement in FY2021, and the amphibious assault ship LHA-9 as a ship projected for procurement in FY2023. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LPD-31 and LHA-9, this CRS report treats LPD-31 and LHA-9 as ships that Congress procured (i.e., authorized and provided procurement funding for) in FY2020. For additional discussion, see **Appendix I**.

The Navy has not yet submitted its FY2021 30-year (FY2021-FY2050) shipbuilding plan. As a placeholder pending the submission of that plan, **Table 3** shows the Navy's FY2020 30-year (FY2020-FY2049) 30-year shipbuilding plan. As shown in **Table 3**, the Navy's FY2020 30-year shipbuilding plan included 304 new ships, or an average of about 10 per year.

Table 3. FY2020 30-Year (FY2020-FY2049) Shipbuilding Plan

FY	CVNs	LSCs	SSCs	SSNs	LPSs	SSBNs	AWSs	CLFs	Supt	Total
20	1	3	1	3				2	2	**12**
21		2	2	2		1	1	1	1	**10**
22		2	2	2				1	2	**9**
23		3	2	2			1	2	3	**13**
24		3	2	2		1	1	1	1	**11**
25		3	2	2			1	1	2	**11**
26		2	2	2		1	1	1	2	**11**
27		3	2	2		1	2	1	1	**12**
28	1	2	2	2		1	1	1	1	**11**
29		3	2	2		1	1	1	1	**11**
30		2	1	2		1	1	1	2	**10**
31		3	2	2		1	2	1	2	**13**
32	1	2	2	2		1	1	1	2	**12**
33		3	2	2		1	1	1	2	**12**
34		2	2	2		1	2		2	**11**
35		3	2	2		1			1	**9**
36	1	2	2	2	1					**8**
37		3	2	2						**7**
38		2	2	2			1			**7**
39		3	2	2	1					**8**
40	1	2	2	2			1			**8**
41		3	2	2			1			**8**
42		2	2	2	1		1			**8**
43		3	2	2				1		**8**
44	1	2	2	2			1			**8**
45		3	2	2	1		2	2		**12**
46		2	2	2			1	2		**9**
47		3	2	2			1	2		**10**
48	1	2	2	2	1		2	2		**12**
49		3	2	2			1	2	3	**13**
Total	7	76	58	61	5	12	28	27	30	**304**

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, Table A2-1 on page 13.

Key: FY = Fiscal Year; **CVNs** = aircraft carriers; **LSCs** = surface combatants (i.e., cruisers and destroyers); **SSCs** = small surface combatants (i.e., Littoral Combat Ships [LCSs] and frigates [FFG(X)s]); **SSNs** = attack submarines; **LPSs** = large payload submarines; **SSBNs** = ballistic missile submarines; **AWSs** = amphibious warfare ships; **CLFs** = 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 ship construction times and service lives, estimated ship procurement costs, projected shipbuilding funding levels, and industrial-base considerations.

Projected Force Levels Under FY2020 30-Year Shipbuilding Plan

The Navy has not yet submitted its FY2021 30-year (FY2021-FY2050) shipbuilding plan. As a placeholder pending the submission of that plan, **Table 4** shows the Navy's projection of ship force levels for FY2020-FY2049 that would result from implementing the FY2020 30-year (FY2020-FY2049) 30-year shipbuilding plan shown in **Table 3**.

New FSA To Replace 355-Ship Goal; Could Alter Distribution of Shipbuilding Work

New FSA Is Called an Integrated FSA (INFSA)

A new FSA—referred to as the Integrated Naval FSA (INFSA), with the term naval referring to both the Navy and Marine Corps (i.e., the two naval services)—is now underway as the successor to the 2016 FSA.[6] Department of the Navy (DON) officials have stated that they are referring to the new FSA as an integrated naval FSA to emphasize that it will integrate Marine Corps requirements into the FSA process more fully than previous FSAs. DON officials state that the INFSA will take into account the Trump Administration's December 2017 National Security Strategy document and its January 2018 National Defense Strategy document, both of which put an emphasis on renewed great power competition with China and Russia,[7] as well as updated information on Chinese and Russian naval and other military capabilities and recent developments in new technologies, including those related to unmanned vehicles (UVs).[8]

INFSA Could Call for a Navy of About 390 Manned Ships

Statements from Navy officials in the early months of 2020 suggested that the INFSA could result in a new Navy force-level goal for a fleet of about 390 manned ships plus about 45 unmanned or

[6] A September 27, 2019, press report stated that on September 6, 2019, the Chief of Naval Operations and the Commandant of the Marine Corps signed a memorandum stating that the two services will develop a "comprehensive naval force architecture" to inform the new FSA, and that the new FSA will be developed as an integrated naval (i.e., Navy-Marine Corps) FSA (INFSA). (Mallory Shelbourne, "Navy, Marine Corps Conducting Integrated Force-Structure Assessment," *Inside Defense*, September 27, 2019. See also Otto Kreisher, "New Force Structure Assessment Will Address Needs of 'Great Power Competition,' Two Top Requirements Officers Say," *Seapower*, October 22, 2019, and the section under the subheader "Naval Integrated Force Structure Assessment" in Megan Eckstein, "Navy Marines Wargaming New Gear to Support Emerging Warfare Concepts," *USNI News*, October 23, 2019.)

[7] For additional discussion of the defense implications of great power competition, see CRS Report R43838, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

[8] See, for example, Marcus Weisgerber, "US Navy Re-Evaluating 355-Ship Goal," *Defense One*, February 1, 2019; Paul McLeary, "Navy Rethinks 355-Ship Fleet: CNO Richardson," *Breaking Defense*, February 1, 2019; Mallory Shelbourne, "CNO: Navy Expects New Force-Structure Assessment 'Later This Year,'" *Inside the Navy*, February 4, 2019.

optionally manned ships, for a total of about 435 manned and unmanned or optionally manned ships. Navy officials have provided few additional details about the composition of this 390/435-ship force-level goal.[9]

Table 4. Projected Force Levels Resulting from FY2020 30-Year Shipbuilding Plan

	CVNs	LSCs	SSCs	SSNs	SSGN/LPSs	SSBNs	AWSs	CLFs	Supt	Total
355-ship goal	**12**	**104**	**52**	**66**	**0**	**12**	**38**	**32**	**39**	**355**
FY20	11	94	30	52	4	14	33	29	34	**301**
FY21	11	92	33	53	4	14	34	30	34	**305**
FY22	11	93	33	52	4	14	34	31	39	**311**
FY23	11	95	32	51	4	14	35	31	41	**314**
FY24	11	94	35	47	4	14	36	32	41	**314**
FY25	10	95	35	44	4	14	37	32	42	**313**
FY26	10	96	36	44	2	14	38	31	43	**314**
FY27	9	100	38	42	1	13	37	32	44	**316**
FY28	10	102	41	42		13	38	32	44	**322**
FY29	10	104	43	44		12	36	32	44	**325**
FY30	10	107	45	46		11	36	32	44	**331**
FY31	10	110	47	48		11	36	32	43	**337**
FY32	10	112	49	49		11	36	32	44	**343**
FY33	10	115	50	51		11	38	32	44	**351**
FY34	10	117	52	53		11	36	32	44	**355**
FY35	10	114	55	54		11	34	32	45	**355**
FY36	10	109	57	56		11	35	32	45	**355**
FY37	10	107	58	58		10	35	32	45	**355**
FY38	10	108	59	57		10	35	32	44	**355**
FY39	10	105	61	58		10	37	32	42	**355**
FY40	9	105	62	59		10	37	32	41	**355**
FY41	10	104	61	59		11	37	32	41	**355**
FY42	9	106	60	61		12	36	32	39	**355**
FY43	9	108	57	61	1	12	36	32	39	**355**
FY44	9	109	55	62	1	12	36	32	39	**355**
FY45	10	107	55	63	1	12	36	32	39	**355**
FY46	9	106	54	64	2	12	37	32	39	**355**
FY47	9	107	54	65	2	12	35	32	39	**355**
FY48	9	109	51	66	2	12	35	32	39	**355**
FY49	10	108	50	67	3	12	35	31	39	**355**

[9] See, for example, Ben Werner, "SECNAV Modly Says Nation Needs Larger, Distributed Fleet of 390 Hulls," USNI News, February 28, 2020; Mallory Shelbourne, "Modly Sketches Out Potential Navy Force Structure Changes, Anticipates 390-Ship Fleet," *Inside Defense*, February 28, 2020; Rich Abott, "Modly Reveals Next Force Structure Assessment Details, Working Toward 390-Ship Fleet," *Defense Daily*, February 28, 2020; Patrick Tucker, "Acting Navy Secretary: We Need More than 355 Ships, and That's Not Even Counting Robot Vessels," *Defense One*, February 28, 2020; Connor O'Brien, "Acting Navy Secretary Hints At Larger Fleet Goal," *Politico Pro*, February 28, 2020.

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, Table A2-4 on page 13.

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; **CVNs** = aircraft carriers; **LSCs** = surface combatants (i.e., cruisers and destroyers); **SSCs** = small surface combatants (i.e., frigates, Littoral Combat Ships [LCSs], and mine warfare ships); **SSNs** = attack submarines; **SSGNs/LPSs** = cruise missile submarines/large payload submarines; **SSBNs** = ballistic missile submarines; **AWSs** = amphibious warfare ships; **CLFs** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

Release of INFSA Postponed Repeatedly

Through much of 2019, Navy officials stated that the INFSA was to be completed by the end of 2019. A September 27, 2019, press report stated that an interim version was to be completed by September 2019, in time to inform programmatic decisions on the FY2022 Program Objective Memorandum (POM), meaning the in-house DOD planning document that will guide the development of DOD's FY2022 budget submission.10 A December 6, 2019, memorandum from then-Acting Secretary of the Navy Thomas Modly stated that he expected the final INFSA to be published no later than January 15, 2020.11 A January 23, 2020, press report quoted Modly as saying that the January 15 date was an internal Navy deadline, and that the Navy expected the INFSA to be released to outside audiences sometime during the spring of 2020.[12]

OSD Reviewing INFSA and Conducting Its Own Assessment of Navy Force Structure

More recently, it was reported that Secretary of Defense Mark Esper and the Cost Assessment and Program Evaluation (CAPE) office within the Office of the Secretary of Defense (OSD) have been reviewing the INFSA and conducting their own analysis of future Navy force structure requirements, and that the INFSA will not be released until OSD completes its review and analysis.13 OSD's study of future Navy force-level requirements reportedly recommends a fleet with, among other things, 68 or 69 nuclear-powered attack submarines (SSNs), nine aircraft carriers, 80 to 90 large surface combatants (i.e., cruisers and destroyers), 55 to 70 small surface

[10] Mallory Shelbourne, "Navy, Marine Corps Conducting Integrated Force-Structure Assessment," *Inside Defense*, September 27, 2019. See also Otto Kreisher, "New Force Structure Assessment Will Address Needs of 'Great Power Competition,' Two Top Requirements Officers Say," *Seapower*, October 22, 2019, and the section under the subheader "Naval Integrated Force Structure Assessment" in Megan Eckstein, "Navy Marines Wargaming New Gear to Support Emerging Warfare Concepts," *USNI News*, October 23, 2019.

[11] Memorandum for distribution from Acting Secretary of the Navy Thomas B. Modly, subject "SecNav Vector !," dated December 6, 2019. See also David B. Larter, "Acting US Navy Secretary: Deliver Me a 355-Ship Fleet by 2030," *Defense News*, December 9, 2019.

[12] Mallory Shelbourne, "Modly: Navy Expects to Release FSA by Spring," *Inside Defense*, January 23, 2020.

[13] See, for example, Sam LaGrone, "SECDEF Esper Holds Back 30-Year Shipbuilding Outlook, New 355-Ship Plan Ahead of HASC Testimony," *USNI News*, February 25, 2020; Paul McLeary, "Esper To Navy: Rethink Your Shipbuilding Plan," *Breaking Defense*, February 25, 2020; Ben Werner, "SECDEF Esper Blames Failures of Optimized Fleet Response Plan for Delay of New 355-Ship Fleet Outlook," *USNI News*, February 26, 2020; Paul McLeary, "EXCLUSIVE: SecDef Esper Seeks Détente With HASC; New Navy Plan This Summer," *Breaking Defense*, February 28, 2020; Paul McLeary, "SecNav Details Gaps Between Navy & Pentagon Shipbuilding Plans," *Breaking Defense*, March 11, 2020; Megan Eckstein, "Modly: Parallel Fleet Studies Could Reshape Future of Aircraft Carriers," *USNI News*, March 12, 2020; David B. Later, "Defense Department Study Calls for Cutting 2 of the US Navy's Aircraft Carriers," *Defense News*, April 20, 2020; Jack Detsch, "Trump's Navy Pick Would Have Limited Sway on Ship Goal," *Foreign Policy*, May 7, 2020; Paul McLeary, "Navy Scraps Big Carrier Study, Clears Deck For OSD Effort," *Breaking Defense*, May 12, 2020.

combatants (i.e., frigates and Littoral Combat Ships [LCSs]), 65 unmanned or lightly manned surface vehicles, and 50 extra-large unmanned underwater vehicles (XLUUVs).[14]

A June 24, 2020, press report states

> The Navy has lost much of its power on deciding what its future fleet will look like, with a Pentagon-led effort set to produce secretary of defense directives to the service by the end of the summer on what the fleet's future plans should include.
>
> This Future Navy Force Study is replacing the Navy and Marine Corps' own plan that was rejected by Secretary of Defense Mark Esper earlier this year. The study brings in the Office of the Secretary of Defense, the Joint Staff and a think tank into the process of deciding what the future fleet will look like in the coming decades.
>
> Typically, the Navy would have released its 30-year shipbuilding plan in February alongside its FY 2021 budget request. An Integrated Naval Force Structure Assessment (INFSA), developed alongside the Marine Corps to reflect some major changes in how the services will conduct amphibious warfare, was also due out at the beginning of the year.
>
> Instead, Esper held them back from Congress, uncomfortable with not only the decisions the Navy made but also with the basic assumptions the Navy used to come to those conclusions. He then directed Deputy Defense Secretary David Norquist to oversee the new studies.
>
> At the time, Esper couched the situation as wanting to review the Navy's INFSA and shipbuilding plan through three reviews: one by the Navy, one by the Pentagon's Cost Assessment and Program Evaluation (CAPE) office, and one by an outside think tank, the Hudson Institute.
>
> Former Acting Secretary of the Navy Thomas Modly, too, told a small group of reporters in March that it was a "review" process that would last until July. Asked about the INFSA, Modly said that "we delivered that to the secretary of defense, and he had his own analysis being done by CAPE. And so we're looking at how do we reconcile those two things. I don't think they were that different, but he wants to spend some time looking at it."
>
> But the degree to which the Pentagon was taking charge of charting the Navy's path was unclear to many at the time. USNI News understands that, over the years, some groups of Pentagon leadership have taken a more hands-on approach to reviewing the Navy's shipbuilding plans before approving them and sending them up the chain to the White House and to lawmakers – Bob Work took a particularly careful look when he was deputy secretary, a source familiar with the current process told USNI News – whereas other times OSD is happy to just sign off on Navy plans. But Esper's move largely takes the future force planning out of the Navy's hands and gives OSD and the joint force a much more direct say in what the final product will look like.
>
> "The Integrated Naval Force Structure Assessment (INFSA) was led by the Navy and Marine Corps to develop a comprehensive naval force architecture. After a briefing of INFSA results to the Office of the Secretary of Defense (OSD) in January 2020, the Secretary of Defense directed his Deputy to initiate an additional review of naval force structure, assessing it for alignment with the National Defense Strategy and related OSD CAPE efforts. This review, the Future Naval Force Study (FNFS), is a collaborative OSD, Joint Staff and Department of the Navy (DoN) effort to assess future naval force structure options and inform future naval force structure decisions and the 30-year shipbuilding plan.

[14] David B. Larter, "Defense Department Study Calls for Cutting 2 of the US Navy's Aircraft Carriers," *Defense News*, April 20, 2020; David B. Larter, "To Compete with China, An Internal Pentagon Study Looks to Pour Money into Robot Submarines," *Defense News*, June 1, 2020. For more on the XLUUV program, see CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

> Although COVID-19 has delayed some portions of the study, the effort remains on track to provide analytic insights in time to inform Program Budget Review 22," Defense Department spokesperson Russ Goemaere told USNI News.
>
> When the Navy and Marine Corps submitted their INFSA to Esper, they were using many fundamental assumptions that Esper didn't think aligned with the National Defense Strategy, readiness and cost realities, and more.[15]

An August 4, 2020, press report states

> The Pentagon still has not submitted a legally mandated shipbuilding blueprint to lawmakers this year because Defense Secretary Mark Esper felt the Navy had not developed a "credible pathway" to achieving a 355-ship fleet, the nominee to lead a top Pentagon office said today.
>
> During his confirmation hearing today to serve as the Pentagon's director of the Cost Assessment and Program Evaluation office, John Whitley told the Senate Armed Services Committee that Esper was worried the Navy's shipbuilding plan was not realistic.
>
> "I think one of the challenges we had with the president's budget submission and why we did not submit the 30-year shipbuilding plan was because it did not have a credible pathway to get there," Whitley told Sen. Roger Wicker (R-Miss.). "It assumed resource constraints for five years and then assumed there were no resource constraints. And what the secretary was concerned about was that that was not a credible document to send to you."
>
> Whitley, who is the acting director of CAPE but told lawmakers he pulled back from his responsibilities for the confirmation hearing process, said he anticipates the Future Navy Force Study spearheaded by the Pentagon to finish in the fall.
>
> All of the analytical work on Navy shipbuilding shows that the service needs a fleet larger than the 355-ship benchmark laid out in the 2016 Force Structure Assessment, Whitley said.
>
> "[Esper's] belief is it's a number north of 355. And so what he has tasked the Navy and CAPE to do, and what I would do if confirmed, senator, would be working with the Navy to get a credible path to a number as quickly as possible that's north of 355," Whitley said.[16]

A September 10, 2020, press report states

> More than two years after the U.S. Navy publicly announced its plan for a new assessment of what its future force should look like, the product of no fewer than three iterations will soon be briefed to the defense secretary, a senior Defense Department official said Thursday [September 10].
>
> But the ultimate product will actually be based on three products, and more war gaming and analysis is expected, Deputy Secretary of Defense David Norquist told a virtual audience at the annual Defense News Conference.
>
> "Earlier this year the secretary asked me to lead a future naval forces study," Norquist said. "With participation by the Navy, Marine Corps, Joint Staff, OSD [the Office of the Secretary of Defense] and outside advisers, we built three different future fleets. We examined ships and Marine units we have, and those we might build in 2045. We looked

[15] Megan Eckstein, "Pentagon Leaders Have Taken Lead in Crafting Future Fleet from Navy," *USNI News*, June 24, 2020.

[16] Mallory Shelbourne, "CAPE Nominee: SECDEF Esper Blocked Shipbuilding Plan to Congress Because it Lacked 'Credible Pathway' to 355-Ship Fleet," USNI News, August 4, 2020. See also David B. Larter and Joe Gould, "Pentagon Nominee Slams the US Navy's Fleet Plans as 'Not a Credible Document,'" *Defense News*, August 4, 2020.

> at their cost and analytical capabilities, and we war gamed different combinations of ships and maritime forces against different future missions and challenges.
>
> "This morning I received the latest inputs from the study participants, and next week I'll meet with the secretary to go over our findings, which will inform our future investments and exercises and war gaming."[17]

INFSA Could Result in Once-in-a-Generation Change in Fleet Architecture and Distribution of Shipbuilding Work

Statements from DON officials suggest that the INFSA could result in a once-in-a-generation change in the Navy's fleet architecture, meaning the mix of ships that make up the Navy and how those ships are combined into formations and used to perform various missions. As detailed in the following sections of this report, statements from DON officials suggest that the INFSA could shift the fleet to a more distributed architecture that includes a reduced proportion of larger ships, an increased proportion of smaller ships, and a newly created category of large unmanned surface vehicles (USVs) and large unmanned underwater vehicles (UUVs). Such a change in fleet architecture could alter, perhaps substantially, the mix of ships to be procured for the Navy and the distribution of Navy shipbuilding work among the nation's shipyards. A February 3, 2020, press report, for example, stated

> The Navy's plans to get to 355 manned ships by 2030 will rely on new classes of ships that don't exist yet—including new kinds of amphibious and supply ships as well as "lightly manned" ships—the [then-]acting Navy secretary told USNI News.
>
> The Force Structure Assessment that will lay out the Navy's path to this larger fleet, which leadership has described as "355-plus, plus unmanned," has been delayed and won't come out until after the Fiscal Year 2021 budget request is released next week. FY 2021 will put the Navy on a path to crest over 300 ships, [then-]Acting Secretary of the Navy Thomas Modly told USNI News in a phone interview, but the real growth will come in the FY 2022 request.
>
> Still, Modly previewed what the FSA might hold.
>
> "We haven't done a really comprehensive force structure assessment in a couple of years; 2016 was the last one. So we started on a new path for that last fall, and what we're finding in that force structure assessment is that the number of ships we need are going to be more than 355. And when you add in some of the unmanned vessels and things like that that we're going through experimental phases on, it's probably going to be significantly more than [355]," he said.
>
> "There are certain ship classes that don't even exist right now that we're looking at that will be added into that mix, but the broad message is, it's going to be a bigger fleet, it's going to be a more distributed fleet, it's going to be a more agile fleet. And we need to figure out what that path is and also understand our topline limitations, because no one wants a 355-plus fleet that's hollow, that we can't maintain. So we're looking at balancing all those things."
>
> Asked what new ship classes the service is considering, Modly mentioned new amphibious ships, as well as new kinds of supply ships and "lightly manned" ships that are "more like missile magazines that would accompany surface action groups."

[17] David B. Larter, "US Navy's Long-Delayed Plan for Its Future Force is Nearing the Finish Line … Sort of," *Defense News*, September 10, 2020. See also Paul McLeary, "New Navy Ships Plan Finally Ready; On Esper's Desk Next Week," *Breaking Defense*, September 10, 2020.

> Talk of a new class of amphibious warships began last summer, when Commandant of the Marine Corps Gen. David Berger called for alternative kinds of amphibious lift for Marines in his Commandant's Planning Guidance. Since that time, Marine Corps and Navy officials at various conferences have suggested that the services are narrowing in on the Offshore Support Vessel [OSV] as a model for what they want. Having several OSVs instead of one dock landing ship (LSD), for example, might be able to carry the same number of Marines but distribute them across the littorals instead of concentrating them on one hull—which defensively makes them harder to target and offensively allows them to be more agile under the Distributed Maritime Operations and Expeditionary Advance Base Operations concepts.
>
> On the other hand, public talk of a "lightly manned" ship type is new. The Navy had previously envisioned its Large Unmanned Surface Vehicle [LUSV] to serve as a magazine ship for manned combatants, but Congress used its annual defense bill to block the Navy from building an unmanned ship with vertical launch tubes. Making these ships "lightly manned" could keep the magazine ship concept alive while alleviating congressional concerns, and could create the added benefit of allowing the small crews to use their hulls to train with other nations' navies during peacetime….
>
> Modly, when asked why the Navy was betting so much of its ability to get to 355 ships by the end of the decade on quickly acquiring brand new ship classes that haven't gone through the Navy and industry design and construction process yet, said, "I think 'quickly' is going to have to define everything we do, because the world is changing pretty quickly and we're going to have to react more quickly."
>
> "You look at the frigate [FFG(X)] program: we think, because of the way we've approached that program, we've probably taken three years off the product development lifecycle for that. So we have to start doing the same type of thing: looking at proven hulls, things that can be adaptable for different areas. I understand the Hill's concerns about unmanned, and we get that. … We have to convince them with data: we have to wargame this, we have to iterate it over and over again."
>
> The [then-]acting secretary added that President Donald Trump ran in 2016 on a larger fleet, and Congress passed the 355 figure into law in 2017. Though the Navy only has assumptions from wargames and simulations today regarding these new classes of ships, he said the service needed to settle on a "north star" and begin the research and development and construction to get hulls in the water, and then it could refine its vision as needed once fleet leaders understand how the new and old ships work together to bring naval power to a distributed fight.…
>
> Modly said the FY 2021 budget—expected to be released next week—will allow the Navy to grow some, ahead of what he expects will be a much stronger 2022 budget.
>
> "I think what you'll see is mostly an emphasis on readiness—we don't want to have a hollow force, and so we had to make some trades in the end game, but we're still on a path to grow the Navy," he said.
>
> "This year, this budget will keep us on a path to grow to over 300, but the ultimate goal was to grow to an even bigger fleet than that," and the Navy is already looking at its 2022 planning and eyeing multiple paths to grow faster.[18]

The following sections provide details on how the Navy's new fleet architecture could alter the mix of ships within various parts of the Navy.

[18] Megan Eckstein, "SECNAV Modly: Path to 355 Ships Will Rely on New Classes of Warships," *USNI News*, February 3, 2020. See also Rich Abott, "Modly Explains Why 355 Ship FSA In A Decade, Presenting To Esper In Days," *Defense Daily*, January 29, 2020; Rich Abott, "Modly: Future Navy Focusing On Next 10 Years," *Defense Daily*, January 24, 2020.

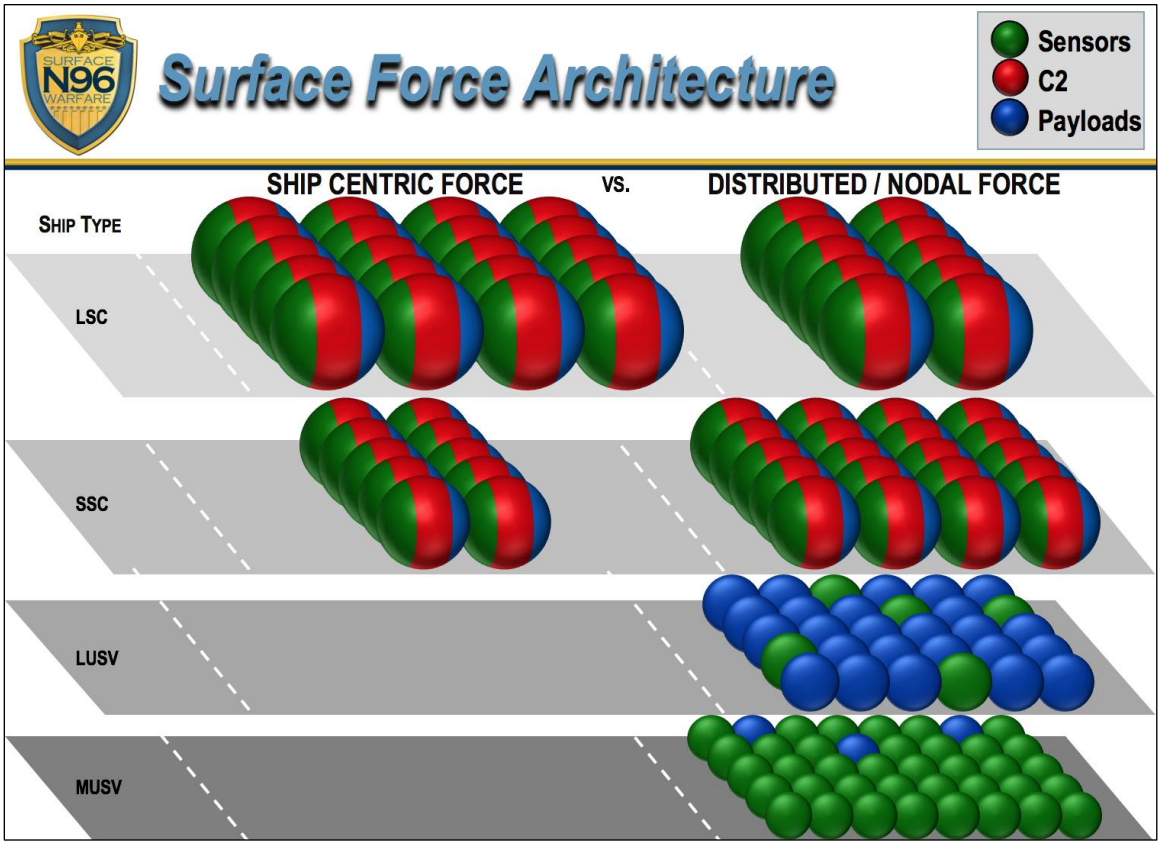
Potential New Surface Combatant Force Architecture

Statements from Navy officials suggest that the INFSA might shift the Navy's surface combatant force to a more distributed architecture that includes a reduced proportion of large surface combatants (i.e., cruisers and destroyers), an increased proportion of small surface combatants (i.e., frigates and LCSs), and a newly created third tier of unmanned surface vehicles (USVs). In presenting its proposed FY2020 and FY20201 budgets, the Navy has highlighted its plans for developing and procuring USVs in coming years.

Figure 1 provides, for the surface combatant portion of the Navy,[19] a conceptual comparison of the current fleet architecture (shown on the left as the "ship centric force") and the new, more distributed architecture (shown on the right as the "distributed/nodal force"). The figure does not depict the entire surface combatant fleet, but rather a representative portion of it.

Figure 1. Navy Briefing Slide on Surface Combatant Force Architecture

Each sphere represents a ship or unmanned surface vehicle (USV)



Source: Illustration accompanying Megan Eckstein, "Sea Hunter Unmanned Ship Continues Autonomy Testing as NAVSEA Moves Forward with Draft RFP," *USNI News*, April 29, 2019. The illustration was also included as Slide 2 in a Navy briefing entitled "Designing & Building the Surface Fleet: Unmanned and Small Combatants," by Rear Admiral Casey Moton at a June 20, 2019, conference of the American Society of Naval Engineers (ASNE).

Notes: Each sphere represents a ship or a USV. LSC means large surface combatant (i.e., cruiser or destroyer), and SSC means small surface combatant (i.e., frigate or Littoral Combat Ship). As shown in the color coding, the LSCs and SSCs are equipped with a combination of sensors (green), command and control (C2) equipment (red),

[19] Other major parts of the Navy include submarines, aircraft carriers, amphibious ships, logistics (resupply) ships, and support ships.

and payloads other than sensors and C2 equipment, meaning principally weapons (blue). LUSVs and MUSVs, in contrast, are equipped primarily with weapons (blue) or sensors (green).

In the figure, each sphere represents a manned ship or USV. As shown in the color coding, under both the current fleet architecture and the more distributed architecture, the manned ships (i.e., the LSCs and SSCs) are equipped with a combination of sensors (green), command and control (C2) equipment (red), and payloads other than sensors and C2 equipment, meaning principally weapons (blue).

Under the more distributed architecture, the manned ships would be on average smaller (because a greater share of them would be SSCs), and this would be possible because some of the surface combatant force's weapons and sensors would be shifted from the manned ships to USVs, with weapon-equipped Large USVs (LUSVs) acting primarily as adjunct weapon magazines and sensor-equipped Medium USVs (MUSVs) contributing to the fleet's sensor network.

As shown in **Figure 1**, under the Navy's current surface combatant force architecture, there are to be 20 LSCs for every 10 SSCs (i.e., a 2:1 ratio of LSCs to SSCs), with no significant contribution from LUSVs and MUSVs. This is consistent with the Navy's current force-level objective, which calls for achieving a 355-ship fleet that includes 104 LSCs and 52 SSCs (a 2:1 ratio). Under the more distributed architecture, the ratio of LSCs to SSCs would be reversed, with 10 LSCs for every 20 SSCs (a 1:2 ratio), and there would also now be 30 LUSVs and 40 MUSVs.

A January 15, 2019, press report states

> The Navy plans to spend this year taking the first few steps into a markedly different future, which, if it comes to pass, will upend how the fleet has fought since the Cold War. And it all starts with something that might seem counterintuitive: It's looking to get smaller.
>
> "Today, I have a requirement for 104 large surface combatants in the force structure assessment; [and] I have [a requirement for] 52 small surface combatants," said Surface Warfare Director Rear Adm. Ronald Boxall. "That's a little upside down. Should I push out here and have more small platforms? I think the future fleet architecture study has intimated 'yes,' and our war gaming shows there is value in that."[20]

Another way of summarizing **Figure 1** would be to say that the surface combatant force architecture (reading vertically down the figure) would change from 20+10+0+0 (i.e., a total of 30 surface combatant platforms, all manned, and a platform ratio of 2-1-0-0) for a given portion of the surface combatant force, to 10+20+30+40 (i.e., a total of 100 surface combatant platforms, 70 of which would be LUSVs and MUSVs, and a platform ratio of 1-2-3-4) for a given portion of the surface combatant force. The Navy refers to the more distributed architecture's combination of LSCs, SSCs, LUSVs, and MUSVs as the Future Surface Combatant Force (FSCF).

Figure 1 is conceptual, so the platform ratios for the more distributed architecture should be understood as notional or approximate rather than exact. The point of the figure is not that relative platform numbers under the more distributed architecture would change to the exact ratios shown in the figure, but that they would evolve over time toward something broadly resembling those ratios.[21]

A January 23, 2020, press report states that

[20] David B. Larter, "US Navy Moves Toward Unleashing Killer Robot Ships on the World's Oceans," *Defense News*, January 15, 2019.

[21] For further discussion, see CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke, CRS Report R44972, *Navy Frigate (FFG[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke, and CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

> The Navy is expected to finalize next month a major new analysis of its future surface combatant fleet....
>
> The findings are expected to influence force structure decisions in fiscal year 2021 as well as budget and shipbuilding plans beginning in FY-22.
>
> The Future Surface Combatant Force analysis of alternatives [AOA], a 16-month effort, will provide a key input into the Navy's Integrated Force Structure Assessment….
>
> The AOA, according to a senior official, validated a key Navy hypothesis posed in 2018, that a fleet of unmanned surface vessels packed with sensors or loads of missiles give U.S. commanders more options and complicate the calculus for an adversary.[22]

Potential New Amphibious Ship Architecture

Statements from the Commandant of the Marine Corps suggest strongly that INFSA might change the Navy's amphibious ship force to an architecture based on a new amphibious lift target and a new mix of amphibious ships.

The current 38-ship amphibious ship force-level goal shown in **Table 1** is intended to meet a requirement for having enough amphibious lift to lift the assault echelons of two Marine Expeditionary Brigades (MEBs), a requirement known as the 2.0 MEB lift requirement. The 2.0 MEB lift requirement dates to 2006. The translation of this lift requirement into a Marine Corps-preferred force-level goal of 38 ships dates to 2009, and the Navy's formal incorporation of the 38-ship goal (rather than a more fiscally constrained goal of 33 or 34 ships) into the Navy's overall ship force-structure goal dates to the 2016 FSA.[23]

In July 2019, General David H. Berger, the Commandant of the Marine Corps, released a document entitled *Commandant's Planning Guidance* that states that the Marine Corps wants to, among other things, move away from the 38-ship amphibious ship force-level goal and the 2.0 MEB lift force-planning metric, and shift to a new and different mix of amphibious ships that includes not only the LHA/LHD-type amphibious assault ships and LPD/LPD-type amphibious ships called for in the 2016 FSA, but other kinds of ships as well, including smaller amphibious ships, ships like the Navy's Expeditionary Sea Base (ESB) and Expeditionary Fast Transport (EPF) ships (referred to collectively as E-class ships), ships based on commercial-ship hull designs, and unmanned surface vehicles (USVs). The *Commandant's Planning Guidance*, which effectively announces a once-in-a-generation change in Marine Corps thinking on this and other issues relating to the Marine Corps, states in part (emphasis as in the original):

> Our Nation's ability to project power and influence beyond its shores is increasingly challenged by long-range precision fires; expanding air, surface, and subsurface threats; and the continued degradation of our amphibious and auxiliary ship readiness. The ability to project and maneuver from strategic distances will likely be detected and contested from the point of embarkation during a major contingency. Our naval expeditionary forces must possess a variety of deployment options, including L-class [amphibious ships] and E-class [expeditionary ships] ships, but also increasingly look to other available options such as unmanned platforms, stern landing vessels, other ocean-going connectors, and smaller more lethal and more risk-worthy platforms. **We must continue to seek the affordable**

[22] Jason Sherman, "New Future Surface Combatant Fleet Analysis Validates Contribution of Medium, Large USVs to Fight," *Inside Defense*, January 22, 2020.

[23] For additional discussion of the 2.0 MEB lift goal and earlier amphibious lift goals dating back to 1980, see Appendix A of CRS Report RL34476, *Navy LPD-17 Amphibious Ship Procurement: Background, Issues, and Options for Congress*, by Ronald O'Rourke.

and plentiful at the expense of the exquisite and few when conceiving of the future amphibious portion of the fleet.

We must also explore new options, such as inter-theater connectors and commercially available ships and craft that are smaller and less expensive, thereby increasing the affordability and allowing acquisition at a greater quantity. We recognize that we must distribute our forces ashore given the growth of adversary precision strike capabilities, so it would be illogical to continue to concentrate our forces on a few large ships. The adversary will quickly recognize that striking while concentrated (aboard ship) is the preferred option. We need to change this calculus with a new fleet design of smaller, more lethal, and more risk-worthy platforms. We must be fully integrated with the Navy to develop a vision and a new fleet architecture that can be successful against our peer adversaries while also maintaining affordability. To achieve this difficult task, the Navy and Marine Corps must ensure larger surface combatants possess mission agility across sea control, littoral, and amphibious operations, while we concurrently expand the quantity of more specialized manned and unmanned platforms….

We will no longer use a "2.0 MEB requirement" as the foundation for our arguments regarding amphibious ship building, to determine the requisite capacity of vehicles or other capabilities, or as pertains to the Maritime Prepositioning Force. We will no longer reference the 38-ship requirement memo from 2009, or the 2016 Force Structure Assessment, as the basis for our arguments and force structure justifications. The ongoing 2019 Force Structure Assessment will inform the amphibious requirements based upon this guidance. The global options for amphibs [types of amphibious ships] include many more options than simply LHAs, LPDs, and LSDs. I will work closely with the Secretary of the Navy and Chief of Naval Operations (CNO) to ensure there are adequate numbers of the right types of ships, with the right capabilities, to meet national requirements.

I do not believe joint forcible entry operations (JFEO) are irrelevant or an operational anachronism; however, we must acknowledge that different approaches are required given the proliferation of anti-access/area denial (A2AD) threat capabilities in mutually contested spaces. Visions of a massed naval armada nine nautical miles off-shore in the South China Sea preparing to launch the landing force in swarms of ACVs [amphibious combat vehicles], LCUs [utility landing craft], and LCACs [air-cushioned landing craft]are impractical and unreasonable. We must accept the realities created by the proliferation of precision long-range fires, mines, and other smart-weapons, and seek innovative ways to overcome those threat capabilities. I encourage experimentation with lethal long-range unmanned systems capable of traveling 200 nautical miles, penetrating into the adversary enemy threat ring, and crossing the shoreline—causing the adversary to allocate resources to eliminate the threat, create dilemmas, and further create opportunities for fleet maneuver. We cannot wait to identify solutions to our mine countermeasure needs, and must make this a priority for our future force development efforts….

Over the coming months, we will release a new concept in support of the Navy's Distributed Maritime Operations (DMO) Concept and the NDS called – Stand-in Forces. The Stand-in Forces concept is designed to restore the strategic initiative to naval forces and empower our allies and partners to successfully confront regional hegemons that infringe on their territorial boundaries and interests. **Stand-in Forces are designed to generate technically disruptive, tactical stand-in engagements that confront aggressor naval forces with an array of low signature, affordable, and risk-worthy platforms and payloads.** Stand-in forces take advantage of the relative strength of the contemporary defense and rapidly-emerging new technologies to create an integrated maritime defense that is optimized to operate in close and confined seas in defiance of adversary long-range precision "stand-off capabilities."

> Creating new capabilities that intentionally initiate stand-in engagements is a disruptive "button hook" in force development that runs counter to the action that our adversaries anticipate. Rather than heavily investing in expensive and exquisite capabilities that regional aggressors have optimized their forces to target, naval forces will persist forward with many smaller, low signature, affordable platforms that can economically host a dense array of lethal and nonlethal payloads.
>
> By exploiting the technical revolution in autonomy, advanced manufacturing, and artificial intelligence, the naval forces can create many new risk-worthy unmanned and minimally-manned platforms that can be employed in stand-in engagements to create tactical dilemmas that adversaries will confront when attacking our allies and forces forward.[24]

A February 20, 2020, press report about a potential new type of stern-landing amphibious ship states

> The Navy's research and development portfolio will devote $30 million to a "next-generation medium amphibious ship design" that will likely be based on an Australian designer's stern landing vessel….
>
> The Navy and Marines announced in the Fiscal Year 2021 budget request that they will seek a medium amphibious ship that can support the kind of dispersed, agile, constantly relocating force described in the Littoral Operations in Contested Environment (LOCE) and Expeditionary Advanced Base Operations (EABO) concepts the Marine Corps has written, as well as the overarching Distributed Maritime Operations (DMO) from the Navy. According to a budget overview document, "a next-generation medium amphibious ship will be a stern landing vessel to support amphibious ship-to-shore operations."
>
> "FY 2021 funds support concept evaluation/design, industry studies and exploration for a medium-lift intra-theater amphibious support vessel. Efforts include requirements development, systems engineering, naval architecture and marine engineering, and operations research analysis," reads a justification book that accompanies the budget request.
>
> The Navy and Marines had previously cited the Offshore Support Vessel as a possible inspiration for their new design….
>
> However, since that time, Marine Corps planners took another look at the features they'd need on this medium amphibious ship, rather than limiting their talks to existing ship designs, USNI News understands. Those talks led to a realization that they not only wanted

[24] U.S. Marine Corps, *Commandant's Planning Guidance, 38th Commandant of the Marine Corps*, undated, released July 2019, pp. 4-5, 10. See also Megan Eckstein, "New Commandant Berger Sheds 38-Amphib Requirement in Quest to Modernize USMC for High-End Fight," *USNI News*, July 18, 2019; Paul McLeary, "Sacred Cows Die As Marine Commandant Changes Course On Amphibs," *Breaking Defense*, July 26, 2019; David Ignatius, "The Marines' New Commandant Has Set the Bar for Real Military Reform," *Washington Post*, August 8, 2019; Megan Eckstein, "Marine Planners Using Commandant's Guidance to Start Crafting Future of the Corps," *USNI News*, September 18, 2019; Shawn Snow, "An Unmanned Ship That Can Travel 500 Nautical Miles Without Resupply—the Corps Is Looking at It," *Marine Corps Times*, September 19, 2019; Megan Eckstein, "Marines, Navy Both Considering Something Like an Offshore Support Vessel to Supplement Amphibs," *USNI News*, September 20, 2019; David Axe, "U.S. Navy and Marine Corps Want Small Ships to Land Troops in a War," *National Interest*, September 21, 2019; Megan Eckstein, "Navy, Marines Rethinking How to Build Future Fleet with Unmanned, Expeditionary Ships," *USNI News*, September 26, 2019; David Barno and Nora Bensahel, "A Striking New Vision for the marines, and a Wakeup Call for the Other Services," *War on the Rocks*, October 1, 2019; Megan Eckstein, "Berger: Marine 2030 Force Design Is Nearly Complete; Concepts Now Being Modeled, Tested," *USNI News*, October 3, 2019; Patrick Tucker, "The Future of the Marines Is Smaller, More Robotic, More Naval," *Defense One*, October 3, 2019; Otto Kreisher, "'Great Power' Fight Might Require Different Blend of Vessels, But Marines Won't Shun Amphibious Operations, NDIA Speakers Say," *Seapower*, October 24, 2019; Megan Eckstein, "Marines, Navy Considering 'Alternate' Amphibs to Supplement Today's Fleet," *USNI News*, October 26, 2019.

> a ship that could move Marines around with some range, but they also wanted the ship to be able to beach itself like a landing craft does, to help offload gear and vehicles as needed. These talks led to a new focus on the stern landing vessel designed by Australian company Sea Transport, which could serve as the new inspiration for the medium amphibious vehicle as requirements development and EABO wargaming and simulations take place….
>
> The Navy and Marines are not committed yet to this design or to Sea Transport, but USNI News understands that something like a SLV would combine a surface ship's ability to have great enough endurance and range to be operationally useful to commanders and a landing craft's ability to beach itself to offload larger equipment.[25]

A March 26, 2020, press report stated

> The Navy is asking industry for input on a future Light Amphibious Warship, as the Marine Corps recalculates its force design to prepare for a near-peer fight in the Pacific.
>
> A recent request for information says the Navy will hold a virtual industry day on April 9….
>
> The Navy anticipates purchasing the first ships in fiscal year 2023, according to slides from the March 4 industry day. A preliminary schedule anticipates the service buying three vessels in FY-23, six in FY-24, 10 in FY-25 and nine in FY-26. The Navy also envisions utilizing a commercial design that it could alter for the military.[26]

A May 5, 2020, press report stated

> The U.S. Navy wants to buy as many as 30 of a new class of Light Amphibious Warships that would be significantly smaller and cheaper to operate than its existing fleets of large amphibious ships. The service is already exploring possible designs, including a roll-on-roll-off type with a stern ramp.…
>
> Navy officials… said that the "objective number" of Light Amphibious Warships (LAW) it hopes to buy is between 28 and 30 at a briefing for defense industry representatives on Apr. 9, 2020….
>
> The Navy is still in an information-gathering phase, but does already have some key requirements for any potential LAW design, which it expects to be about 200 feet long overall and have 8,000 square feet of cargo space in total. Each LAW will have a crew of no more than 40 sailors and be able to accommodate at least 75 Marines….
>
> The Navy says that it is willing to consider either adapting an existing commercial design, using a commercial hullform as a starting place, or a so-called "Build to Print" ship based on proven design elements and components. The goal in all of these courses of action is to focus on relatively low-risk, low-cost, mature designs, or at least design features, in order to both keep the ships cheap and make them faster and easier to build. The Navy has said it is interested in awarding at least one preliminary design contract by the end of this year with the hope that it could begin buying actual ships as early as late 2022.
>
> The service has also indicated that it might be willing to accept ship designs with relatively short expected service lives in order to help keep production costs low and speed up

[25] Megan Eckstein, "Navy Researching New Class of Medium Amphibious Ship, New Logistics Ships," *USNI News*, February 20, 2020. See also Rich Abott, "FY 2021 Request Starts Work on Future Amphibs and Logistics Ships," *Defense Daily*, February 20, 2020; David Axe, "This Weird Little Ship Could Be the Future of Amphibious Warfare," *National Interest*, February 24, 2020.

[26] Mallory Shellbourne, "Navy begins pursuit of Light Amphibious Warship," *Inside Defense*, March 26, 2020.

> construction. The requirements now say that the LAWs have to have a life span of just 10 years, at a minimum.[27]

Potential New Aircraft Carrier/Naval Aviation Force Architecture

Statements from Navy officials reported in the press beginning in February 2019 indicate that the Navy is currently considering moving to a new aircraft carrier/naval aviation force architecture that might supplement today's CVNs with smaller and perhaps nonnuclear-powered aircraft carriers.[28]

According to these press reports, one option for a smaller carrier is the so-called Lighting Carrier, a term referring to an LHA-type amphibious assault ship equipped with an air wing consisting largely of F-35B Joint Strike Fighter (JSFs). (The alternate name for the F-35 is the Lighting II. The B variant of the F-35, which is currently being procured for the Marine Corps, is short takeoff, vertical landing [STOVL] variant that can be operated off of ships with flight decks that are shorter than the flight decks of CVNs.) The Navy and Marine Corps have conducted experiments with the Lightning Carrier concept.[29]

Another option for a smaller carrier is one whose air wing would consist mostly or entirely of unmanned aerial vehicles (UAVs). The Navy in recent years has periodically studied the potential of UAV carriers.

The current discussion both inside and outside the Navy over the aircraft carrier to be procured after CVN-81 appears to reflect several considerations, including the following:

- concerns over China's improving capabilities for detecting surface ships and attacking them with anti-ship ballistic missiles (ASBMs) and advanced anti-ship cruise missiles (ASCMs);
- the procurement and operating and support (O&S) costs of CVNs and their air wings, particularly in a context of constraints on Navy funding and funding demands from other competing Navy programs; and
- the potential capabilities of smaller carriers operating air wings consisting of unmanned aerial vehicles (UAVs) and/or F-35B Joint Strike Fighters (i.e., the short-takeoff, vertical landing [STOVL] version of the F-35 now being procured for the Marine Corps).

A March 9, 2020, Navy news release stated

> [Then-]Acting Secretary of the Navy Thomas B. Modly announced today he is commissioning a Blue-Ribbon Future Carrier 2030 (FC-2030) Task Force to conduct a six-

[27] Joseph Trevithick, "Navy Wants To Buy 30 New Light Amphibious Warships To Support Radical Shift In Marine Ops," *The Drive*, May 5, 2020.

[28] See Rich Abott, "Navy Starts Looking At Carriers After CVN-81," *Defense Daily*, February 15, 2019; Richard R. Burges, "Secretary: Navy Discussing Next-Gen Carrier Concepts, Including 'Lightning Carrier,'" *Seapower*, October 24, 2019; Wesley Morgan, "Navy Secretary Accuses Congressional Critics of 'Disinformation' on Ford Carrier," *Politico Pro*, October 23, 2019; Otto Kreisher, "Spencer Lauds Tight Integration of Navy, Marine Forces in 'Great Power Competition,'" *Seapower*, October 27, 2019; Sam LaGrone, "Navy Still Mulling Post-F-35C Aviation Combatant; Could be Mix of Manned, Unmanned Aircraft," *USNI News*, December 5, 2019; Gina Hawkins, "Acting SecNav Hints at Fewer Aircraft Carriers in Next Ship-Count Plan," *Military.com*, January 29, 2020; Sam LaGrone, "Future of U.S. Carrier Fleet Key Issue as New Force Structure Moves Through Pentagon," *USNI News*, January 29, 2020; Rich Abott, "Modly: Future Carrier Force Unclear, All Options On The Table," *Defense Daily*, January 30, 2020.

[29] See, for example, Megan Eckstein, "Marines Test 'Lightning Carrier' Concept, Control 13 F-35Bs from Multiple Amphibs," *USNI News*, October 23, 2019.

month study to reimagine the future of the aircraft carrier and carrier-based naval aviation (manned and unmanned) for 2030 and beyond.

FC-2030 will be complementary to, and informed by a broad review of national shipbuilding requirements being conducted by Deputy Secretary of Defense David L. Norquist. Navy and Marine Corps uniformed and civilian leadership will be engaged in both efforts. FC-2030 will attract current and former leaders from Congress, leaders from the U.S. shipbuilding and supporting technology industries, current and former Department of Defense leaders, as well as thought leaders at War Colleges, think-tanks, and futurists from around the nation.

"The long-term challenges facing our nation and the world demand clear-eyed assessments and hard choices," said Modly. "Because we have four new Ford carriers under contract, we have some time to reimagine what comes next. Any assessment we do must consider cost, survivability, and the critical national requirement to sustain an industrial base that can produce the ships we need—ships that will contribute to a superior, integrated naval force for the 2030s and far beyond.

"Aircraft carrier construction sustains nearly 60,000 skilled jobs in over 46 states," Modly added. "It can't be simply turned on and off like a faucet. We must be thoughtful in how we approach changes as they will have lasting impacts on our national industrial competitiveness and employment."

The task force will be led by an Executive Director chosen from within the Department of the Navy's Secretariat staff, and assisted on a collateral-duty basis by representatives from the Office of Naval Research and the Deputy Chief of Naval Operations for Warfighting Development.

Along with an executive director, the FC-2030 Senior Executive Panel will consist of thought leaders with historical records of leading and contributing to large change in maritime defense strategies and programs. Former Senator John Warner of Virginia has agreed to serve as the Honorary Chairman of the Executive Panel. Former Secretary of the Navy John Lehman, former acting Deputy Secretary of Defense Christine Fox, former Deputy Undersecretary of the Navy Seth Cropsey, and former Congressman Randy Forbes have agreed to serve as Executive members of the panel.

"Our future strength will be determined as much by the gray matter we apply to our challenges as the gray hulls we build," said Modly. "We need the best minds from both inside and outside of government focused on this issue."

The study will be conducted with the assistance of the Naval University System (U.S. Naval Academy, Naval War College, Marine Corps University, and Naval Postgraduate School) as well as eligible Federally Funded Research and Development Centers (FFRDCs) and Naval Warfare Centers.

The goal at the end of the study is to provide a report to the secretary of the Navy detailing a vision of the competitive global security environment and the role of carrier-based naval aviation in that future context. Considerations will include expected principles of deterrence, global presence missions, protection of American economic security, as well as potential combat with possible adversaries.

The study will also define likely constraints of means in terms of future defense budgets, as well as avenue to contemplate future possible technologies not yet invented that could change the stakes of carrier-based naval aviation in all phases of global competition.

Finally, the report will provide options for the Department of the Navy in requirements for different various future aircraft (manned and unmanned, nuclear and/or conventional) carriers, to be used in future months and years in developing guidance to industry. The study will also examine how best to utilize and evolve the existing carrier fleet, including

> the more flexible and adaptable Ford Class, to meet the challenges of advanced long-range weapons that will extend and expand contested areas in the future.[30]

A May 12, 2020, press report, however, stated that

> Acting Navy Secretary James McPherson has scuttled a major initiative of his ousted predecessor, canceling a planned 6-month study on the future of the aircraft carrier, relying instead on a DoD-led effort to determine the size and structure of the future fleet.
>
> The acting SecNav, who has kept the ship steady since taking over from Thomas Modly last month, "recently determined the Department of the Navy will not, for the time being, move forward with the Future Carrier 2030 effort," Cmdr. Sarah Higgins told me in an email. Instead, the Navy "will fully support the Department of Defense's internal study on future force structure requirements, which will include a carrier review."
>
> The carrier review was the brainchild of Modly, who resigned in March amid the chaos of his firing of the captain of the COVID-19 stricken carrier USS Theodore Roosevelt.
>
> The deep dive into the future of the carrier was problematic from the start. It was scheduled to wrap up in September, two months after the Pentagon planned to release its version of the Navy's new force structure plan.
>
> That schedule would have made the carrier study dead on arrival, since Defense Secretary Mark Esper's views on the shape of the fleet would outrank the Navy study, and would have been briefed to the Hill weeks before.
>
> Asked specifically about Modly's carrier review in written answers submitted to the Senate Armed Services Committee last week before his nomination hearing to become the next Navy Secretary, Kenneth Braithwaite declined to support the effort.
>
> "It is my understanding that a 2016 study completed by the RAND corporation, which examined notional aircraft carrier variants that could replace or supplement the FORD class CVN, confirmed the design attributes of the FORD Class CVN in a near-peer conflict," he wrote. "It is further my understanding that the capabilities of survivability, maintainability, and power projection have been designed into our FORD-class CVNs to support the high-end fight."
>
> That position didn't give the carrier study much top cover, and signaled it might not have long to live if Braithwaite was confirmed.[31]

Potential New Combat Logistics Force (CLF) Architecture

The Navy's FY2020 30-year shipbuilding plan suggests that shifting to a more distributed fleet architecture could increase required numbers of Combat Logistics Force (CLF) ships—meaning the oilers, ammunition ships, and dry cargo ships that transport fuel, ammunition, and supplies

[30] Secretary of the Navy Public Affairs, "Acting SECNAV to Commission Future Carrier 2030 Task Force," *Navy News Service*, March 9, 2030. See also Paul McCleary, "Beyond The Ford: Navy Studies Next-Gen Carriers EXCLUSIVE," *Breaking Defense*, March 5, 2020; Megan Eckstein, "Navy Kicks Off Study of Next-Generation Carriers, Naval Aviation," *USNI News*, March 9, 2020; Mallory Shelbourne, "Modly launches 2030 Carrier Task Force," *Inside Defense*, March 10, 2030; Megan Eckstein, "Modly: Parallel Fleet Studies Could Reshape Future of Aircraft Carriers," *USNI News*, March 12, 2030.

[31] Paul McLeary, "Navy Scraps Big Carrier Study, Clears Deck For OSD Effort," *Breaking Defense*, May 12, 2020. See also Megan Eckstein, "Acting SECNAV McPherson Ends Navy Future Carrier Study; Nominee Braithwaite Gives Full Support to Ford Program," *USNI News*, May 12, 2020.

Navy combat ships that are operating at sea—and augment today's CLF ships with additional "smaller, faster, multi-mission transports."[32]

Potential New Undersea Force Architecture

The INFSA might also change the Navy's undersea force to a more distributed architecture that includes, in addition to attack submarines (SSNs) and bottom-based sensors, a new element of extra-large unmanned underwater vehicles (XLUUVs), which might be thought of as unmanned submarines. In presenting its proposed FY2020 budget, the Navy highlighted its plans for developing and procuring UUVs in coming years.[33]

Rationale for a More Distributed Fleet Architecture

Some observers have long urged the Navy to shift to a more distributed fleet architecture, on the grounds that the Navy's current architecture—which concentrates much of the fleet's capability into a relatively limited number of individually larger and more expensive surface ships—is increasingly vulnerable to attack by the improving maritime anti-access/area-denial (A2/AD) capabilities (particularly anti-ship missiles and their supporting detection and targeting systems) of potential adversaries, particularly China.[34] Shifting to a more distributed architecture, these observers have argued, would

- complicate an adversary's targeting challenge by presenting the adversary with a larger number of Navy units to detect, identify, and track;
- reduce the loss in aggregate Navy capability that would result from the destruction of an individual Navy platform;
- give U.S. leaders the option of deploying USVs and UUVs in wartime to sea locations that would be tactically advantageous but too risky for manned ships; and
- increase the modularity and reconfigurability of the fleet for adapting to changing mission needs.[35]

For a number of years, DON leaders acknowledged the views of those observers but continued to support the current fleet architecture. More recently, however, DON leaders appear to have shifted their thinking toward support for moving the fleet to a more distributed architecture. DON leaders appear to have shifted their thinking in favor of a more distributed architecture because they now appear to believe that such an architecture will be

- **operationally necessary**, as the observers have long argued, to respond effectively to the improving maritime A2/AD capabilities of other countries, particularly China;[36]

[32] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, pp. 7, 15, 17, 24. The quoted phrase is from page 24.

[33] For further discussion, see CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

[34] For more on China's maritime A2/AD capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

[35] See, for example, Arthur H. Barber, "Redesign the Fleet," *U.S. Naval Institute Proceedings*, January 2019.

[36] See, for example, David B. Larter, "With China Gunning for Aircraft Carriers, US Navy Says It Must Change How It Fights," *Defense News*, December 6, 2019.

- **technically feasible** as a result of advances in technologies for UVs and for networking widely distributed maritime forces that include significant numbers of UVs; and
- **affordable**—no more expensive, and possibly less expensive, than the current architecture, so as to fit within future Navy budgets that Navy officials expect to be flat or declining in real (i.e., inflation-adjusted) terms compared to the Navy's current budget.

The more distributed architecture that Navy leaders now appear to support may differ in its details from distributed architectures that the observers have been advocating, but the general idea of shifting to a more distributed architecture, and of using large UVs as a principal means of achieving that, appears to be similar. DOD states that

> The FY 2020 budget request diversifies and expands sea power strike capacity through procurement of offensively armed Unmanned Surface Vessels (USVs). The USV investment, paired with increased investment in long-range maritime munitions, represents a paradigm shift towards a more balanced, distributed, lethal, survivable, and cost-imposing naval force that will better exploit adversary weaknesses and project power into contested environments.[37]

Distributed Maritime Operations (DMO)

Shifting to a more distributed force architecture, Navy officials have suggested, could be appropriate for implementing the Navy's new overarching operational concept, called Distributed Maritime Operations (DMO). The Navy's FY2020 30-year shipbuilding plan mentions DMO,[38] and a December 2018 document from the Chief of Naval Operations states that the Navy will "Continue to mature the Distributed Maritime Operations (DMO) concept and key supporting concepts" and "Design and implement a comprehensive operational architecture to support DMO."[39] While Navy officials have provided few details in public about DMO, then-Chief of Naval Operations Admiral John Richardson, in explaining DMO, stated in December 2018 that

> Our fundamental force element right now in many instances is the [individual] carrier strike group. We're going to scale up so our fundamental force element for fighting is at the fleet[-wide] level, and the [individual] strike groups plug into those [larger] numbered fleets. And they will be, the strike groups and the fleet together, will be operating in a distributed maritime operations way.[40]

In its FY2020 budget submission, the Navy states that "MUSV and LUSV are key enablers of the Navy's Distributed Maritime Operations (DMO) concept, which includes being able to forward deploy (alone or in teams/swarms), team with individual manned combatants or augment battle groups."[41] The Navy stated in its FY2020 budget submission that a Navy research and development effort focusing on concept generation and concept development (CG/CD) will

[37] Department of Defense, Office of the Undersecretary of Defense (Comptroller)/Chief Financial Officer, *Defense Budget Overview, United States Department of Defense, Fiscal Year 2020 Budget Request*, March 2019, pp. 4-5 to 4-6.

[38] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, March 2019, pp. 3, 4, 7, 8, 15, 17, 24.

[39] U.S. Navy, Chief of Naval Operations, *A Design for Maintaining Maritime Superiority, Version 2.0*, December 2018, pp. 8, 10.

[40] (Chief of Naval Operations Admiral John Richardson, as quoted in Megan Eckstein, "Navy Planning for Gray-Zone Conflict; Finalizing Distributed Maritime Operations for High-End Fight," *USNI News*, December 19, 2018.)

[41] *Department of Defense, Fiscal Year (FY) 2020 Budget Estimates, Navy Justification Book Volume 2 of 5, Research,*

> Continue CG/CD development efforts that carry-over from FY[20]19: Additional concepts and CONOPs [concepts of operation] to be developed in FY[20]20 will be determined through the CG/CD development process and additional external factors. Concepts under consideration include Unmanned Systems in support of DMO, Command and Control in support of DMO, Offensive Mine Warfare, Targeting in support of DMO, and Advanced Autonomous/Semi-autonomous Sustainment Systems.[42]

The Navy also stated in its FY2020 budget submission that a separate Navy research and development effort for fleet experimentation activities will include activities that "address key DMO concept action plan items such as the examination of Fleet Command and Maritime Operation Center (MOC) capabilities and the employment of unmanned systems in support of DMO."[43]

A May 16, 2019, press report states

> The Deputy Chief of Naval Operations for Warfare Systems said Wednesday [May 15] he thinks the upcoming Force Structure Assessment (FSA) will focus on smaller surface combatants as the service looks to build up to a 355-ship Navy.
>
> "I certainly don't see that [FSA fleet] number going down, but it is going to be more reflective of the DMO [Distributed Maritime Operations] construct and it includes not just the battle force ships, but the logistics ships, the trainers, the maritime operations centers, everything that we pull together to keep this machine running," Vice Adm. William Merz said during an event at the Center for Strategic and International Studies.
>
> "What we think is going to happen with this FSA is there will be more emphasis on the smaller surface combatants, mostly because the frigate looks like it's coming along very well and it's going to be more lethal than we had planned," Merz said.
>
> Merz explained the likely outcome by comparing it to how Rear Adm. Ron Boxall, director of surface warfare (N96), talks about how the Navy has too many large surface combatants and needs to get more balanced.
>
> "When you look at the lethality of the frigate, yeah that makes sense. So we'll see how the FSA handles the lethality of that – and then how does that bleed over into the other accounts," Merz said….
>
> Merz revealed there will also be "a hard look at the logistics side" because while some logistics ships count as battle force ships some do not. He said the FSA will make an opinion on the non-battle force logistics vessels as well because it does not limit itself to those strict definitions.
>
> The FSA will also take into account the evolution of the air wing, the length of the air wing, the range of the air wing on carriers and amphibious vessels, and how the Navy will cover its responsibilities.[44]

Development, Test & Evaluation, Navy, Budget Activity 4, March 2019, p. 202. See also Kevin Eyer and Steve McJessy, "Operationalizing Distributed Maritime Operations," Center for International Maritime Security (CIMSEC), March 5, 2019; Christopher H. Popa, et al., *Distributed Maritime Operations and Unmanned Systems Tactical Employment*, Naval Postgraduate School, June 2018, 171 pp. (Systems Engineering Capstone Report); Lyla Englehorn, *Distributed Maritime Operations (DMO) Warfare Innovation Continuum (WIC) Workshop September 2017 After Action Report*, Naval Postgraduate School, December 2017, 99 pp.

[42] *Department of Defense, Fiscal Year (FY) 2020 Budget Estimates, Navy Justification Book Volume 2 of 5, Research, Development, Test & Evaluation, Navy, Budget Activity 4*, March 2019, p. 1385. See also pp. 1382, 1384, 1443, 1445.

[43] *Department of Defense, Fiscal Year (FY) 2020 Budget Estimates, Navy Justification Book Volume 4 of 5, Research, Development, Test & Evaluation, Navy Budget Activity 6*, March 2019, p. 290.

[44] Rich Abott, "Merz Says FSA To Emphasize Smaller Ships," *Defense Daily*, May 16, 2019.

Expeditionary Advanced Base Operations (EABO)

In parallel with DMO, the Marine Corps has developed a new operational concept, called Expeditionary Advanced Base Operations (EABO), that appears related to the earlier-quoted passage from the *Commandant's Planning Guidance* about changing the amphibious lift goal and the amphibious force architecture. Regarding EABO, the *Commandant's Planning Guidance* states the following (emphasis as in the original):

> The 2016 *Marine Corps Operating Concept* (MOC) predates the current set of national strategy and guidance documents, but it was prescient in many ways. It directed partnering with the Navy to develop two concepts, Littoral Operations in a Contested Environment (LOCE) and Expeditionary Advanced Base Operations (EABO) that nest exceptionally well with the current strategic guidance. It is time to move beyond the MOC itself, however, and partner with the Navy to complement LOCE and EABO with classified, threat-specific operating concepts that describe how naval forces will conduct the range of missions articulated in our strategic guidance….
>
> **EABO complement the Navy's Distributed Maritime Operations Concept and will inform how we approach missions against peer adversaries**….
>
> EABO are driven by the aforementioned adversary deployment of long-range precision fires designed to support a strategy of "counter-intervention" directed against U.S. and coalition forces. EABO, as an operational concept, enables the naval force to persist forward within the arc of adversary long-range precision fires to support our treaty partners with combat credible forces on a much more resilient and difficult to target forward basing infrastructure. EABO are designed to restore force resiliency and enable the persistent naval forward presence that has long been the hallmark of naval forces. Most significantly, EABO reverse the cost imposition that determined adversaries seek to impose on the joint force. EABO guide an apt and appropriate adjustment in future naval force development to obviate the significant investment our adversaries have made in long-range precision fires. Potential adversaries intend to target our forward fixed and vulnerable bases, as well as deep water ports, long runways, large signature platforms, and ships. By developing a new expeditionary naval force structure that is not dependent on concentrated, vulnerable, and expensive forward infrastructure and platforms, we will frustrate enemy efforts to separate U.S. Forces from our allies and interests. EABO enable naval forces to partner and persist forward to control and deny contested areas where legacy naval forces cannot be prudently employed without accepting disproportionate risk….
>
> In February of 2019, the Commandant and Chief of Naval Operations co-signed the concept for EABO. The ideas contained in this document are foundational to our future force development efforts and are applicable in multiple scenarios.[45]

Issues for Congress

Potential Impacts of a CR on FY2021 Navy Shipbuilding Programs

Another issue for Congress concerns the potential impacts on FY2021 Navy shipbuilding programs of using one or more continuing resolutions (CRs) to fund DOD operations for at least

[45] U.S. Marine Corps, *Commandant's Planning Guidance, 38th Commandant of the Marine Corps*, undated, released July 2019, pp. 9, 11, 19. See also Jim Lacey, "The 'Dumbest Concept Ever' Just Might Win Wars," *War on the Rocks*, July 29, 2019; Megan Eckstein, "How to Seize Islands, Set Up a Forward Refueling Point: Marine Corps Recipes for Exspeditionary Operations," *USNI News*, September 13, 2019.

some portion of FY2021. For general background information on the potential impacts of CRs on Navy shipbuilding programs, see **Appendix L**.

First Columbia-Class Ballistic Missile Submarine

Overview

Of the various ships that the Navy has requested for procurement in FY2021, the one that could be most affected by the Navy being funded for part of FY2021 by one or more CRs is the first Columbia-class ballistic missile submarine.

As noted earlier, the Navy for FY2021 is requesting the procurement of the first Columbia-class boat. This boat is to be built under a two-ship contract covering the first two boats in the program. No Columbia-class submarine was procured in FY2020, and consistent with that, the Columbia-class program received advance procurement (AP) funding rather than procurement funding in FY2020.

As discussed in **Appendix L**, CRs typically prohibit new program starts ("new starts")—meaning the initiation of new program efforts that did not exist in the prior year—and an increase in procurement quantity for a program compared to that program's procurement quantity in the prior year. As also discussed in **Appendix L**, CRs typically distinguish between procurement and advance procurement (AP) funding for Navy shipbuilding programs.

As a result of such typical provisions, if the Navy is funded for part of FY2021 by one or more CRs, the Navy could be prevented during that part of FY2021 from obligating and expending FY2021 funding for the procurement of the first Columbia-class submarine, unless the CR(s) were to include an anomaly (i.e., a special legislative provision) that specifically exempts the Columbia-class program from the provisions. Consequently, without an anomaly, work on the first Columbia-class boat might not proceed as scheduled during that part of FY2021, which could cause a delay in the effort to design and build the boat.

Such a delay could have a significant impact, because, as discussed further in the CRS report on the Columbia-class program,[46] the schedule for designing and building the first Columbia-class boat and having it ready for its scheduled first strategic nuclear deterrent patrol in 2031 has very little margin for absorbing delays. An FY2021 delay in work to design and build the first Columbia-class boat arising from a CR could thus complicate the Navy's challenge of designing and building the boat and having it ready in time for its first scheduled strategic nuclear deterrent patrol.

Reported Administration Request for Anomaly

In early September 2020, it was reported that Administration had provided Congress with a point paper listing anomalies that the Administration believes would be needed for a CR extending through mid-December 2020.[47] The document lists two desired anomalies relating to DOD, of

[46] CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

[47] Point paper entitled "FY 2021 Continuing Resolution (CR) Appropriations Issues," undated, posted at *Politico Pro*, September 4, 2020, 23 pp. In discussing the document, *Politico Pro* states "The Trump administration wants lawmakers to grant greater flexibility for funding the Navy's new fleet of ballistic missile submarines and the new Space Force in an upcoming stopgap funding bill. That's according to a full list of funding exceptions, or anomalies, for a continuing resolution obtained by POLITICO." (Connor O'Brien, "White House Seeks Flexibility for New Subs, Space Force in Stopgap Funding," *Politico Pro*, September 4, 2020.) The document states on page 3 that the anomalies it lists "are

which one concerns the Columbia-class program. Regarding the anomaly desired for the Columbia-class program, the document states

> [Bill] Language [in the CR] [i.e., an anomaly] is needed to provide the Department of Defense (DOD) new start authority and authority to incrementally fund two ships in the Columbia-class submarine program using funding provided by the CR in the Shipbuilding and Conversion, Navy account. Without the anomaly, DOD would be unable to begin design and construction activities for these ships and the Navy would be unable to meet U.S. Strategic Command requirements.[48]

Amphibious Ship LPD-31

An additional ship that the Navy shows in its FY2021 budget submission as being requested for procurement in FY2021—the amphibious ship LPD-31—might also be affected by the Navy being funded for part of FY2021 by one or more CRs. The impact could depend to a large degree on whether, in implementing the CR(s), the Navy's FY2021 budget submission is deemed to be correct in showing LPD-31 a ship requested for procurement in FY2021.

As discussed earlier, the Navy's FY2021 budget submission presents LPD-31, an LPD-17 Flight II amphibious ship, as a ship requested for procurement in FY2021. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LPD-31 (see **Appendix I**), this CRS report treats LPD-31 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2020.

If, in implementing a CR for FY2021, the Navy's FY2021 budget submission is deemed to be correct in showing LPD-31 as a ship requested for procurement in FY2021, and consequently that no LPD-17 Flight II ship was procured in FY2020, then a CR's prohibitions on new starts and an increase in procurement quantity for a program compared to that program's procurement quantity in the prior year could prevent the Navy during that part of FY2021 from obligating and expending FY2021 funding for the procurement of LPD-31, unless the CR were to include an anomaly (i.e., a special legislative provision) that specifically exempts LPD-31 from the provisions.

On the other hand, if, in implementing a CR for FY2021, LPD-31 is deemed to have been procured in FY2020, as treated in this CRS report, then a CR's prohibitions on new starts and an increase in procurement quantity for a program compared to that program's procurement quantity in the prior year would not directly impact work on the ship, and the impact on the ship of the Navy being funded for part of FY2021 by one or more CRs could consequently be reduced (though an additional issue, also discussed in **Appendix L**, of year-to-year funding misalignments could still cause some impact).

September 2020 Press Report

A September 1, 2020, press report about potential CR impacts on FY2021 Navy shipbuilding programs that mentions the first Columbia class boat (emphasis added) along with other Navy shipbuilding programs states

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needed for a CR [extending] through mid-December 2020, unless otherwise noted." See also David B. Larter and Joe Gould, "Budget Dysfunction Threatens Delays to US Navy's Columbia Program," *Defense News*, September 3, 2020.

[48] Point paper entitled "FY 2021 Continuing Resolution (CR) Appropriations Issues," undated, posted at *Politico Pro*, September 4, 2020, p. 9. See also Connor O'Brien, "White House Seeks Flexibility for New Subs, Space Force in Stopgap Funding," *Politico Pro*, September 4, 2020; David B. Larter and Joe Gould, "Budget Dysfunction Threatens Delays to US Navy's Columbia Program," *Defense News*, September 3, 2020.

The Navy has created stability for the defense industrial base during the coronavirus pandemic by awarding contracts early to create a plentiful backlog of work, and the service's acquisition chief said he doesn't want to lose that stability heading into the new fiscal year, which could kick off with a continuing resolution….

"We just want to take the boldness and efficiency that we've been operating with over this last six months and ensure we inculcate that into our plans of actions going into the next fiscal year. A continuing resolution is always disruptive to some degree, and so because we've been able to get ahead of contract awards this year, that's giving us a little more bandwidth to plan for and try to minimize the disruption of a potential continuing resolution," James Geurts told USNI News in a phone call today, after speaking at the Department of the Navy Gold Coast Small Business Procurement Event.

"The biggest risk to the industrial base is insecurity, and I want to ensure that the strong push the Navy had over the last six months to create stability, which I believe we did effectively, we don't lose that benefit going into a continuing resolution period."…

"Cash flow is key. We can be a challenging customer sometimes; being a challenging customer in the middle of a pandemic can be very disruptive," Geurts told the small business leaders at the conference.

"I would say on the positive side, we are a customer that orders in crisis, and so we've actually, we're about 30-percent ahead on contract awards from where we were previously, so that's in the $30 to $35 billion range. We're ahead of the small business awards we made by more than a couple billion dollars compared to previous years. And so my whole goal here is, get the work on contract so that you know it's there, that you can count on it, and that you can have that stability as you're working through the challenges that you may be having with workforce adjustments or COVID adjustments or supply chain disruption."

Geurts said during the event that his strategy of awarding work early throughout the second half of FY 2020 had several goals.

"Part of my strategy of loading up all this work early was to prove to ourselves we could be much more efficient than we thought we could be. Another key was, knowing that if you had the work queued up, that was going to put you in a much more stable place as suppliers to us than waiting to see if you're going to get your award at the end of September" and having to weather the pandemic in the spring and summer with so much uncertainty.

The third benefit – "to create some bandwidth so we didn't have our teams completely tied up getting out of FY '20 and then dropping the ball on '21" – is helping the acquisition team now.

Though his office isn't assuming FY 2021 will definitely start with a CR, they're planning for various scenarios now to ensure a smooth fall, regardless of what Congress does.

"We're going to use some of the bandwidth now to make sure we've got our plans in place to get through what's likely to be a continuing resolution, particularly in an election year. What I don't want to do is accelerate forward (on awarding contracts) and then create a large valley that you're going to have to cover through the fall. My hope is that by getting this work all awarded now, you've got the work in place which then can help carry you through a CR period, and then we've got the (Navy acquisition) workforce available to put that on contract as quickly as we get the money in [FY] '21."

Geurts told USNI News in the phone call that he's already talking to officials in the Pentagon and in Congress about anomalies, or waivers to start a new program, the Navy would need to request if there is a CR. "The biggest one is ensuring we have a smooth transition to construction on Columbia," he said of the ballistic missile submarine program, where prime contractor Electric Boat and its suppliers are hard

> **at work on what's considered pre-construction activities but need the construction contract signed as close to Oct. 1 as possible to keep on schedule.**
>
> **"Being able to award that contract on time as soon as we can in Fiscal Year '21, assuming it's appropriated and authorized, will be the key thing we'll be looking at in a continuing resolution period.** I believe we have strong support from Congress, everybody we've spoken to. The need to do that is well documented, and so that will be the primary focus," he said.
>
> "Secondary focus will be making sure our ship maintenance activities and some of these activities that carry over through the fiscal year stay on track."[49]

Potential Impacts If CR Period Becomes Extended

Navy officials have indicated that if the period of being funded under a CR extends beyond the short term, the ist of substantially impacted programs will grow beyond the Columbia-class program. A September 22, 2020, press report states

> While the Navy is focused on how a potential continuing resolution could affect the new Columbia-class submarine program, the service's acquisition chief on Tuesday [September 22] warned it would likely need additional spending waivers if a stopgap measure stretches longer than expected.
>
> "By far the largest and most impactful one is Columbia and so that is the one that's got our primary focus. The current CR, as I understand it, is a relatively short CR period—again, it's a moving target. And so if that CR period starts to extend, we'll have more impact and more things we'd want considered," James Geurts told reporters today….
>
> "Right now, for the shorter-term CR as I understand it, the Columbia is really the one that's of most critical importance, given that we don't have much schedule margin to that program," Geurts said. "And so we are poised to start full construction on that, pending getting the CR with that anomaly and then we'll be ready to go."…
>
> Speaking at the virtual Modern Day Marine conference on Tuesday, Geurts said he has expressed how a continuing resolution would affect the Columbia program and that CRs have a significant impact on sustainment efforts for Navy ships.
>
> "CRs by their own nature are certainly disruptive. Uncertainty in CRs make disruption even more disruptive. And so I've certainly been vocal that that's a challenge looming in front of us. Conversely, our teams are adaptive and you know – hope for the best, plan for the worst," he said.
>
> "And so we're challenging our acquisition teams to be thinking our way through that. Part of it is to have the work lined up and not wait for the money to come before we have the contracts ready to roll and all that kind of stuff," Geurts continued. "So there's still things even in a CR we can do to minimize the impact. But it certainly has an impact on what we do."[50]

COVID-19 Impact on Shipbuilding Programs

One issue for Congress concerns the potential impact of the COVID-19 (coronavirus) situation on the execution of Navy (and Coast Guard) shipbuilding programs, on the shipyards and associated

[49] Megan Eckstein, "Geurts: Early Contract Awards During Pandemic Giving Navy Bandwidth to Plan for Possible Continuing Resolution," *USNI News*, September 1, 2020.

[50] Mallory Shelbourne , "Navy Could Need More Funding Waivers if CR Period Stretches," *USNI News*, September 22, 2020.

supplier firms executing these programs, and the employees of these firms. The potential for the COVID-19 situation to impact work efforts is not unique to Navy (and Coast Guard) shipbuilding—it is a possibility faced by many if not all DOD contractors.[51] The discussion in this report focuses on potential impacts on Navy (and Coast Guard) shipbuilding.[52] Aspects of the discussion below might also apply to impacts of the COVID-19 situation on government-operated and private-sector shipyards that overhaul, repair, and maintain Navy (and Coast Guard) ships, their associated supplier firms, and their employees.

Potential Impact

Operations at shipyards and associated supplier firms could be affected by the COVID-19 situation if employees remain home rather than report to work because they are ill with or have tested positive for the virus, are remaining home to maintain social distancing, are taking care of children who have been sent home from school, or are taking care of family members who have become ill from the virus. Impacts on operations at shipbuilding supplier firms could affect operations at the shipyards, even if staffing at the shipyards themselves is not substantially affected, due to reduced or delayed deliveries to the shipyards of supplier-provided components and materials.[53]

Delays in building ships and fabricating their components could put shipyards and supplier firms at risk of not being able to meet their contractual obligations, which in turn could affect their financial situations unless the government were to provide relief. Shipyard and supplier-firm employees who report to work could face a risk of exposure to the virus, while those who are sent home by their employer could face a loss of income for a period lasting weeks or months.

Although all U.S. Navy (and Coast Guard) shipbuilding programs could be affected, one shipbuilding program of potential particular note in this connection is Columbia-class ballistic missile submarine program, due to the program's high priority (it is the Navy's top program priority), the program's tight schedule for designing and building the lead boat in time for the boat to be ready to conduct its scheduled first strategic nuclear deterrent patrol in 2031, and the potential consequences for the nation's strategic nuclear deterrent posture if the lead boat is not ready in time to conduct that patrol. The COVID-19 risk to the schedule for designing and

[51] See, for example, Valerie Insinna, "F-35 Deliveries Could Slow Down, as COVID-19 Jolts Lockheed's Supply Chain," *Defense News*, April 21, 2020; Ben Werner, "COVID-19-Related Supply Chain Disruptions Slowing F-35 Production," *USNI News*, April 21, 2020; Jacqueline Feldscher, "Lockheed Concerned About F-35 Production Due to Coronavirus," *Politico Pro*, April 21, 2020; Aaron Mehta, "Pentagon bracing for three-month slowdown on major defense equipment," *Defense News*, April 20, 2020; Paul McCleary, "Pentagon Pumps $3B Into Industry As COVID-19 Delays Loom," *Breaking Defense*, April 20, 2020; Megan Eckstein, "DoD: Shipbuilding, Aviation Hardest-Hit Sectors in Defense Industrial Base by COVID Pandemic," *USNI News*, April 20, 2020; Vivienne Machi, "DoD Expecting Three-Month Delays for Major Acquisition Programs," *Defense Daily*, April 20, 2020; Lara Seligman, "Pentagon Expects 3-Month Delay to Major Acquisition Programs Due to Virus," *Politico Pro*, April 20, 2020 Marcus Weisgerber, "USN, USAF Acquisition Chiefs Talk COVID; Shipbuilder Staggers Shifts; Contractor Accidentally Ejects Himself; and More…," *Defense One*, April 16, 2020; Jon Harper, "Pandemic: Coronavirus Rattles the Defense Industrial Base," *National Defense*, April 14, 2020.

[52] CRS reports on Coast Guard shipbuilding programs include CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke, and CRS Report RL34391, *Coast Guard Polar Security Cutter (Polar Icebreaker) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[53] For articles discussing DOD supplier firms during the COVID-19 situation, see Justin Doubleday, "Pentagon 'Learning More Than Ever' About Supply Chain Vulnerabilities During COVID-19 Crisis," *Inside Defense*, April 28, 2020; Jacqueline Feldscher, "Parts of Defense Supply Chain Under Pressure Despite Federal, Industry Aid," *Politico Pro*, April 21, 2020; Valerie Insinna and Aaron Mehta, "The Pentagon's Supply Chain Faces An Economy Under Siege," *Defense News*, April 8, 2020.

building the lead boat in the Columbia-class program is discussed in the CRS report on that program.[54]

DOD Point Paper on Impacts from March 15 Through June 15, 2020

A DOD point paper on COVID-19 impacts to DOD acquisition programs from March 15, 2020, through June 20, 2020, stated in part

> The Acquisition Program Impact Penalty cost is an estimate of the program costs increases realized because of inefficiencies caused by COVID-19. This document covers expected cost incurred between March 15, 2020 and June 15, 2020. Specific reasons for these inefficiencies across the defense programs includes the following;
>
> • Confirmed cases or quarantines.
>
> • Government facility closure/stand down-test delays and Research and Development Center inefficiencies.
>
> • Telework across the Defense Industrial Base
>
> • Closures due to travel restrictions
>
> • Logistic implications caused by travel restrictions requiring commercial freight
>
> • Availability of parts and supplies
>
> • High absentee rates
>
> • Local and state lockdowns
>
> • Foreign Government Lockdowns
>
> • Company/Supplier shutdowns
>
> • Financial distress
>
> • Social distancing across the industrial base (production line implications)
>
> • Added costs for cleaning/Disinfecting and temperature sensors
>
> • Added costs for PPE
>
> • CARES Act Section 3610 costs to pay for contractor/subcontractor employees unable to work due to COVID-19 impacts
>
> The Department closely monitors and tracks approximately 22,000 critical contractors who are most important to modernization and readiness. As of July 8, 2020, 977 of DoD's suppliers have closed since March 15, 2020. The average closure is over two weeks. 943 have reopened with 34 still closed. The biggest sectors affected have been Aviation, Space, Combat Vehicles, Clothing and Textiles and Missiles. Some sectors like Aviation also have significant impacts related to commercial aviation challenges.
>
> The estimate currently does not include potential overhead rate increases due to layoffs, especially if the contractor performs both government and commercial work. The Department is also concerned with a potential loss of critical labor skills (e.g. welders) and continue to work these issues by contract and location as we analyze the impact across the Defense Industrial Base (DIB).
>
> **DoD's Requirements**

[54] See CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

> The Department currently estimates a potential cost to complete (or Request for Equitable Adjustments) totaling about $10.8 billion and touching more than 106,000 jobs. This estimate is calculated by considering the projected spend over this period for the portfolio, assessment of the percentage of that spend attributed to direct labor, and application of reported inefficiencies in that sector. The data from industry is showing approximately a 30-40% inefficiency across the DIB but in certain sectors like shipbuilding we are seeing about a 50-60% inefficiency.
>
> Projected cost overrun/inefficiency risk examples are as follows….
>
> …
>
> • **Navy** [impact:] $4,664.0M (43,214 Jobs)
>
> − Shipbuilding: Significant touch labor; greater facility impact from social distancing; and strong union representation at some yards pushing for paid leave with facility shutdown. Worker attendance rates range from 50% to 70% for blue collar workforce, and much of the white collar workforce is teleworking. At least one of the big seven private shipyards may shutdown. Recovery from a full shutdown would extend inefficiencies well into next year after restart.
>
> − Aircraft Procurement: Moderate touch labor but tends to enable better distancing. No prime production impacts yet, but there are some sub-tier Component impacts. A couple of short term plant shutdowns occurred in early April with possibly more in the near future.
>
> − Other Procurement: Moderate touch labor; greater facility impacts from social distancing, subtiers reporting issues (e.g. BAE York shut down for two days; returned with 50% workforce). Weapons manufacturer's not seeing significant impacts yet as many not located in high COVID impact areas.
>
> − Fragility concerns: The DoN shares the Army's long term fragility concern regarding FLIR , combat vehicle transmissions, and aircraft engines (GE specifically). The DoN also shares Army concerns about short term risk to textile manufacturers; body armor suppliers, and small business electronics suppliers who feed guidance systems (PGK, GMLRS, Excalibur) and wiring harnesses (vehicles, aircraft).
>
> …
>
> • **Missile Defense Agency** [impact:] $593.5M (3,956 Jobs)
>
> …
>
> − Aegis Program delays: SM-3 Block IIA production deliveries; Aegis Ashore Poland construction (further delays); and Aegis Testing delays for Flight Test Missile (FTM)-44 (Aegis), FTM-31, and FTM-33.[55]

The Navy later clarified that the statement in the above passage that "[a]t least one of the big seven private shipyards may shutdown" refers to the possibility of a shipyard closing temporarily due to COVID-19, rather than to the possibility of a shipyard closing permanently.[56]

[55] Department of Defense, "FY 2020 DoD COVID-19 Response and Stimulus & COVID-19 Recovery Acquisition Contract Cost Overrun," undated point paper, 4 pp., posted at InsideDefense.com on August 6, 2020.

[56] See, for example, Paul McLeary, "Shipyards Not At Risk, Despite DoD Warning It Needs $$ To Save Them," *Breaking Defense*, August 12, 2020; Mallory Shelbourne, "Geurts: Navy Modernization At Risk Without COVID-19 Acquisition Relief Funds," *USNI News*, August 12 (updated August 13), 2020.

Past Examples of Assistance to Shipyards and Supplier Firms

Potential options for Congress for providing assistance to affected shipyards and supplier firms could take various forms. Some past instances of assistance relating to shipbuilding include the following:

- Following Hurricane Katrina in August 2005, Congress provided $1.7 billion in reallocated emergency supplemental appropriations to pay estimated higher shipbuilding costs for 11 Navy ships under construction at the Ingalls shipyard in Pascagoula, MS, and the Avondale shipyard upriver from New Orleans, LA.[57]
- The American Recovery and Reinvestment Act (ARRA) of 2009 (H.R. 1/P.L. 111-5 of February 17, 2009), which was enacted in response to the 2008-2009 recession, appropriated $100 million for the Maritime Administration (MARAD) to be used for making supplemental grants to small shipyards as authorized under Section 3508 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (S. 3001/P.L. 110-417 of October 14, 2008) or 46 U.S.C. 54101.[58]
- Following Hurricane Michael in October 2018, the Department of Homeland Security (DHS), of which the Coast Guard is a part, announced on October 11, 2019, that DHS had granted extraordinary contractual relief to Eastern Shipbuilding Group (ESG) of Panama City, FL, the builder of the first of the Coast Guard's new Offshore Patrol Cutters (OPCs), under P.L. 85-804 as amended (50 U.S.C. 1431-1435). P.L. 85-804, originally enacted in 1958, authorizes certain federal agencies to provide certain types of extraordinary relief to contractors who are encountering difficulties in the performance of federal contracts or subcontracts relating to national defense.[59] ESG reportedly submitted

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[57] See CRS Report RS22239, *Emergency Supplemental Appropriations for Hurricane Katrina Relief*, by Keith Bea, August 22, 2006, p. 6. The report states

> Citing the need for "special oversight" of these shipbuilding funds dedicated to cover property damage, cleanup, idle payroll, and business disruption (that may also be covered by shipbuilders' insurance), the appropriators added report language requiring that the Navy or Army, as applicable, submit a report to the Appropriations Committees "certifying" that the costs were related to the hurricanes and would not be paid for by FEMA or the shipbuilders' insurers.
>
> (U.S. House, Conference Committees 2005, *Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2006, and for Other Purposes*, conference report to accompany H.R. 2863, H.Rept. 109-359, 109th Cong., 1st sess. [Washington: GPO, 2005], p. 496.)

See also CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief*, Paul M. Irwin, Coordinator, Larry Nowels, Coordinator, June 15, 2006, pp. 59-66; and CRS Report RL33197, *Reallocation of Hurricane Katrina Emergency Appropriations: Defense and Other Issues*, Coordinated by Amy Belasco, December 15, 2005, pp. 9-14. (These CRS reports are out of print and available for congressional clients from the author of this report.)

[58] Section 3508 of P.L. 110-417 amended the U.S. Code to add Section 54101 to Title 46, which establishes a program for assistance for small shipyards and maritime communities.

[59] 50 U.S.C. 1431 states in part

> The President may authorize any department or agency of the Government which exercises functions in connection with the national defense, acting in accordance with regulations prescribed by the President for the protection of the Government, to enter into contracts or into amendments or modifications of contracts heretofore or hereafter made and to make advance payments thereon, without regard to other provisions of law relating to the making, performance, amendment, or modification of contracts, whenever he deems that such action would facilitate the national defense. The authority conferred by this section shall not be utilized to obligate the United States in an

a request for extraordinary relief on June 30, 2019, after ESG's shipbuilding facilities were damaged by Hurricane Michael.[60]

The past instances listed above do not necessarily represent the full range of options available to Congress for assisting shipyards and supplier firms—additional options might be available through the Defense Production Act (DPA) or other federal authorities.[61]

Potential Oversight Questions

Potential oversight questions for Congress include the following:

- How might the COVID-19 situation affect the execution of Navy (and Coast Guard) shipbuilding programs, the shipyards and associated supplier firms executing these programs, and the employees of these firms?
- How well do Navy (and Coast Guard) officials understand these potential impacts?
- What are Navy (and Coast Guard) officials doing to anticipate, monitor, and respond to this situation?
- Does Congress have adequate visibility into the impact of the COVID-19 situation on the execution of Navy (and Coast Guard) shipbuilding programs, the shipyards and associated supplier firms executing these programs, and the employees of these firms? Are the Navy and industry doing enough to brief and keep Congress up to date on the situation?

Additional Background Information

For additional background information on the potential impact of the COVID-19 situation on the execution of Navy (and Coast Guard) shipbuilding programs, on the shipyards and associated supplier firms executing these programs, and the employees of these firms, see **Appendix J**

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amount in excess of $50,000 without approval by an official at or above the level of an Assistant Secretary or his Deputy, or an assistant head or his deputy, of such department or agency, or by a Contract Adjustment Board established therein.

For more on P.L. 85-804 as amended, see CRS Report 76-261, *Extraordinary Contractual Relief Under Public Law 85-804*, April 28, 1976, by Andrew C. Mayer. The report was prepared at the request of the House Armed Services Committee and converted by the committee into a committee print (70-905 O), dated May 10, 1976, that can be viewed at https://ufdc.ufl.edu/AA00022546/00001/1j. See also David H. Peirez, "Public Law 85-804: Contractual Relief for the Government Contractor," *Administrative Law Review*, vol. 16 (Summer 1964): 248-264, accessed October 11, 2019, at https://www.jstor.org/stable/40708469; and "Presidential Power: Public Law 85-804 (50 U.S.C. §§ 1431-35)," Brennan Center for Justice, undated, accessed October 11, 2019, at https://www.brennancenter.org/sites/default/files/analysis/50%20USC%201431-1435.pdf. (Although it is undated, it appears to have been written no earlier than 2014, as it includes three references to the year 2014, including one that states, "As of 2014….") The text of P.L. 85-804 as originally enacted is posted at https://www.govinfo.gov/content/pkg/STATUTE-72/pdf/STATUTE-72-Pg972.pdf.

[60] For more on the extraordinary contractual relief provided to ESG under P.L. 85-804, see CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

[61] For more on the DPA in the context of the COVID-19 situation, see CRS Report R43767, *The Defense Production Act of 1950: History, Authorities, and Considerations for Congress*, by Michael H. Cecire and Heidi M. Peters, and CRS Insight IN11231, *The Defense Production Act (DPA) and COVID-19: Key Authorities and Policy Considerations*, by Michael H. Cecire and Heidi M. Peters. See also Scott F. Roybal and Laura A. Alexander, "Coronavirus and its Implications for Government Contractors," *National Law Review*, March 9, 2020.

(which presents the texts of letters from Members of Congress) and **Appendix K** (which presents DOD and Navy memoranda and excerpts from press reports).

COVID-19 Impact on U.S. Defense Strategy and Budgets

Another potential oversight issue for Congress is how the COVID-19 situation could affect future U.S. defense strategy and budgets, and consequently Navy planning for future fleet size and architecture. As discussed in another CRS report,[62] some (but not all) observers argue that the COVID-19 pandemic could lead to a revised definition of U.S. national security that is less military-centric than traditional definitions, and that the substantial federal expenditures being made to support the U.S. economy during the pandemic stay-at-home period, and the effect that these expenditures will have on the federal budget deficit and U.S. debt, could lead to greater constraints in coming years on U.S. defense spending levels.

Such changes, some (but not all) observers argue, could lead to potentially significant changes in U.S. defense strategy and in funding levels for the Navy, which in turn could lead to changes in Navy force-level goals and associated shipbuilding programs that in theory could go beyond (or take Navy planning in a direction different from) those contemplated in the INFSA.

FY2021 Budget's Treatment of CVN-81, LPD-31, and LHA-9 Procurement Dates

A potentially significant institutional issue for Congress concerns the treatment in the Navy's proposed FY2021 budget of the procurement dates of the aircraft carrier CVN-81 and the amphibious ships LPD-31 and LHA-9.

As discussed earlier, the Navy's FY2021 budget submission presents the aircraft carrier CVN-81 as a ship that Congress procured in FY2020. Consistent with congressional action on the Navy's FY2019 budget regarding the procurement of CVN-81 (see **Appendix I**), this CRS report treats CVN-81 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2019.

As also discussed earlier, the Navy's FY2021 budget submission presents LPD-31, an LPD-17 Flight II amphibious ship, as a ship requested for procurement in FY2021, and the amphibious assault ship LHA-9 as a ship projected for procurement in FY2023. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LPD-31 and LHA-9 (see **Appendix I**), this CRS report treats LPD-31 and LHA-9 as ships that Congress procured (i.e., authorized and provided procurement funding for) in FY2020.

Potential oversight issues for Congress include the following:

- By presenting CVN-81 as a ship that was procured in FY2020 (instead of a ship that was procured in FY2019), LPD-31 as a ship requested for procurement in FY2021 (instead of a ship that was procured in FY2020), and LHA-9 as a ship projected for procurement in FY2023 (instead of a ship that was procured in FY2020), is DOD, in its FY2021 budget submission, disregarding or mischaracterizing the actions of Congress regarding the procurement dates of these three ships? If so:

[62] CRS Report R46336, *COVID-19: Potential Implications for International Security Environment—Overview of Issues and Further Reading for Congress*, by Ronald O'Rourke, Kathleen J. McInnis, and Michael Moodie.

- Is DOD doing this to inflate the apparent number of ships requested for procurement in FY2021 and the apparent number of ships included in the five-year shipbuilding plan?
- Could this establish a precedent for DOD in the future to ignore or mischaracterize the actions of Congress regarding the procurement or program-initiation dates for other Navy ships, other Navy programs, other DOD programs, or other federal programs? If so, what implications might that have for the preservation and use of Congress's power of the purse under Article 1 of the Constitution, and for maintaining Congress as a co-equal branch of government relative to the executive branch?

Reprogramming of FY2020 Funding for LHA-9 and EPF Ship

On February 13, 2020 (i.e., three days after submitting its proposed FY2021 defense budget), the Administration submitted a reprogramming action that transfers about $3.8 billion in DOD funding to Department of Homeland Security (DHS) counter-drug activities, commonly reported to mean the construction of the southern border wall. Included in this action is $650 million that Congress appropriated in FY2020 for the amphibious assault ship LHA-9, and $261 million that Congress appropriated in FY2020 for an expeditionary fast transport (EPF) ship.[63] The $650 million represents about 17% (i.e., about one-sixth) of the estimated cost of LHA-9; the $261 million is the full procurement cost of the EPF.

The reprogramming action acknowledges that LHA-9 and the EPF ship are congressional special interest items, meaning items that Congress funded at levels above what DOD had requested. (The Navy's FY2020 budget submission requested no funding for either ship.) The reprogramming action characterizes the $650 million as "early to current programmatic need," even though it would be needed for a ship whose construction would begin in FY2020. In discussing its FY2021 budget submission, Navy officials characterize LHA-9 not as ship whose procurement the Navy is proposing to delay from FY2020 to FY2023, but as a ship whose procurement the Navy is proposing to accelerate from FY2024 (the ship's procurement date under the Navy's FY2020 budget submission) to FY2023. The reprogramming action characterizes the EFP as "excess to current [Navy] programmatic need. The procurement exceeds the [Navy's] program-of-record requirement."

Potential oversight issues for Congress include the following:

- By reprogramming the funding for LHA-9 and the EPF ship to another purpose, is DOD, in its FY2021 budget submission, disregarding the expressed intent of Congress regarding the procurement of these two ships?
- If so, could this establish a precedent for DOD or other parts of the executive branch in the future to disregard the intent of Congress regarding the procurement or program-initiation dates for other Navy ships, other Navy programs, other DOD programs, or other federal programs? What implications might that have for the preservation and use of Congress's power of the purse under Article 1 of the Constitution, and for maintaining Congress as a co-equal branch of government relative to the executive branch?

[63] Department of Defense, Reprogramming action (form DD 1415), DOD Serial Number FY 20-01 RA, February 13, 2020, page 3 of 5.

Delay in Submission of FY2021 30-year Shipbuilding Plan

Another issue for Congress concerns the delay in the submission of the Navy's FY2021 30-year (FY2021-FY2050) shipbuilding plan, and the impact this delay may have on Congress's ability to assess and mark up the Navy's proposed FY2021 budget.[64] 10 U.S.C. 231 states that DOD "shall include" the 30-year shipbuilding plan "with the defense budget materials for a fiscal year." Navy officials have stated that the 30-year shipbuilding plan, like the INFSA, is being reviewed by the Office of the Secretary of Defense.[65] In late-February, then-Acting Secretary of the Navy Thomas Modly said it could be submitted within "a couple of months."[66]

The 30-year shipbuilding plan is intended to provide Congress with supporting information for assessing and marking up the Navy's proposed shipbuilding program. The discussion of the 30-year plan in this CRS report is one reflection of the role that the 30-year shipbuilding plan plays in that regard.

In addition to requiring DOD to submit the 30-year plan with its annual defense budget materials, 10 U.S.C. 231 requires CBO to submit, within 60 days of the submission of the Navy's 30-year shipbuilding plan, a report assessing the cost and prospective affordability of the plan. As reflected in this CRS report, CBO's report assessing the Navy's 30-year shipbuilding plan forms a significant element of the annual discussion of the Navy's shipbuilding program. A delay in the submission of the 30-year shipbuilding plan will lead to a delay in the submission of CBO's report.

CRS and CBO testified regarding the value to Congress of the 30-year shipbuilding plan at a June 1, 2011, hearing before the Oversight and Investigations subcommittee of the House Armed Services Committee.[67] In its testimony, CRS stated

> The main purpose of the 30-year shipbuilding plan is to support effective congressional oversight of DOD plans for Navy shipbuilding by giving Congress information that is important to performing this oversight function but not available in the five-year data of the Future Years Defense Plan (FYDP). The 30-year plan supports effective congressional oversight of DOD plans for Navy shipbuilding in at least five ways:
>
> - The 30-year shipbuilding plan enables Congress to assess whether the Navy intends to procure enough ships to achieve and maintain its stated ship force-level goals….
> - The 30-year shipbuilding plan helps Congress determine whether there is a fundamental imbalance between Navy program goals and projected Navy resources…

[64] For a press report related to this issue, see Paul McLeary, "No Shipbuilding Plan, But Navy Works On New Ships To Counter China," *Breaking Defense*, May 18, 2020.

[65] See, for example, Sam LaGrone, "SECDEF Esper Holds Back 30-Year Shipbuilding Outlook, New 355-Ship Plan Ahead of HASC Testimony," *USNI News*, February 25, 2020. See also Sam LaGrone, "Lack of Future Fleet Plans, Public Strategy Hurting Navy's Bottom Line in Upcoming Defense Bills," *USNI News*, June 18, 2020.

[66] See, for example, Mallory Shelbourne, "Modly Says He Expects to Submit Shipbuilding Plan 'In a Couple of Months,'" *Inside Defense*, February 27, 2020.

[67] See Statement of Ronald O'Rourke, Specialist in Naval Affairs, Congressional Research Service, before the House Armed Services Committee Subcommittee on Oversight and Investigations hearing on the Department of Defense's 30-Year Aviation and Shipbuilding Plans, June 1, 2011, 8 pp., and Congressional Budget Office, Statement of Eric J. Labs, Senior Analyst for Naval Forces and Weapons, [on the] The Value of 30-Year Defense Procurement Plans for Congressional Oversight and Decisionmaking before the Subcommittee on Oversight and Investigations, Committee on Armed Services, U.S. House of Representatives, June 1, 2011, 7 pp.

> - The 30-year shipbuilding plan helps Congress to assess whether DOD ship procurement plans are likely to be affordable within future defense budgets….
> - Supporting information provided in conjunction with the 30-year shipbuilding plan enables Congress to assess whether Navy ship procurement planning is reasonable in terms of assumed service lives for existing ships and estimated procurement costs for new ships….
> - The 30-year shipbuilding plan enables Congress to assess the potential industrial-base implications of DOD's intentions for ship procurement.[68]

In its testimony, CBO similarly stated

> The 30-year ship and aircraft plans benefit Congressional oversight and decisions about funding in at least three different ways:
>
> - Thirty-year plans may reveal cumulative long-term effects of annual appropriation decisions that may not be apparent from a shorter perspective.
> - Such plans may also reveal imbalances between long-term objectives for inventories and projected budgetary resources.
> - The plans provide information on DoD's assumptions about the service lives of major weapons systems and how those assumptions may affect its inventory goals.[69]

Adequacy of Proposed FY2021 Shipbuilding Budget and Five-Year Shipbuilding Plan

Another issue for Congress concerns the adequacy of the proposed FY2021 shipbuilding budget, which requests the procurement of seven new ships, and the FY2021 five-year shipbuilding plan, which includes 42 new ships, relative to the Navy's goal of attaining a fleet of 355 ships within 10 years. Potential oversight issues for Congress include the following:

- Would the procurement of seven new ships in FY2021, and a total of 42 ships over the five-year period FY2021-FY2025, be consistent with a goal of attaining a fleet of 355 ships within 10 years? In conjunction with this level of new ship procurement, to what degree would the Navy need to extend the service lives of existing ships to attain a fleet of 355 new ships within 10 years? How would the mix of that 355-ship fleet compare to the mix called for in the 2016 FSA (shown in **Table 1**)?
- Within the Navy's FY2021 budget top line and its projected funding levels through FY2025, does the Navy's FY2021 budget submission strike the proper balance between funding for new ship procurement and funding for other Navy priorities, such as restoring eroded ship readiness and improving fleet lethality? Is there a mismatch between the Navy's budget top line and the Navy's desire to

[68] Statement of Ronald O'Rourke, Specialist in Naval Affairs, Congressional Research Service, before the House Armed Services Committee Subcommittee on Oversight and Investigations hearing on the Department of Defense's 30-Year Aviation and Shipbuilding Plans, June 1, 2011, pp. 1-2.

[69] Congressional Budget Office, Statement of Eric J. Labs, Senior Analyst for Naval Forces and Weapons, [on the] The Value of 30-Year Defense Procurement Plans for Congressional Oversight and Decisionmaking before the Subcommittee on Oversight and Investigations, Committee on Armed Services, U.S. House of Representatives, June 1, 2011, p. 1.

achieve a 355-ship fleet within 10 years while also adequately funding other Navy priorities?

How INFSA Will Change Fleet Architecture, 355-Ship Goal, Mix of Ships to Be Procured, and Distribution of Shipbuilding Work

Another issue for Congress is how the INFSA will change the Navy's fleet architecture, the Navy's current 355-ship force-level goal, the mix of Navy ships to be procured, and the distribution of Navy shipbuilding work among the nation's shipyards.[70]

Affordability of 30-Year Shipbuilding Plan

As mentioned earlier, the Navy has not yet submitted its FY2021 30-year (FY2021-FY2050) shipbuilding plan. As a placeholder pending the submission of that plan, the discussion below of specific points regarding the affordability of the Navy's 30-year shipbuilding plan is based on the Navy's FY2020 30-year plan.

Overview

Another oversight issue for Congress has concerned the prospective affordability of the Navy's 30-year shipbuilding plan. This issue has been a matter of oversight focus for several years, and particularly since the enactment in 2011 of the Budget Control Act, or BCA (S. 365/P.L. 112-25 of August 2, 2011). Aspects of this issue could change if the INFSA shifts the Navy to a new fleet architecture and a changed mix of ships to be procured in coming years. The discussion below is based on the Navy's current fleet architecture.

Based on the Navy's current fleet architecture, observers have been particularly concerned about the 30-year shipbuilding plan's prospective affordability during the decade or so from the mid-2020s through the mid-2030s, when the plan calls for procuring Columbia-class ballistic missile submarines as well as replacements for large numbers of retiring attack submarines, cruisers, and destroyers.[71] **Figure 2** shows, in a graphic form, the Navy's estimate of the annual amounts of funding that would be needed to implement the Navy's FY2020 30-year shipbuilding plan. The figure shows that during the period from the mid-2020s through the mid-2030s, the Navy estimates that implementing the FY2020 30-year shipbuilding plan would require roughly $24 billion per year in shipbuilding funds.

Navy officials have stated at hearings on the Navy's FY2021 budget submission that achieving and supporting a 355-ship fleet over the next 10 years would require increasing the Navy's budget by a cumulative total of $120 billion to $130 billion over the next ten years, or an average of $12 billion to $13 billion per year. This figure, Navy officials have stated, includes not only the cost of procuring new ships, but costs associated with crewing, arming, operating, and

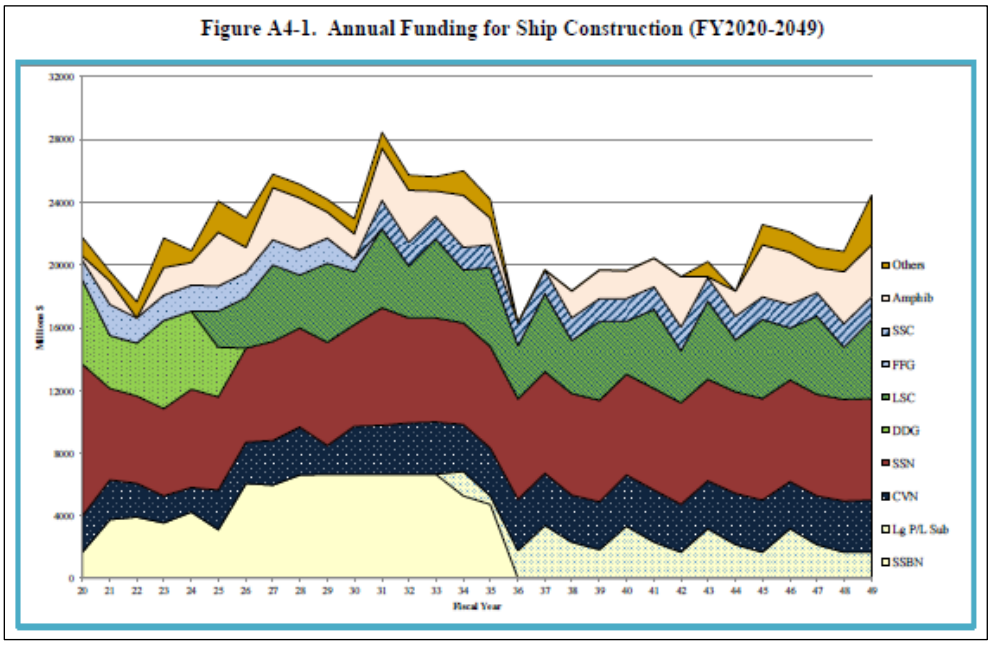
[70] For an opinion piece relating to this issue, see Bryan Clark and Timothy A. Walton, "Shipbuilding Suppliers Need More than Market Forces to Stay Afloat," *Defense News*, May 20, 2020.

[71] The Navy's 30-year plans in recent years have spotlighted for policymakers the substantial increase in Navy shipbuilding funding that would be required to implement the 30-year plan during the decade or so from the mid-2020s through the mid-2030s. As discussed in CRS testimony in 2011, a key function of the 30-year shipbuilding plan is to alert policymakers well ahead of time to periods of potentially higher funding requirements for Navy shipbuilding. (See Statement of Ronald O'Rourke, Specialist in Naval Affairs, Congressional Research Service, before the House Armed Services Committee, Subcommittee on Oversight and Investigations, hearing on the Department of Defense's 30-Year Aviation and Shipbuilding Plans, June 1, 2011, 8 pp.)

maintaining a 355-ship fleet.[72] To help generate some of this funding from within the Navy's own budget, then-Acting Secretary of the Navy Thomas Modly in February 2020 announced that the Navy would conduct a "Stem to Stern" review of its spending with the aim of identifying $40 billion over the next five years (i.e., an average of $8 billion per year) that can be redirected from lower-priority efforts to the goal of achieving and maintaining a larger fleet.[73]

Figure 2. Navy Estimate of Funding Requirements for FY2020 30-Year Plan

Constant FY2019 dollars, in millions



Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, Figure A4-1 on page 18.

Prior to this—in September and October 2019—Navy officials had stated that if Navy budgets in coming years remain at current levels in real (i.e., inflation-adjusted terms), the Navy would not be able to properly maintain a fleet of more than 302 to 310 ships. A September 16, 2019, press report quoted Under Secretary of the Navy Thomas Modly as stating in a speech on that date: "I will tell you it is going to be very, very difficult for us to get to that number [355 ships] in any reasonable amount of time." According to the press report, Modly stated "If you look at our funding in the [Navy] and straight line that on our current budget projections, we can probably get to about 305 to 308 ships and sustain that over time without a significant increase in our budget." The press report stated that "the under secretary said the service [i.e., the Navy] would

[72] See, for example, Ben Werner, "SECNAV Modly: Navy Needs Additional $120 Billion To Build 355-Ship Fleet By 2030," *USNI News*, February 27, 2020.

[73] See, for example, Megan Eckstein and Ben Werner, "Acting SECNAV Kicks off Navy 'Night Court' Cost Savings Drive with Aim to Save $40 Billion," *USNI News*, February 18, 2020; Paul McLeary, "Navy Looks to Slash $40B To Build Bigger Fleet," *Breaking Defense*, February 18, 2020; Justin Katz, "Modly Announces Navy Program Review Seeking $40B in Savings," *Inside Defense*, February 19, 2020; Ben Werner, "Navy $40 Billion Savings Effort Linked to Force Structure Assessment," *USNI News*, February 21, 2020; Sam LaGrone, "Navy Mulling Taking Sailors off Forward Deployed Ships as Part of $40B Savings Drive," *USNI News*, March 11, 2020.

likely need $20 billion to $30 billion more annually to achieve a 355-ship fleet 'quickly, and when I say "quickly" I mean within five to 10 years.'"[74]

An October 27, 2019, press report, reporting on remarks made by Under Secretary Modly on October 25, stated

> The size of the current fleet, the high cost of new ships and the likely lack of growth in future budgets will make it difficult for the Navy to reach the current goal of a 355-ship battle fleet, the Navy's number two civilian leader [Modly] said….
>
> Modly went through the top 10 issues that keep him up at night, three of which dealt with the problem of buying and sustaining enough ships to get the size fleet the U.S. Navy will need for the possible future conflicts. The effort to get from the current 290-ship force to the 355 goal faces "a math problem," he said, because future defense budgets are not likely to grow enough to buy all those ships.[75]

An October 28, 2019, press report stated

> The Navy is unlikely to field a 355-ship fleet in the near- or even mid-term future if funding doesn't change dramatically, the department's top leadership said during a pair of appearances last week.
>
> The 355-ship Navy is a nice target; however, ship readiness is more critical for the service as it plans how the fleet will look in the future, Vice Chief of Naval Operations Adm. Robert Burke said Friday [October 25] while speaking with reporters at the Military Reporters and Editors conference.
>
> "Will we get to 355-ships?" Burke said. "I think with today's fiscal situation, where the Navy's top line is right now, we can keep around 305 to 310 ships whole, properly manned, properly maintained, properly equipped, and properly ready."…
>
> "If our top line does not go up, if it remains where it is now and is projected to remain in the future defense plans, that's about where we can get to and do it right, in terms of man those ships and maintain them and have all the ordnance for them and generate readiness," Burke said. "We would need an increased top line."[76]

In January 2020, Admiral Michael Gilday, the Chief of Naval Operations, stated that fully funding the Navy's program goals, including the attainment of a 355-ship fleet, would require allocating a larger share of DOD's budget to the Navy.[77]

A September 16, 2020, press report stated

> U.S. Defense Secretary Mark Esper on Wednesday [September 16] announced called for increased funding for Navy shipbuilding after a major review of its force structure—but it is unclear where that funding will come from.

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[74] Justin Katz, "Modly Acknowledges 355 Ships Won't Happen in 'Reasonable' Amount of Time," Inside Defense, September 16, 2019.

[75] Otto Kreisher, "Modly Doubts Future Budgets Will Allow for 355-Ship Fleet," *Seapower*, October 27, 2019.

[76] Ben Werner, "Admiral: Navy Can Afford to Field a 310-Ship Fleet, Not 355," *USNI News*, October 28, 2019. See also Rich Abott, "Navy Says Current Funding Only Supports 310 Ships," *Defense Daily*, October 28, 2019; Paul McLeary, "Navy May Scrap Goal of 355 Ships; 310 Is Likely," *Breaking Defense*, October 25, 2019.

[77] See, for example, Marcus Weisgerber, "The US Navy Needs More Money, Its Top Admiral Bluntly Argues," *Defense One*, January 14, 2020; Sam LaGrone, "CNO Gilday Calls for Budget Increase to Reach 355 Ship Fleet; New Battle Force Count Won't Include Unmanned Ships," *USNI News*, January 14, 2020; John M. Doyle, "CNO Wants Larger Slice of Defense Budget to Modernize, Meet China Threat," *Seapower*, January 15, 2020; Rich Abott, "CNO: Ship Count Will Not Include Unmanned; Bigger Topline Needed For Fleet Goal," *Defense Daily*, January 15, 2020.

> In a speech delivered at the think tank Rand, Esper called for a Navy of "over 350 ships," specifically by increasing the Navy's shipbuilding funding account.
>
> "We will build this fleet in such a way that balances tomorrow's challenges with today's readiness needs, and does not create a hollow Navy in the process," Esper said. "To achieve this outcome, we must increase funding for shipbuilding and the readiness that sustains a larger force. Doing this, and finding the money within the Navy budget and elsewhere to make it real, is something both the Navy leadership and I are committed to doing….
>
> The decision to increase shipbuilding funds, which Esper billed as a "game changer" in his remarks, comes as a result of an internal "Future Naval Force Study," led by Deputy Secretary of Defense David Norquist. That study—which essentially superseded a review from the service itself—was delivered to Esper this week.[78]

A September 21, 2020, press report, referring to Esper's remarks as repotted above, stated "Navy Secretary Kenneth J. Braithwaite said in a statement after Esper's speech that '355 ships are the minimum to which the Department of the Navy should be aiming' and that he has been working with Esper and Norquist to identify how best to achieve that objective."[79]

Concern Regarding Potential Impact of Columbia-Class Program

As discussed in the CRS report on the Columbia-class program,[80] the Navy since 2013 has identified the Columbia-class program as its top program priority, meaning that it is the Navy's intention to fully fund this program, if necessary at the expense of other Navy programs, including other Navy shipbuilding programs. This led to concerns that in a situation of finite Navy shipbuilding budgets, funding requirements for the Columbia-class program could crowd out funding for procuring other types of Navy ships. These concerns in turn led to the creation by Congress of the National Sea-Based Deterrence Fund (NSBDF), a fund in the DOD budget that is intended in part to encourage policymakers to identify funding for the Columbia-class program from sources across the entire DOD budget rather than from inside the Navy's budget alone.

Several years ago, when concerns arose about the potential impact of the Columbia-class program on funding available for other Navy shipbuilding programs, the Navy's shipbuilding budget was roughly $14 billion per year, and the roughly $7 billion per year that the Columbia-class program is projected to require from the mid-2020s to the mid-2030s (see **Figure 2**) represented roughly one-half of that total. With the Navy's shipbuilding budget having grown in more recent years to a total of roughly $24 billion per year, the $7 billion per year projected to be required by the Columbia-class program during those years does not loom proportionately as large as it once did in the Navy's shipbuilding budget picture. Even so, some concerns remain regarding the potential impact of the Columbia-class program on funding available for other Navy shipbuilding programs.

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[78] Aaron Mehta and David B. Larter, "Amid Pacific Naval Arms Race, US Defense Chief Calls for Increased Funding for Ships," *Defense News*, September 16, 2020. See also Megan Eckstein, "Esper Opens Door to Boosting Navy's Shipbuilding Budget to Fund New Force Structure," *USNI News*, September 16, 2020; Paul McLeary, "Esper Echoes Reagan Buildup, Calls For Billions More For Ships," *Breaking Defense*, September 16, 2020; David Vergun, "Esper Describes Steps to Maintaining Future Maritime Superiority," *DOD News*, September 16, 2020. For the text of Esper's remarks, see Department of Defense, "Secretary of Defense Speech at RAND (As Delivered)," Secretary of Defense Dr. Mark T. Esper, September 16, 2020.

[79] Dan Lamothe, "On a California Tour, Pentagon Chief Scrutinizes a Navy in Flux and a Warship Gutted by Fire," *Washington Post*, September 21, 2020.

[80] CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

Potential for Cost Growth on Navy Ships

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 **Figure 2** would not be sufficient to procure all the ships shown in the 30-year shipbuilding plan. As detailed by CBO[81] and GAO,[82] lead ships in Navy shipbuilding programs in many cases have turned out to be more expensive to build than the Navy had estimated. 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, Columbia-class ballistic missile submarines, Virginia-class attack submarines equipped with the Virginia Payload Module (VPM), Flight III versions of the DDG-51 destroyer, FFG(X) frigates, LPD-17 Flight II amphibious ships, and John Lewis (TAO-205) class oilers, as well as other new classes of ships that the Navy wants to begin procuring years from now.

CBO Estimate

As mentioned earlier, the statute that requires the Navy to submit a 30-year shipbuilding plan each year (10 U.S.C. 231) also requires CBO to submit its own independent analysis of the potential cost of the 30-year plan (10 U.S.C. 231[d]). **Figure 3** shows, in a graphic form, CBO's estimate of the annual amounts of funding that would be needed to implement the Navy's FY2020 30-year shipbuilding plan. This figure can be compared to the Navy's estimate of its FY2020 30-year plan as shown in **Figure 2**.

FY2020 30-year plan, in part because there are a substantial number of these SSNs in the plan, and because those ships occur in the latter years of the plan, where the effects of the technical difference between CBO and the Navy regarding the treatment of inflation show more strongly.

CBO analyses of past Navy 30-year shipbuilding plans have generally estimated the cost of implementing those plans to be higher than what the Navy estimated. Consistent with that past pattern, as shown in **Table 5**, CBO's estimate of the cost to implement the Navy's FY2020 30-year shipbuilding plan is about 31% higher than the Navy's estimated cost for the FY2020 plan. More specifically, as shown in the table, CBO estimated that the cost of the first 10 years of the FY2020 30-year plan would be about 2% higher than the Navy's estimate; that the cost of the middle 10 years of the plan would be about 21% higher than the Navy's estimate; and that the cost of the final 10 years of the plan would be about 41% higher than the Navy's estimate.[83]

Treatment of Inflation

The growing divergence between CBO's estimate and the Navy's estimate as one moves from the first 10 years of the 30-year plan to the final 10 years of the plan is due in part to a technical difference between CBO and the Navy regarding the treatment of inflation. This difference compounds over time, making it increasingly important as a factor in the difference between CBO's estimates and the Navy's estimates the further one goes into the 30-year period. In other

[81] See Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2019 Shipbuilding Plan*, October 2018, p. 25, including Figure 10.

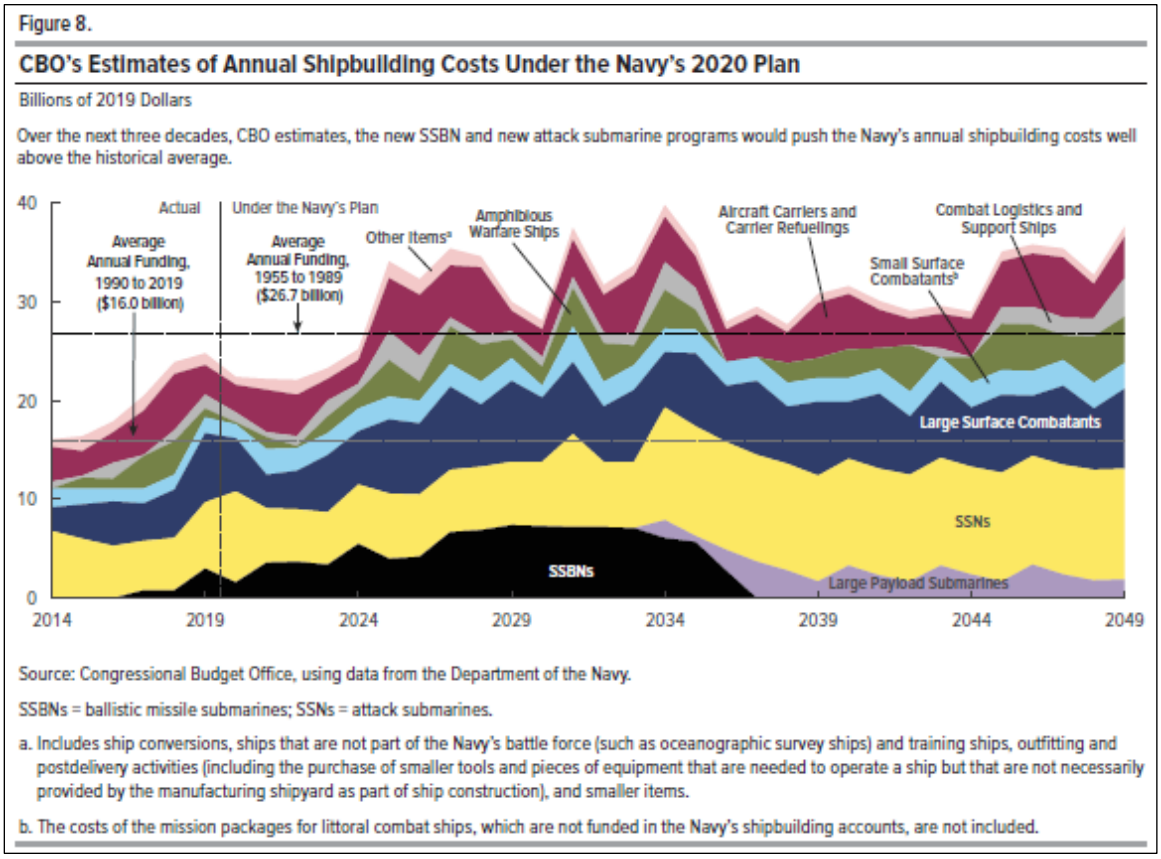
[82] See Government Accountability Office, *Navy Shipbuilding[:] Past Performance Provides Valuable Lessons for Future Investments*, GAO-18-238SP, June 2018, p. 8.

[83] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2020 Shipbuilding Plan*, October 2019, Table 4 on page 13.

words, other things held equal, this factor tends to push the CBO and Navy estimates further apart as one proceeds from the earlier years of the plan to the later years of the plan.[84]

Figure 3. CBO Estimate of Funding Requirements for 30-Year Plan

Constant FY2019 dollars, in billions



Source: Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2020 Shipbuilding Plan*, October 2019, Figure 8 on page 16.

Table 5. Navy and CBO Estimates of Cost of 30-Year Shipbuilding Plan

Funding for new-construction ships, in billions of constant FY2019 dollars

	First 10 years of the plan	Middle 10 years of the plan	Final 10 years of the plan	Entire 30 years of the plan
Navy estimate	20.3	24.4	21.8	22.0
CBO estimate	20.7	29.7	30.7	28.8
% difference between Navy and CBO estimates	2	21	41	31

Source: Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2020 Shipbuilding Plan,* October 2019, Table 4 on page 13.

[84] For additional discussion of how CBO estimates the costs of new Navy ships, see Congressional Budget Office, *How CBO Estimates the Cost of New Ships*, April 2018, 6 pp.

Notes: The figures shown for "% difference" are those presented in the CBO report, which are derived from dollar figures for the Navy and CBO estimates that were subsequently rounded off by CBO for presentation in its report. This is why the figure for "% difference" for the middle 10 years of the plan shows as 21% rather than 22%.

Designs of Future Classes of Ships

The growing divergence between CBO's estimate and the Navy's estimate as one moves from the first 10 years of the 30-year plan to the final 10 years of the plan is also due to differences between CBO and the Navy about the costs of certain ship classes, particularly classes that are projected to be procured starting years from now. The designs of these future ship classes are not yet determined, creating more potential for CBO and the Navy to come to differing conclusions regarding their potential cost.

For the FY2020 30-year plan, the largest source of difference between CBO and the Navy regarding the costs of individual ship classes is a new class of SSNs that the Navy wants to begin procuring in FY2031 as the successor to the Virginia-class SSN design. This new class of SSNs, CBO says, accounts for 34% of the difference between the CBO and Navy estimates for the

The second-largest source of difference between CBO and the Navy regarding the costs of individual ship classes is a new class of large surface combatant (i.e., cruiser or destroyer) that the Navy wants to begin procuring in FY2025, which accounts for 33% of the difference, for reasons that are similar to those mentioned above for the new class of SSNs.

The third-largest source of difference is the new class of frigates (FFG[X]s) that the Navy wants to begin procuring in FY2020, which accounts for 10% of the difference.

The remaining 23% of difference between the CBO and Navy estimates is accounted for collectively by several other shipbuilding programs, each of which individually accounts for between 1% and 4% of the difference. The Columbia-class program, which accounts for 4% of the difference, is one of the programs in this final group.[85]

Sustainment Cost

In addition to the issue of the cost to build new ships, the Navy in its FY2020 30-year shipbuilding plan highlighted a concern over the potential costs to sustain a larger fleet. On this issue, the FY2020 30-year shipbuilding plan states in part

> Coincident with the relatively new dynamic of purchasing more ships to grow the force instead of simply replacing ships or shrinking the force, is the responsibility to "own" the additional inventory when it arrives.
>
> Consistent annual funding in the shipbuilding account is foundational for an efficient industrial base in support of steady growth and long-term maintenance planning, but equally important is the properly phased, additional funding needed for operations and sustainment accounts as each new ship is delivered—the much larger fiscal burden over the life of a ship and the essence of the challenge to remain balanced across the three integral elements of readiness–capability–capacity. Because the Navy [until recently] has been shrinking not growing, and because of the disconnected timespan from purchase to delivery, often five years or more and often beyond the FYDP, there is risk of underestimating the aggregate sustainment costs looming over the horizon that must now be carefully considered in fiscal forecasting.

[85] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2020 Shipbuilding Plan*, October 2019, Table A-1 on page 29.

> For a ship, the rough rule of thumb for cost is 30 percent for procurement and 70 percent for operating and sustainment; for example, a ship that costs $1B to buy costs $3.3B to own, amortized over its lifespan. Accordingly, multi-ship deliveries can add hundreds of millions of dollars to a budget year, and then require the same funding per year thereafter, compounded by additional deliveries in subsequent years and only offset by ship retirements, which lag deliveries when growing the force. A similar dynamic occurs when the life of a ship is extended. Sustainment resources programmed to shift from a retiring ship to a new ship must now stay in place – for the duration of the extension. The burden continues to grow until equilibrium is reached at the desired higher inventory, when deliveries match retirements and all resourcing accounts reach steady-state at a higher, enduring sustainment cost.
>
> For perspective, the current budget, among the largest ever, supports a modern fleet of approximately 300 ships, nearly 20 percent fewer than the goal of 355. The battle force inventory… rises from 301 ships in FY2020 to [a projected figure of] 314 ships in FY2024, and then 355 in FY2034. The programmed sustainment cost… is $24B [billion] in FY2020 and rises to $30B [billion in FY2024 in TY$ [then-year dollars]. When the battle force inventory reaches 355 in FY2034, [the] estimated cost to sustain that fleet will approach $40B (TY$), 32% higher than in FY2024. For now, included in this sustainment estimate are only personnel, planned maintenance, and some operations; representing those costs tied directly to owning and operating a ship, easily modeled today, and already line-item accounted for in the budget. Equally important additional costs, but not yet included in the future estimate, are those not easily associated with individual ships and require complex modeling for long-term forecasting (beyond 3 to 5 years), such as the balance of the operations accounts (market and schedule driven), modernization and ordnance (threat and technology driven), infrastructure and training (services spread across many ships), aviation detachments, networks and cyber support, plus others….
>
> Less of a challenge when shrinking the force, the Navy is now working towards developing the complex model needed to capture indirect costs for growing the force. Until then, macro ratios are helpful in estimating rough orders of magnitude beyond the FYDP and for identifying future areas of concern. Similar to procurement, estimates will be less precise deeper into the plan. Recovering from the long-term investment imbalance has proven to be costly, particularly in the readiness accounts. As readiness becomes more accurately defined, the modeling will improve and so will the ability to more accurately forecast. However, no matter the method, the anticipated cost of sustaining the proper mix of 355 ships is anticipated to be substantial, and reform efforts and balanced scalability will continue to be the drivers going forward.[86]

A May 15, 2019, press report states

> The service [the navy] is also getting some sobering feedback on how much it will cost to sustain a significantly larger fleet— something it hasn't had to do in decades.
>
> As the Navy plans for more ships, Vice Adm. William Merz Deputy Chief Of Naval Operations For Warfare Systems said Wednesday, "we're also coming to realize what that is going to cost, and how you're going to sustain today's fleet while continuing to grow." The planning process is "much more challenging than anyone realized," he said, "but we're much smarter about our business" than just a few years ago….
>
> … taking the fleet from under 300 ships to at least 355 is a daunting task, Merz said at the Center for Strategic and International Studies. "We don't have the complex modeling to even understand what all of these costs are going to materialize to over the next 20 years,"

[86] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, pp. 19-20.

he said, but the service is "working hard to converge on a model" to sustain the ships over the long haul.[87]

Legislative Activity for FY2021

CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs

Detailed coverage of legislative activity on certain Navy shipbuilding programs (including funding levels, legislative provisions, and report language) can be found in the following CRS reports:

- CRS Report R41129, *Navy Columbia (SSBN-826) Class 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 RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of the Administration's FY2020 budget proposal, which the Administration withdrew on April 30, to not fund a mid-life refueling overhaul [called a refueling complex overhaul, or RCOH] for the aircraft carrier *Harry S. Truman* [CVN-75], and to retire CVN-75 around FY2024.)
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R44972, *Navy Frigate (FFG[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

Legislative activity on individual Navy shipbuilding programs that are not covered in detail in the above reports is covered below.

Summary of Congressional Action on FY2021 Funding Request

The Navy's proposed FY2021 budget requests funding for the procurement of 7 new ships:

- 1 Columbia-class ballistic missile submarine;
- 1 Virginia-class attack submarine;
- 2 DDG-51 class Aegis destroyers;
- 1 FFG(X) frigate;
- 2 TATS towing, salvage, and rescue ships.

[87] Paul McLeary, "Navy Wary of Growing Costs While It Ramps Up Ops," *Breaking Defense*, May 15, 2019.

As discussed earlier, the Navy's FY2021 budget submission presents LPD-31, an LPD-17 Flight II amphibious ship, as a ship requested for procurement in FY2021. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LPD-31, this CRS report treats LPD-31 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2020.

The Navy's proposed FY2021 shipbuilding budget also requests funding for ships that have been procured in prior fiscal years, and ships that are to be procured in future fiscal years, as well as funding for activities other than the building of new Navy ships.

Table 6 summarizes congressional action on the Navy's FY2021 funding request for Navy shipbuilding. The table shows the amounts requested and congressional changes to those requested amounts. A blank cell in a filled-in column showing congressional changes to requested amounts indicates no change from the requested amount.

Table 6. Summary of Congressional Action on FY2021 Funding Request

Millions of dollars, rounded to nearest tenth; totals may not add due to rounding

			Congressional changes to requested amounts					
			Authorization			Appropriation		
Line number	Program	Request	HASC	SASC	Conf.	HAC	SAC	Conf.
Shipbuilding and Conversion, Navy (SCN) appropriation account								
001	Columbia-class SSBN	2,891.5				-29.3		
002	Columbia-class SSBN (AP)	1,123.2		+175.0				
003	CVN 78-80 aircraft carriers	997.5	-90.0			-92.7		
004	CVN-81 aircraft carrier	1,645.6	-180.0			-39.2		
005	Virginia-class SSN	2,334.7	+2,296.0	-74.4		+2,268.5		
006	Virginia-class SSN (AP)	1,901.2	+272.0	+472.0		+272.0		
007	CVN RCOH	1,878.5						
008	CVN RCOH (AP)	17.4						
009	DDG-1000	78.2						
010	DDG-51	3,040.3		-30.0		-109.0		
011	DDG-51 (AP)	29.3		+435.0				
012	LCS	0						
013	FFG(X)	1,053.1	-98.6					
014	LPD-17 Flight II	1,155.8	-37.7	-250.0				
015	LPD-17 Flight II (AP)	0		+500.0				
016	Expeditionary Sea Base (ESB)	0						
017	LHA amphibious assault ship	0		+250.0				
018	LHA amphibious assault ship (AP)	0						
019	Expeditionary Fast Transport (EPF)	0	+260.0					
020	TAO-205 oiler	0				+20.0		
021	TAO-205 oiler (AP)	0						
022	TATS	168.2				-10.4		
023	LCU 1700 landing craft	87.4		-17.0				
024	Outfitting and post delivery	825.6		-78.3		-19.0		
025	Ship-to-shore connector (SSC)	0						
026	Service craft	249.8		+25.5		-5.6		
027	LCAC landing craft SLEP	56.5		-56.5				
028	Completion of PY ships	369.1						
XX	COVID recovery 2nd, 3rd, 4th tier suppliers	0				+100.0		
TOTAL		**19,902.8**	**+2,421.7**	**+1,351.3**		**+2,355.2**		

Source: Table prepared by CRS based on Navy FY2021 budget submission, committee reports, and explanatory statements on the FY2021 National Defense Authorization Act and FY2020 DOD Appropriations Act.

Notes: Millions of dollars, rounded to nearest tenth. A blank cell indicates no change to requested amount. Totals may not add due to rounding. **AP** is advance procurement funding; **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 report.

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 6.**

Section 354 of H.R. 6395 as reported by the committee states

> SEC. 354. MODIFICATION TO LIMITATION ON LENGTH OF OVERSEAS FORWARD DEPLOYMENT OF NAVAL VESSELS.
>
> Section 323(b) of the National Defense Authorization Act for Fiscal Year 2019 (Public Law 115–232; 10 U.S.C. 8690 note) is amended by striking ''In the case of any naval vessel'' and inserting ''In the case of any aircraft carrier, amphibious ship, cruiser, destroyer, frigate, or littoral combat ship''.

Section 356 of H.R. 6395 as reported by the committee states

> SEC. 356. BIANNUAL BRIEFINGS ON STATUS OF SHIPYARD INFRASTRUCTURE OPTIMIZATION PLAN.
>
> (a) BRIEFINGS REQUIRED.—During the period beginning on July 1, 2020, and ending on July 1, 2025, the Secretary of the Navy shall provide to the congressional defense committees biannual briefings on the status of the Shipyard Infrastructure Optimization Plan.
>
> (b) ELEMENTS OF BRIEFINGS.—Each briefing under subsection (a) shall include a discussion of the status of each of the following elements:
>
> (1) A master plan for infrastructure development, including projected military construction and capital equipment projects.
>
> (2) A planning and design update for military construction, minor military construction, and facility sustainment projects over the subsequent five year period.
>
> (3) A human capital management and development plan.
>
> (4) A workload management plan that includes synchronization requirements for each shipyard and ship class.
>
> (5) Performance metrics and an assessment plan.
>
> (6) A funding and authority plan that includes funding lines across the future years defense program.

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.''.

Section 1021 of H.R. 6395 as reported by the committee states

SEC. 1021. LIMITATION ON AVAILABILITY OF CERTAIN FUNDS WITHOUT NAVAL VESSELS PLAN AND CERTIFICATION.

Section 231(e) of title 10, United States Code, is amended—

(1) in paragraph (1)—

(A) by striking ''Secretary of the Navy'' and inserting ''Secretary of Defense''; and (B) by striking ''50 percent'' and inserting ''25 percent''; and

(2) in paragraph (2)—

(A) by striking ''Secretary of the Navy'' and inserting ''Secretary of Defense''; and

(B) by striking ''operation and maintenance, Navy'' and inserting ''operation and maintenance, Defense-wide''.

Section 1022 of H.R. 6395 as reported by the committee states

SEC. 1022. LIMITATIONS ON USE OF FUNDS IN THE NATIONAL DEFENSE SEALIFT FUND FOR PURCHASE OF FOREIGN CONSTRUCTED VESSELS.

Section 2218(f)(3) of title 10, United States Code, is amended—

(1) in subparagraph (C), by striking ''seven'' and inserting ''nine''; and

(2) in subparagraph (E), by striking ''two'' and inserting ''four''.

Section 1026 of H.R. 6395 as reported by the committee states

SEC. 1026. BIANNUAL[88] REPORT ON SHIPBUILDER TRAINING AND THE DEFENSE INDUSTRIAL BASE.

[88] The text of the provision requires a biennial (i.e., once every two years) report rather than a biannual (i.e., twice per year) report.

(a) IN GENERAL.—Chapter 863 of title 10, United States Code, is amended by adding at the end the following new section:

''§ 8692. Biannual report on shipbuilder training and the defense industrial base

''Not later than February 1 of each even-numbered year until 2026, the Secretary of Defense, in coordination with the Secretary of Labor, shall submit to the Committee on Armed Services and the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Armed Services and the Committee on Education and Labor of the House of Representatives a report on shipbuilder training and hiring requirements necessary to achieve the Navy's 30-year shipbuilding plan and to maintain the shipbuilding readiness of the defense industrial base. Each such report shall include each of the following:

''(1) An analysis and estimate of the time and investment required for new shipbuilders to gain proficiency in particular shipbuilding occupational specialties, including detailed information about the occupational specialty requirements necessary for construction of naval surface ship and submarine classes to be included in the Navy's 30-year ship building plan.

''(2) An analysis of the age demographics and occupational experience level (measured in years of experience) of the shipbuilding defense industrial workforce.

''(3) An analysis of the potential time and investment challenges associated with developing and retaining shipbuilding skills in organizations that lack intermediate levels of shipbuilding experience.

''(4) Recommendations concerning how to address shipbuilder training during periods of demographic transition and evolving naval fleet architecture consistent with the Navy's 2020 Integrated Force Structure Assessment.

''(5) An analysis of whether emerging technologies, such as augmented reality, may aid in new shipbuilder training.

''(6) Recommendations concerning how to encourage young adults to enter the defense ship building industry and to develop the skills necessary to support the shipbuilding defense industrial base.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

''8692. Biannual report on shipbuilder training and the defense industrial base.''.

Section 1027 of H.R. 6395 as reported by the committee states

SEC. 1027. PROHIBITION ON USE OF FUNDS FOR RETIREMENT OF CERTAIN LITTORAL COMBAT SHIPS.

(a) PROHIBITION.—None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2021 for the Navy may be obligated or expended to retire or prepare for the retirement, transfer, or placement in storage any ships designated as LCS-3 or LCS-4 until the date on which the Secretary of the Navy submits the certification required under subsection (b).

(b) CERTIFICATION.—Upon the completion of all operational tests on each of the mission modules designed for the Littoral Combat Ship, the Secretary of the Navy shall submit to the congressional defense committees certification of such completion.

Section 1029 of H.R. 6395 as reported by the committee states

SEC. 1029. LIMITATION ON NAVAL FORCE STRUCTURE CHANGES.

> None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2021 for the Navy may be obligated or expended to retire, or to prepare for the retirement, transfer, or placement in storage of, any Department of the Navy ship until the date that is 30 days after the date on which Secretary of Defense submits to the congressional defense committees the 2020 Naval Integrated Force Structure Assessment.

Section 1042 of H.R. 6395 as reported by the committee states

> SEC. 1042. PROHIBITION ON RETIREMENT OF NUCLEAR POWERED AIRCRAFT CARRIERS BEFORE FIRST REFUELING.
>
> Section 8062 of title 10, United States Code, is amended by adding at the end the following new subsection:
>
> ''(f) A nuclear powered aircraft carrier may not be retired before its first refueling.''.

Section 3116 of H.R. 6395 as reported by the committee states

> SEC. 3116. PROGRAM FOR RESEARCH AND DEVELOPMENT OF ADVANCED NAVAL NUCLEAR FUEL SYSTEM BASED ON LOW-ENRICHED URANIUM.
>
> (a) ESTABLISHMENT.—Not later than 60 days after the date of the enactment of this Act, the Administrator for Nuclear Security shall establish a program to assess the viability of using low-enriched uranium in naval nuclear propulsion reactors, including such reactors located on aircraft carriers and submarines, that meet the requirements of the Navy.
>
> (b) ACTIVITIES.—In carrying out the program under subsection (a), the Administrator shall carry out activities to develop an advanced naval nuclear fuel system based on low-enriched uranium, including activities relating to—
>
> (1) down-blending of high-enriched uranium into low-enriched uranium;
>
> (2) manufacturing of candidate advanced low enriched uranium fuels;
>
> (3) irradiation tests and post-irradiation examination of these fuels; and
>
> (4) modification or procurement of equipment and infrastructure relating to such activities.
>
> (c) REPORT.—Not later than 120 days after the date of the enactment of this Act, the Administrator shall submit to the congressional defense committees a plan outlining the activities the Administrator will carry out under the program established under subsection (a), including the funding requirements associated with developing a low-enriched uranium fuel.

Section 3511 of H.R. 6395 as reported by the committee would amend Part C of subtitle V of title 46 of the *United States Code* to insert a new chapter 532, consisting of 13 sections (53201 through 53213), that establishes and sets forth the details of a new Tanker Security Fleet consisting of "active, commercially viable, militarily useful, privately owned product tankers to meet national defense and other security requirements and maintain a United States presence in international commercial shipping. The fleet shall consist of privately owned vessels of the United States for which there are in effect operating agreements under this chapter."

H.Rept. 116-442 states

> *Navy Auxiliary General Ocean Surveillance Ships (T–AGOS) Program*
>
> The committee is aware of the Navy's requirement for seven Small Waterplane Area Twin Hull (SWATH) ocean surveillance ships to support the Military Sealift Command's theater anti-submarine warfare mission for the Pacific and Atlantic fleets. The Navy currently operates five ships, but according to the Program of Record, it needs seven ships to meet increasing requirements. The cost per ship and current fiscal year funding level will not support this need.

> In order to address the increased requirements and achieve significant cost and schedule savings, the committee directs the Secretary of the Navy to submit a report to the Committees on Armed Services of the Senate and the House of Representatives by January 1, 2021, outlining options to support a fleet of seven SWATH ships, support a T–AGOS (X) competition based on a performance specification for the ship which meets the U.S. Navy's mission requirements, and presents significant cost savings opportunities as well as accelerates the timing of deployment of this capability. (Pages 18-19)

H.Rept. 116-442 also states

> *Ship Counting Methodology*
>
> In light of expanding maritime threats, the committee strongly supports efforts to grow naval force structure to support section 1025 of the National Defense Authorization Act for Fiscal Year 2018 (P.L. 115–91) entitled ''Policy of the United States on Minimum Number of Battle Force Ships''. As the Navy continues to develop the Integrated Naval Force Structure and 30 Year Shipbuilding plan, there has been increasing discussion, including from the Department of the Navy, whether unmanned vessels should be included in the Department's ship counting methodology. Recognizing both the growing promise of unmanned vessels and the important roles played by existing battle force inventory ships, the committee believes the Secretary of the Navy should examine the intrinsic warfighting capabilities of vessels when considering its future ship counting methodology. Therefore, the Committee directs the Secretary of the Navy to provide a report to the congressional defense committees, by January 1, 2021 as to Navy's plan to assess the family of unmanned underwater and surface vessels incorporation into the ship counting methodology of section 231(f) of title 10, United States Code. For the purposes of making this determination, for both manned and unmanned vessels, this report shall assess factors such as:
>
> (1) Intended mission, in both competition and conflict;
>
> (2) Capability, either through a platform's weapons, sensors, or embarked personnel to interact with targets beyond visual range; (3) Ability to perform fleet support functions essential to power projection or sea control in competition or conflict. (Page 19)

H.Rept. 116-442 also states

> *Technology Insertion in New Ship Designs*
>
> The committee recognizes that ongoing delays on the lead FORD class aircraft carrier may indicate systemic problems with Navy shipbuilding practices with how new technologies are developed and incorporated. It is unfortunate that new technologies such as the advanced weapons elevators were not prototyped before being incorporated on the lead ship, a mistake that has contributed to lengthy delays. The committee is concerned with the Navy's decision to accept a ship that still had major discrepancies. The committee supports expanded prototyping activities for new technologies to ensure required reliability is obtained before ship authorization. Therefore, the committee directs the Secretary of the Navy to submit a report to the congressional defense committees by February 1, 2021 detailing the number of times the Navy has accepted a ship prior to the incorporation and completion of major subsystems over the last twenty years, the circumstances that drove the Navy to accept such ship, and the length of time between acceptance and final incorporation of such subsystems. Additionally, the committee directs the Secretary to specifically assess emerging technologies, their associated technology readiness levels and required prototyping activities that are being incorporated in emerging programs including the following specific programs: Columbia-class ballistic missile submarine; the guided missiles frigate; the next generation attack submarine; large surface combatant; and, the large unmanned surface vessel. (Page 20)

H.Rept. 116-442 also states

Navy Deferred Maintenance

The committee notes that completing required maintenance is vital for Navy aircraft carriers, ships, and submarines to reach their expected service lives and to do so economically. Deferring ship maintenance increases the costs and time required to complete maintenance in the future, straining maintenance budgets and stressing public and private shipyard capacity. In December 2019, the Comptroller General of the United States reported that the Navy continues to experience persistent and substantial maintenance delays that reduce ship availability for training and operations, hindering warfighting readiness. Further, Navy reports show that the service continues to defer essential maintenance on some ship classes, which decreases the likelihood that these vessels will reach their full service lives.

Therefore, the committee directs the Comptroller General to review deferred Navy maintenance. The review should address the following elements:

(1) the extent to which the Navy is deferring necessary depot maintenance for aircraft carriers, surface ships, and submarines, and what costs, if any, are associated with these deferrals;

(2) the extent to which the Navy has developed mitigation plans to address challenges relating to deferred maintenance;

(3) the extent, if any, to which deferred maintenance increases the risk that ships and submarines will be unable to meet their expected service lives and the potential effects this would have on future force structure; and

(4) any other matter the Comptroller General determines appropriate. The committee further directs the Comptroller General to provide a briefing to the House Committee on Armed Services, not later than March 1, 2021, on the Comptroller General's preliminary findings and present final results in a format and timeframe agreed to at the time of the briefing. (Page 90)

H.Rept. 116-442 also states

Navy Ship Field-Level Maintenance

The committee notes that a number of recent Government Accountability Office reports have found that high operational tempo, reductions to crew size, and organizational changes have impacted the Navy's ability to complete timely field-level maintenance, which is generally performed either by a ship's crew or at an intermediate maintenance facility. The ability of shipyards to complete maintenance on time is affected by the quality and quantity of maintenance accomplished by field-level maintainers and the amount of maintenance tasks that are deferred to the depot level. Navy officials have stated that the amount of work performed by field-level maintainers has decreased as organizations focus on straightforward repairs while sending more work to the depots, reducing their overall throughput.

The committee is concerned that the ability of ships' crews to perform and assist with maintenance at all levels has not been sufficiently retained among enlisted personnel and that maintenance is not being completed in a timely fashion at intermediate maintenance facilities. These delays directly affect military readiness by reducing the amount of time ships are available for training and operations.

Therefore, the committee directs the Comptroller General of the United States to review Navy ship field-level maintenance. The review should address the following elements:

> (1) the extent to which Navy ship maintenance is performed on time and in full at the organizational and intermediate levels; (2) the factors that contribute to maintenance delays and deferrals at the organizational and intermediate levels;
>
> (3) the extent to which sailor training and skill proficiency is impacting organizational and intermediate-level maintenance;
>
> (4) the extent to which operational demand contributes to the deferment of organizational and intermediate-level maintenance;
>
> (5) the extent to which Navy mitigation plans address challenges to the full and timely performance of organizational and intermediate-level maintenance; and
>
> (6) any other related matters the Comptroller General considers appropriate.
>
> The committee further directs the Comptroller General to provide a briefing to the House Committee on Armed Services not later than March 1, 2021, on the Comptroller General's preliminary findings and present final results in a format and timeframe agreed to at the time of the briefing. (Pages 90-91)

H.Rept. 116-442 also states

> Utilization of Smaller Vessels in Indo-Pacific Area of Operations
>
> The committee remains concerned that the Navy has yet to provide an updated shipbuilding plan as required by section 231 of title 10, United States Code, or a briefing on the updated Integrated Force Structure Assessment. Without the requisite information, the committee is unable to properly assess whether vessels smaller than 200 meters in length may have a forward deployed mission set, such as supporting Expeditionary Advanced Base Operations. Therefore, the committee directs the Chief of Naval Operations to provide a briefing to the House Committee on Armed Services not later than February 1, 2021, on the feasibility of utilizing smaller vessels in the Indo-Pacific to patrol coastal areas and enhance presence in a contested environment. (Page 216)

Senate

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 column of **Table 6.**

Section 126 of S. 4049 as reported by the committee states

> SEC. 126. TREATMENT OF SYSTEMS ADDED BY CONGRESS IN FUTURE PRESIDENT'S BUDGET REQUESTS.
>
> A procurement quantity of a system authorized by Congress in a National Defense Authorization Act for a given fiscal year that is subsequently appropriated by Congress in an amount greater than the quantity of such system included in the President's annual budget request submitted to Congress under section 1105 of title 31, United States Code, for such fiscal year shall not be included as a new procurement quantity in future annual budget requests.

Regarding Section 126, S.Rept. 116-236 states

> **Treatment of weapon systems added by Congress in future President's budget requests (sec. 126)**
>
> The committee recommends a provision that would preclude the inclusion in future annual budget requests of a procurement quantity of a system previously authorized and appropriated by the Congress that was greater than the quantity of such system requested in the President's budget request.

The committee is concerned that by presenting CVN–81 as a ship that was procured in fiscal year 2020 (instead of as a ship that was procured in fiscal year 2019), LPD–31 as a ship requested for procurement in fiscal year 2021 (instead of as a ship that was procured in fiscal year 2020), and LHA–9 as a ship projected for procurement in fiscal year 2023 (instead of as a ship that was procured in fiscal year 2020), the Department of Defense, in its fiscal year 2021 budget submission, is disregarding or mischaracterizing the actions of Congress regarding the procurement dates of these three ships. (Page 11)

Section 332 of S. 4049 as reported by the committee states

SEC. 332. CLARIFICATION OF LIMITATION ON LENGTH OF OVERSEAS FORWARD DEPLOYMENT OF CURRENTLY DEPLOYED NAVAL VESSELS.

Section 323(b) of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115–232; 132 Stat. 1720; 10 U.S.C. 8690 note) is amended by striking ''In the case of any naval vessel'' and inserting ''In the case of any aircraft carrier, amphibious ship, cruiser, destroyer, frigate, or littoral combat ship''.

Section 811 of S. 4049 as reported by the committee states

SEC. 811. STABILIZATION OF SHIPBUILDING INDUSTRIAL BASE WORKFORCE.

(a) SENSE OF CONGRESS.—It is the sense of Congress that the Department of the Navy must explore and identify solutions, in consultation with the Department of Labor, to enhance shipbuilding workforce stability and ensure industry preparedness to construct the 355-ship fleet.

(b) WORKING GROUP TO STABILIZE SHIPBUILDING INDUSTRIAL BASE WORKFORCE.—

(1) IN GENERAL.—The Secretary of the Navy shall form a working group with the Secretary of Labor for the purpose of enhancing integration of programs, resources, and expertise to strengthen the shipbuilding industrial base, as well as to provide recommendations to Congress, to better stabilize the shipbuilding industrial base workforce and determine appropriate solutions for workforce fluctuations.

(2) DUTIES.—The working group shall carry out the following activities related to the ongoing challenges with workforce stability:

(A) Analyze existing Department of the Navy contracts with the shipbuilding industry and other relevant information to better anticipate future employment trends and tailor work force resources and opportunities for workers most vulnerable to upcoming workforce fluctuations.

(B) Identify existing Department of Labor programs for unemployed, underemployed, and furloughed employees that could benefit the shipbuilding industrial base workforce during times of workload fluctuations and workforce instability, and explore potential partnerships to connect employees with appropriate resources.

(C) Explore possible cost sharing agreements to enable the Department of the Navy to contribute funding to existing Department of Labor workforce programs to support the ship building workforce.

(D) Examine possible programs that will specifically assist furloughed employees who may sporadically rely on unemployment benefits.

(E) Explore opportunities for unemployed, underemployed, or furloughed employees to provide workforce training through temporary partnerships with States, technical schools, community colleges, and other local workforce development opportunities.

(F) Review existing training programs for the shipbuilding workforce to maximize relevant and necessary training opportunities that would broaden employee skillset during times of unemployment, underemployment, or furlough, where applicable.

(G) Assess the possibility of shipbuilding worker support programs to weather a period of unemployment, underemployment, or furlough, including compensation options, alternative employment, temporary stipends, or other worker support opportunities.

(H) Study cross-State credentialing requirements and identify any restrictions that inhibit the flexibility of the shipbuilding workforce to seek employment opportunities across State lines, and make recommendations to streamline licensing, credentialing, certification, and qualification requirements within the shipbuilding industry.

(I) Review additional or new contracting authorities that could enable the Department of the Navy to award short-term, flexible contracts that will prioritize work for unemployed, under employed, or furloughed employees within the shipbuilding workforce.

(J) Identify specific workforce support programs to support suppliers of all sizes within the shipbuilding industrial base, and assess any additional support from prime contractors that would improve the stability of such suppliers.

(K) Assess whether greater collaboration with the United States Coast Guard and its shipbuilding contractors and subcontractors would improve workforce stability by assessing a totality of shipbuilding demands.

(L) Consider potential pilot programs that will specifically address shipbuilding industrial base workforce stability.

(M) Explore any additional opportunities to invest in recruiting, retaining, and training a skilled shipbuilding workforce.

(N) Consider and incorporate the findings and recommendations, as appropriate, of the report on shipbuilder training and the defense industrial base required under section 1037 of the National Defense Authorization Act for Fiscal Year 2020 (Public Law 116–92).

(3) NOTIFICATION REQUIREMENT REGARDING ESTABLISHMENT AND STRUCTURE.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Navy, in coordination with the Secretary of Labor, shall notify the congressional defense committees regarding the membership and structure of the working group.

(4) REPORT.—Not later than one year after the date of the enactment of this Act, the Secretary of the Navy, in consultation with the Secretary of Labor, shall submit to the congressional defense committees, the Committee on Health, Education, Labor, and Pensions of the Senate, and the Committee on Education and Labor of the House of Representatives a report with the findings and recommendations of the working group.

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) though (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 864 of S. 4049 as reported by the committee states

SEC. 864. DISCLOSURES FOR CERTAIN SHIPBUILDING MAJOR DEFENSE ACQUISITION PROGRAM OFFERS.

(a) IN GENERAL.—Chapter 137 of title 10, United States Code, is amended by adding at the end the following new section:

''§ 2339c. Disclosures for certain shipbuilding major defense acquisition program offers

''(a) GENERAL.—Any covered offeror seeking to be awarded a shipbuilding construction contract as part of a major defense acquisition program with funds from the Shipbuilding and Conversion, Navy account shall disclose with its offer and any subsequent offer revisions, including the final proposal revision offer, whether any part of the offeror's planned contract performance will or is expected to include foreign government subsidized performance, financing, financial guarantees, or tax concessions.

''(b) DISCLOSURE.—An offeror shall make a disclosure required under subsection (a) in a format prescribed by the Secretary of the Navy and shall include therein a specific description of the extent to which the offeror's planned contract performance will include, with or without contingencies, any foreign government subsidized performance, financing, financial guarantees, or tax concessions.

''(c) CONGRESSIONAL NOTIFICATION.—Not later than 5 days after awarding a contract described under subsection (a) to an offeror that made a disclosure under

subsection (b), the Secretary of the Navy shall notify the congressional defense committees and summarize such disclosure.

''(d) DEFINITIONS.—In this section:

''(1) COVERED OFFEROR.—The term 'covered offeror' means any offeror that currently requires or may reasonably be expected to require during the period of contract performance a method to mitigate or negate foreign ownership under subsection (f)(6) of part 2004.34 of title 32, Code of Federal Regulations.

''(2) FOREIGN GOVERNMENT SUBSIDIZED PER FORMANCE.—The term 'foreign government subsidized performance' means any financial support, materiel, services, or guarantees of support, services, supply, performance, or intellectual property concessions, that may be provided to or for the offeror or the offeror's Department of Defense customer by a foreign government or entity effectively owned or controlled by a foreign government, which may have the effect of supplementing, supplying, servicing, or reducing the cost or price of an end item, or supporting, financing in whole or in part, or guaranteeing contract performance by the offeror.

''(3) MAJOR DEFENSE ACQUISITION PROGRAM.—The term 'major defense acquisition program' has the meaning given the term in section 2430 of this title.''.

Regarding Section 864, S.Rept. 116-236 states

Disclosures for certain shipbuilding major defense acquisition program offers (sec. 864)

The committee recommends a provision that would require disclosures for certain shipbuilding major defense acquisition program offers.

The disclosures would require a description of the extent to which the offeror's planned contract performance will include foreign government subsidized performance, financing, financial guarantees, or tax concessions.

The committee's intent is to increase transparency in shipbuilding major defense acquisition programs. (Page 248)

Section 1021 of S. 4049 as reported by the committee states

SEC. 1021. MODIFICATION OF AUTHORITY TO PURCHASE USED VESSELS WITH FUNDS IN THE NATIONAL DEFENSE SEALIFT FUND.

Section 2218(f)(3) of title 10, United States Code, is amended—

(1) by striking subparagraphs (E) and (G); and

(2) by redesignating subparagraph (F) as subparagraph (E).

A September 14, 2020, letter and enclosure from the Office of Budget Management (OMB) to the chairmen and ranking members of the Senate and House Armed Services Committee about certain provisions in S. 4049 stated in part

Modification of Authority to Purchase Used Vessels with Funds in the National Defense Sealift Fund (Section 1021). The Administration greatly appreciates the authority to purchase additional used vessels for the sealift mission without the requirement to procure new construction vessels. This will allow the Administration to begin the necessary step of recapitalizing the sealift fleet for a fraction of the cost of procuring new vessels.[89]

[89] Letter dated September 14, 2020, from Russell T. Vought, Director, Office of Management and Budget, to Senator James M. Inhofe, Senator Jack Reed, Representative Adam Smith, and Representative Mac Thornberry with respect to the National Defense Authorization Act (NDAA) for FY 2021, PDF page 10 of 14, accessed September 17, 2020, at https://www.whitehouse.gov/omb/legislative/letters/.

Section 1022 of S. 4049 as reported by the committee states

SEC. 1022. WAIVER DURING WAR OR THREAT TO NATIONAL SECURITY OF RESTRICTIONS ON OVERHAUL, REPAIR, OR MAINTENANCE OF VESSELS IN FOREIGN SHIPYARDS.

Section 8680 of title 10, United States Code, is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection: (c)

''(c) WAIVER.—(1) The Secretary of the Navy may waive the restrictions in subsections (a) and (b) for the duration of a period of threat to the national security interests of the United States upon a written determination by the Secretary that such a waiver is necessary in the national security interest of the United States.

''(2) Not later than 15 days after making a determination under paragraph (1), the Secretary shall provide to the congressional defense committees a written notification on the determination.

''(3) In this subsection, the term 'period of threat to the national security interests of the United States' means the following:

''(A) A period of war.

''(B) Any other period determined by Secretary of Defense in which the national security interests of the United States are threatened by the application, or the imminent danger of application, of physical force by any foreign government or agency against the United States, citizens of the United States, the property of citizens of the United States, or the commercial interests of citizens of the United States.''.

Section 1023 of S. 4049 as reported by the committee states

SEC. 1023. MODIFICATION OF WAIVER AUTHORITY ON PROHIBITION ON USE OF FUNDS FOR RETIRE MENT OF CERTAIN LEGACY MARITIME MINE COUNTERMEASURE PLATFORMS.

(a) IN GENERAL.—Section 1046(b)(1) of the National Defense Authorization Act for Fiscal Year 2018 (Public law 115–91; 131 Stat. 1556) is amended by striking ''certifies'' and inserting '', with the concurrence of the Director of Operational Test and Evaluation, certifies in writing''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act, and shall apply with respect to waivers under subsection (b)(1) of section 1046 of the National Defense Authorization Act for Fiscal Year 2018 of the prohibition under subsection (a) of that section that occur on or after that date.

Section 1025 of S. 4049 as reported by the committee states

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.

Section 3155 of S. 4049 as reported by the committee states

SEC. 3155. PROHIBITION ON USE OF FUNDS FOR ADVANCED NAVAL NUCLEAR FUEL SYSTEM BASED ON LOW-ENRICHED URANIUM.

(a) IN GENERAL.—None of the funds authorized to be appropriated for the National Nuclear Security Administration for fiscal year 2021 may be obligated or expended to conduct research and development of an advanced naval nuclear fuel system based on low-enriched uranium until the following certifications are submitted to the congressional defense committees:

(1) A joint certification of the Secretary of Energy and the Secretary of Defense that the deter mination made by the Secretary of Energy and the Secretary of the Navy pursuant to section 3118(c)(1) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1196) and submitted to the congressional defense committees on March 25, 2018, that the United States should not pursue such research and development, no longer reflects the policy of the United States.

(2) A certification of the Secretary of the Navy that an advanced naval nuclear fuel system based on low-enriched uranium would not reduce vessel capability, increase expense, or reduce operational availability as a result of refueling requirements.

(b) REPORT REQUIRED.—Not later than 60 days after the date of the enactment of this Act, the Administrator for Nuclear Security shall submit to the congressional defense committees a report on activities conducted using amounts made available for fiscal year 2020 for nonproliferation fuels development, including a description of progress made toward technological or nonproliferation goals.

Regarding Section 3155, S.Rept. 116-236 states

Prohibition on use of funds for advanced naval nuclear fuel system based on low-enriched uranium (sec. 3155)

The committee recommends a provision that would prohibit the obligation or expenditure of any fiscal year 2021 funds at the National Nuclear Security Administration (NNSA) to

conduct research and development of an advanced naval nuclear fuel system based on low-enriched uranium unless the Secretary of Defense, the Secretary of Energy, and the Secretary of the Navy submit certain certifications to the congressional defense committees. The provision would also require the Administrator of the NNSA to submit to the congressional defense committees not later than 60 days after the date of the enactment of this Act a report outlining activities undertaken using fiscal year 2020 funds for this purpose, including progress made toward either technological or nonproliferation goals.

The committee notes that the Secretaries of Energy and the Navy stated in a letter to the congressional defense committees dated March 25, 2018, that such a research and development effort would cost about $1.0 billion over a 10-to-15-year period, ''with success not assured.'' It would also result in a reactor design that would be ''less capable, more expensive, and unlikely to support current life-of-ship submarine reactors,'' which would reduce operational availability and increase force structure requirements. (Pages 411-412)

S.Rept. 116-236 also states

Comptroller General report on the Supervisor of Shipbuilding

The committee notes that the Government Accountability Office (GAO) concluded in a June 2018 report, Navy Shipbuilding: Past Performance Provides Valuable Lessons for Future Investments (GAO–18–238SP), that the Navy has experienced significant cost increases, schedule delays, and performance issues on its shipbuilding programs. The committee understands that recent quality issues on a number of Navy ships and submarines point to, among other issues, challenges in the Navy's ability to oversee quality at the private shipyards that build its vessels.

The committee notes that the Navy's Supervisors of Shipbuilding, Conversion and Repair (SUPSHIPS) organization is responsible for administering contracts for new ships and submarines, as well as nuclear repair and modernization at private shipyards, including ensuring that shipbuilders provide the Navy with vessels that meet quality expectations. The committee understands that SUPSHIPS' role in this regard is unusual, as the Defense Contract Management Agency provides this type of contract oversight for most other Department of Defense contracts.

Therefore, the committee directs the Comptroller General to review the Navy's SUPSHIPS organization, including an assessment of: (1) The roles, responsibilities, procedures, capabilities, and capacity of SUPSHIPS to ensure that ship contracts are executed on time, at expected cost, and to contractual and performance requirements;

(2) SUPSHIPS' role in overseeing suppliers for Navy ship programs; (3) The effectiveness of actions taken by SUPSHIPS and its higher chain-of-command when shipbuilders are not meeting cost, schedule, or performance requirements; (4) SUPSHIPS' approach to contract execution oversight and monitoring for shipbuilding programs, as compared to that of the Defense Contract Management Agency for other large Department of Defense acquisition programs; and (5) Any other related matters that the Comptroller General deems appropriate.

The committee directs the Comptroller General to provide a briefing to the congressional defense committees on the findings of this review by December 1, 2020, with a report to follow. (Pages 46-47)

S.Rept. 116-236 also states

Comptroller General review of Navy shipbuilding and ship maintenance

The committee notes that the Navy is embarking on an ambitious, expensive undertaking to develop, design, and construct a number of new ships—both manned and unmanned—

over the coming years, which would represent the biggest increase in fleet size in over 30 years.

The committee understands that the Navy expects vessels to be constructed in quantities that sustain the industrial base and expand the overall size of the Navy, which requires not just a healthy industrial base for ship construction but also for all of the materials, systems, and foundry work that go into building a complete ship. Likewise, the Navy will have to expand capability in the ship repair industrial base, which consists of public and private shipyards that are struggling to execute maintenance programs to sustain the current fleet of approximately 300 battle force ships.

However, the economic consequences of the first global pandemic in over 100 years may have significant and potentially long-lasting ramifications on the Navy's already limited industrial bases for shipbuilding and ship repair.

Accordingly, in order to better understand and address the viability of future Navy ship construction and ship repair plans, the committee directs the Comptroller General to conduct a review of: (1) The Navy's current shipbuilding plan and the capability of the shipbuilding industrial base to support this plan; and (2) The ship maintenance plan and the capability of the ship repair industrial base to support that plan.

As part of this review, the Comptroller General shall assess the impacts of the COVID–19 pandemic on the Navy's ability to build and maintain quality ships on time and on schedule. This review shall also address the following questions: (1) What plans does the Navy have in place to execute its current shipbuilding and ship repair plans? (2) How does the Navy evaluate the health of its shipbuilding and ship repair industrial bases? (3) To what extent are shipbuilding and ship repair program performance affected by COVID-related issues? (4) How is the Navy assessing and addressing the consequences of COVID–19 on the shipbuilding and ship repair industrial bases, including lower-tier suppliers? (5) What challenges related to its industrial bases will the Navy likely face over the next decade that could present significant risk to achieving its shipbuilding and ship repair plans? (6) What other matters does the Comptroller General deem relevant to highlight?

The Comptroller General shall submit this review to the Committees on Armed Services of the Senate and House of Representatives not later than March 1, 2021. (Pages 47-48)

S.Rept. 116-236 also states

Shipbuilding industrial base

The committee notes that the ''Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2019'' stated, ''An efficient and supported industrial base is a fundamental requirement to achieving and sustaining the Navy's baseline acquisition profiles. Our shipbuilding industrial base and supporting vendor base constitute a national security imperative that is unique and that must be properly managed and protected. Over the previous five decades 14 defense-related new construction shipyards have closed, 3 have left the defense industry, and one new shipyard has opened. Today, the Navy contracts primarily with 7 private new-construction shipyards to build our future Battle Force, representing significantly less capacity than our principal competitors. If faced with the demands of a major conflict it may be possible to engage other industries to assist, but the cost of such assistance is currently unquantifiable.''

Consequently, the committee urges the Secretary of the Navy to properly manage and protect the domestic Navy shipbuilding industrial base and supporting vendor base. (Page 258)

S.Rept. 116-236 also states

Forward deployed naval forces in Europe

> The committee continues to support additional forward-basing of United States Navy destroyers in Rota, Spain. The ships currently stationed in Spain are among the most dynamically-employed assets of U.S. global maritime presence—performing ballistic missile defense missions, carrying out strikes in Syria, boosting U.S. presence across the European theater in support of allies and partners, and monitoring increasing Russian naval activities. At the same time, these ships have maintained some of the highest readiness rates of ships in the Navy, in part due to rigorous maintenance practices.
>
> The committee is concerned that increasing Russian naval activity in the European theater, which is at its highest level since the Cold War, presents a significant challenge to the implementation of the National Defense Strategy in the European theater. The committee is also aware of the significant advances in Russian naval capability, especially undersea.
>
> Due in part to these developments, the Commander, U.S. European Command, testified to the committee in February 2020 that he supports increasing from four to six the number of destroyers based in Rota, Spain. The Commander said that, based on the European Deterrence Initiative investments, Rota, Spain, facilities could support two more destroyers immediately. He also said that the two ships would ''improve our ability to get indications and warnings in the potential battle space and also dramatically improve our ability to better command and control.'' In March 2020, the Chief of Naval Operations also endorsed the additional naval presence before the committee. The committee finds the arguments of senior defense leadership to increase naval presence in Europe, and the mission flexibility it would provide, compelling.
>
> Therefore, the committee directs the Chief of Naval Operations and the Commander, U.S. European Command, not later than 15 days after the fiscal year 2022 budget request is submitted to the Congress, to provide a briefing to the Committees on Armed Services of the Senate and House of Representatives on the plan to base two additional destroyers at Rota, Spain. This brief shall include a detailed explanation, by fiscal year, of actions and the associated funding that will lead to the forward stationing of six destroyers based in Rota as soon as practicable. (Pages 308-209)

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 5121**, which states

> SEC. 5121. LIMITATION ON ALTERATION OF NAVY FLEET MIX.
>
> (a) Sense of Congress.--It is the sense of Congress that--
>
> (1) the United States shipbuilding and supporting vendor base constitute a national security imperative that is unique and must be protected;
>
> (2) a healthy and efficient industrial base continues to be a fundamental driver for achieving and sustaining a successful shipbuilding procurement strategy;
>
> (3) without consistent and continuous commitment to steady and predictable acquisition profiles, the industrial base will struggle and some elements may not survive; and
>
> (4) proposed reductions in the future-years defense program to the DDG-51 Destroyer procurement profile without a clear transition to procurement of the next Large Surface Combatant would adversely affect the shipbuilding industrial base and long-term strategic objectives of the Navy.
>
> (b) Limitation.--
>
> (1) In general.--The Secretary of the Navy may not deviate from the 2016 Navy Force Structure Assessment to implement the results of a new force structure assessment or new

> annual long-range plan for construction of naval vessels that would reduce the requirement for Large Surface Combatants to fewer than 104 such vessels until the date on which the Secretary of the Navy submits to the congressional defense committees the certification under paragraph (2) and the report under subsection (c).
>
> (2) Certification.--The certification referred to in paragraph (1) is a certification, in writing, that each of the following conditions have been satisfied:
>
> (A) The large surface combatant shipbuilding industrial base and supporting vendor base would not significantly deteriorate due to a reduced procurement profile.
>
> (B) The Navy can mitigate the reduction in anti-air and ballistic missile defense capabilities due to having a reduced number of DDG-51 Destroyers with the advanced AN/SPY-6 radar in the next three decades.
>
> (c) Report.--Not later than 90 days after the date of the enactment of this Act, the Secretary of the Navy shall submit to the congressional defense committees a report that includes--
>
> (1) a description of likely detrimental impacts to the large surface combatant industrial base and the Navy's plan to mitigate any such impacts if the fiscal year 2021 future-years defense program were implemented as proposed;
>
> (2) a review of the benefits to the Navy fleet of the new AN/SPY-6 radar to be deployed aboard Flight III variant DDG-51 Destroyers, which are currently under construction, as well as an analysis of impacts to the fleet's warfighting capabilities, should the number of such destroyers be reduced; and
>
> (3) a plan to fully implement section 131 of the National Defense Authorization for Fiscal Year 2020 (P.L. 116-92), including subsystem prototyping efforts and funding by fiscal year.

Senate Amendment 2301 would also, 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 6**.

Section 8129 of H.R. 7617 as reported by the committee states

> Sec. 8129. None of the funds provided in this Act for requirements development, performance specification development, concept design and development, ship

configuration development, systems engineering, naval architecture, marine engineering, operations research analysis, industry studies, preliminary design, development of the Detailed Design and Construction Request for Proposals solicitation package, or related activities for the AS(X) Submarine Tender, T-ARC(X) Cable Laying and Repair Ship, T-AGOS(X) Oceanographic Surveillance Ship, Light Amphibious Warship, Next Generation Medium Amphibious Ship, or Next Generation Medium Logistics Ship may be used to award a new contract for such activities unless these contracts include specifications that all hull, mechanical, and electrical components are manufactured in the United States.

Regarding both Section 8129 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)

Section 8130 of H.R. 7617 as reported by the committee states

Sec. 8130. None of the funds made available by this Act may be obligated or expended for the purpose of decommissioning any Navy Littoral Combat Ships.

Regarding Section 8103, H.Rept. 116-453 states

LITTORAL COMBAT SHIP DECOMMISSIONS

The Committee is concerned with the Navy's proposal to decommission the first four Littoral Combat Ships well before the end of their service lives. The Navy continues to assert a goal of 355 ships, even though annual budget requests do not support this position. Additionally, the Committee believes it is shortsighted for the Navy to always procure new ships, rather than effectively maintaining and upgrading the ships currently in the Navy's inventory. Therefore, the Committee recommendation includes a provision which prohibits the use of funds for the purpose of decommissioning any Littoral Combat Ships.

The Committee is also concerned with the lack of a United States naval ship presence in Central and South America and believes that Littoral Combat Ships could be effective for the missions required in the Southern Command area of responsibility. The Committee directs the Secretary of the Navy to submit a report to the congressional defense committees not later than 30 days after the enactment of this Act on what upgrades would be required for these ships to effectively conduct operations in the Southern Command area of responsibility. (Page 13)

H.Rept. 116-453 also states

SHIP TO SHORE CONNECTOR

The Committee remains supportive of the Ship to Shore Connector (SSC) acquisition program which aims to replace the rapidly aging Landing Craft Air Cushion vehicle fleet. While the Committee is concerned with program delays, it is encouraged by the first craft delivery and the award to build the next 15 SSCs. This award, which includes an additional SSC provided by Congress in the Department of Defense Appropriations Act, 2020, helps fulfill an important ''Operational Maneuver from the Sea'' requirement. This will allow the Navy and Marine Corps to fulfill future amphibious assault and humanitarian missions. The Committee encourages the Secretary of the Navy to ensure next-generation SSC craft

continue to be an integral element of the fleet's responsibilities for ensuring personnel and equipment are supplied from amphibious ships to the shore. (Page 185)

SHIPS Implementation Act (S. 3258)

On February 5, 2020, Senator Wicker introduced the Securing the Homeland by Increasing our Power on the Seas (SHIPS) Implementation Act. The text of the bill states

A BILL

To foster the implementation of the policy of the United States to achieve 355 battle force ships as soon as practicable.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. Short title.

This Act may be cited as the "Securing the Homeland by Increasing our Power on the Seas Implementation Act" or "SHIPS Implementation Act".

SEC. 2. Findings.

Congress makes the following findings:

(1) The 2016 Navy Force Structure Assessment (FSA) started with a request to the combatant commanders to provide their unconstrained desire for Navy forces in their respective theaters consistent with meeting the demands of the Defense Planning Scenarios. To fully resource these platform-specific demands with very little risk in any theater while supporting enduring missions, ongoing two operations and setting the theater for prompt warfighting response, the Navy would require a 653-ship force.

(2) The 2016 Navy FSA further determined that a 355-ship battle force is the level that balances an acceptable level of warfighting risk to Navy equipment and personnel against available resources and achieves a force size that can reasonably achieve success.

(3) On March 27, 2019, before the Committee on Armed Services of the Senate, Vice Admiral William Merz testified, "I certainly do not expect the [355-ship requirement] to go any lower. I would not be surprised if it goes up in several categories.".

(4) The Navy battle force currently consists of 293 ships.

(5) The Navy projects having 313 battle force ships in 2025.

(6) The Navy assesses the size of the People's Liberation Army Navy as having surpassed that of the United States Navy and predicts that it will reach 400 ships in 2025.

(7) Section 1025 of the National Defense Authorization Act for Fiscal Year 2018 (Public Law 115–91; 10 U.S.C. 7921 note) established the policy of the United States to have available, as soon as practicable, not fewer than 355 battle force ships, with funding subject to the availability of appropriations or other funds.

(8) The Department of Defense has been able to achieve program efficiencies and cost savings by using multiyear and block buy contracting with many weapons programs. These contracting strategies are currently being utilized to procure Ford-class aircraft carriers, Arleigh Burke-class destroyers, Virginia-class submarines, and John Lewis-class fleet oilers.

SEC. 3. Sense of Congress on implementation of the Securing the Homeland by Increasing our Power on the Seas Implementation Act.

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 using the National Sea Based Deterrence Fund with funds that are in addition to the Navy budget in recognition of the critical single national mission that these vessels will perform;

(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 subsystems 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.

SEC. 4. Procurement authorities for certain shipbuilding programs.

(a) Contract authority.—

(1) PROCUREMENT AUTHORIZED.—In fiscal year 2021, the Secretary of the Navy may enter into one or more contracts for the procurement of any or all of the following groups of vessels:

(A) Three San Antonio-class amphibious ships and one America-class amphibious ship.

(B) Two Columbia-class submarines.

(C) Six John Lewis-class fleet oilers.

(2) PROCUREMENT IN CONJUNCTION WITH EXISTING CONTRACTS.—The ships authorized to be procured under paragraph (1) may be procured as additions to existing contracts covering such programs.

(b) Certification required.—A contract may not be entered into under subsection (a) unless the Secretary of the Navy certifies to the congressional defense committees, in writing, not later than 30 days before entry into the contract, each of the following, which shall be prepared by the milestone decision authority for such programs:

(1) The use of such a contract will result in significant savings compared to the total anticipated costs of carrying out the program through annual contracts. In certifying cost savings under the preceding sentence, the Secretary shall include a written explanation of—

(A) the estimated end cost and appropriated funds by fiscal year, by hull, without the authority provided in subsection (a);

(B) the estimated end cost and appropriated funds by fiscal year, by hull, with the authority provided in subsection (a);

(C) the estimated cost savings or increase by fiscal year, by hull, with the authority provided in subsection (a);

(D) the discrete actions that will accomplish such cost savings or avoidance; and

(E) the contractual actions that will ensure the estimated cost savings are realized.

(2) There is a reasonable expectation that throughout the contemplated contract period the Secretary of the Navy will request funding for the contract at the level required to avoid contract cancellation.

(3) There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.

(4) The estimates of both the cost of the contract and the anticipated cost avoidance through the use of a contract authorized under subsection (a) are realistic.

(5) The use of such a contract will promote the national security of the United States.

(6) During the fiscal year in which such contract is to be awarded, sufficient funds will be available to perform the contract in such fiscal year, and the future-years defense program (as defined under section 221 of title 10, United States Code) for such fiscal year will include the funding required to execute the program without cancellation.

(c) Use of incremental funding.—With respect to a contract or contracts entered into pursuant to subsection (a)(1)(B), the Secretary of the Navy may use incremental funding to make payments under the contract with funds appropriated to the Shipbuilding and Conversion, Navy or National Sea Based Deterrence Fund accounts through fiscal year 2025.

(d) Authority for advance procurement.—The Secretary of the Navy may enter into one or more contracts for advance procurement associated with a vessel or vessels for which authorization to enter into a multiyear procurement contract is provided under subsection (a), and for systems and subsystems associated with such vessels in economic order quantities when cost savings are achievable.

(e) Condition for out-Year contract payments.—A contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract for a fiscal year is subject to the availability of appropriations for that purpose for such fiscal year.

(f) Definitions.—In this section:

(1) CONGRESSIONAL DEFENSE COMMITTEES.—The term “congressional defense committees” has the meaning given the term in section 101(a)(16) of title 10, United States Code.

(2) MILESTONE DECISION AUTHORITY.—The term “milestone decision authority” has the meaning given the term in section 2366a(d) of title 10, United States Code.

Appendix A. Strategic and Budgetary Context

This appendix presents some brief comments on elements of the strategic and budgetary context in which U.S. Navy force structure and shipbuilding plans may be considered.

Shift in International Security Environment

World events in recent years have led observers, particularly since late 2013, to conclude that the international security environment in recent years has undergone a shift from the post-Cold War era that began in the late 1980s and early 1990s, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different situation that features, among other things, renewed great power competition with China and Russia and challenges by these two countries and others to elements of the U.S.-led international order that has operated since World War II. This situation, which has multiple potential implications for U.S. defense plans and programs, is discussed further in another CRS report.[90]

World Geography, U.S. Grand Strategy, and U.S. Naval Forces[91]

From a U.S. perspective on grand strategy and geopolitics,[92] it can be noted that most of the world's people, resources, and economic activity are located not in the Western Hemisphere, but in the other hemisphere, particularly Eurasia. In response to this basic feature of world geography, U.S. policymakers for the past several decades have chosen to pursue, as a key element of U.S. national strategy, a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, on the grounds that such a hegemon could represent a concentration of power strong enough to threaten vital U.S. interests by, for example, denying the United States access to some of the other hemisphere's resources and economic activity. Although U.S. policymakers have not often stated this key national strategic goal explicitly in public, U.S. military (and diplomatic) operations in recent decades—both wartime operations and day-to-day operations—can be viewed as having been carried out in no small part in support of this key goal.

The traditional U.S. goal of preventing the emergence of a regional hegemon in one part of Eurasia or another has been a major reason why the U.S. military is structured with force elements that enable it to cross broad expanses of ocean and air space and then conduct sustained,

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[90] CRS Report R43838, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

[91] For a stand-alone CRS product covering much of the same material presented in this section, see CRS In Focus IF10485, *Defense Primer: Geography, Strategy, and U.S. Force Design*, by Ronald O'Rourke.

[92] The term *grand strategy* generally refers in foreign policy discussions to a country's overall approach for securing its interests and making its way in the world, using all the national instruments at its disposal, including diplomatic, informational, military, and economic tools (sometimes abbreviated in U.S. government parlance as DIME). A country's role in the world can be viewed as a visible expression of its grand strategy. For the United States, grand strategy can be viewed as a design or blueprint at a global or interregional level, as opposed to U.S. approaches for individual regions, countries, or issues.

The term *geopolitics* is often used as a synonym for international politics or for strategy relating to international politics. More specifically, it refers to the influence of basic geographic features on international relations, and to the analysis of international relations from a perspective that places a strong emphasis on the influence of such geographic features. Basic geographic features involved in geopolitical analysis include things such as the relative sizes and locations of countries or land masses; the locations of key resources such as oil or water; geographic barriers such as oceans, deserts, and mountain ranges; and key transportation links such as roads, railways, and waterways.

For additional discussion, see CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by Ronald O'Rourke and Michael Moodie.

large-scale military operations upon arrival. Force elements associated with this goal include, among other things, an Air Force with significant numbers of long-range bombers, long-range surveillance aircraft, long-range airlift aircraft, and aerial refueling tankers, and a Navy with significant numbers of aircraft carriers, nuclear-powered attack submarines, large surface combatants, large amphibious ships, and underway replenishment ships.

The United States is the only country in the world that has designed its military to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. The other countries in the Western Hemisphere do not design their forces to do this because they cannot afford to, and because the United States has been, in effect, doing it for them. Countries in the other hemisphere do not design their forces to do this for the very basic reason that they are already in the other hemisphere, and consequently instead spend their defense money on forces that are tailored largely for influencing events in their own local region.

The fact that the United States has designed its military to do something that other countries do not design their forces to do—cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival—can be important to keep in mind when comparing the U.S. military to the militaries of other nations. For example, in observing that the U.S. Navy has 11 aircraft carriers while other countries have no more than one or two, it can be noted other countries do not need a significant number of aircraft carriers because, unlike the United States, they are not designing their forces to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival.

As another example, it is sometimes noted, in assessing the adequacy of U.S. naval forces, that U.S. naval forces are equal in tonnage to the next dozen or more navies combined, and that most of those next dozen or more navies are the navies of U.S. allies. Those other fleets, however, are mostly of Eurasian countries, which do not design their forces to cross to the other side of the world and then conduct sustained, large-scale military operations upon arrival. The fact that the U.S. Navy is much bigger than allied navies does not necessarily prove that U.S. naval forces are either sufficient or excessive; it simply reflects the differing and generally more limited needs that U.S. allies have for naval forces. (It might also reflect an underinvestment by some of those allies to meet even their more limited naval needs.)

Countries have differing needs for naval and other military forces. The United States, as a country located in the Western Hemisphere that has adopted a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, has defined a need for naval and other military forces that is quite different from the needs of allies that are located in Eurasia. The sufficiency of U.S. naval and other military forces consequently is best assessed not through comparison to the militaries of other countries, but against U.S. strategic goals.

More generally, from a geopolitical perspective, it can be noted that that U.S. naval forces, while not inexpensive, give the United States the ability to convert the world's oceans—a global commons that covers more than two-thirds of the planet's surface—into a medium of maneuver and operations for projecting U.S. power ashore and otherwise defending U.S. interests around the world. The ability to use the world's oceans in this manner—and to deny other countries the use of the world's oceans for taking actions against U.S. interests—constitutes an immense asymmetric advantage for the United States. This point would be less important if less of the world were covered by water, or if the oceans were carved into territorial blocks, like the land. Most of the world, however, is covered by water, and most of those waters are international waters, where naval forces can operate freely. The point, consequently, is not that U.S. naval forces are intrinsically special or privileged—it is that they have a certain value simply as a consequence of the physical and legal organization of the planet.

Potential Change in U.S. Role in the World

The U.S. role in the world refers to the overall character, purpose, or direction of U.S. participation in international affairs and the country's overall relationship to the rest of the world. The U.S. role in the world can be viewed as establishing the overall context or framework for U.S. policymakers for developing, implementing, and measuring the success of U.S. policies and actions on specific international issues, and for foreign countries or other observers for interpreting and understanding U.S. actions on the world stage.

While descriptions of the U.S. role in the world since the end of World War II vary in their specifics, it can be described in general terms as consisting of four key elements: global leadership; defense and promotion of the liberal international order; defense and promotion of freedom, democracy, and human rights; and prevention of the emergence of regional hegemons in Eurasia.

A change in the U.S. role could have significant and even profound effects on U.S. security, freedom, and prosperity. It could lead to a change in U.S. grand strategy (see previous section), which in turn could lead to significant changes to U.S. defense plans and programs, including plans and programs relating to the Navy.

Some observers, particularly critics of the Trump Administration, argue that under the Trump Administration, the United States is substantially changing the U.S. role in the world. Other observers, particularly supporters of the Trump Administration, while acknowledging that the Trump Administration has changed U.S. foreign policy in a number of areas compared to policies pursued by the Obama Administration, argue that under the Trump Administration, there has been less change and more continuity regarding the U.S. role in the world. The situation is discussed further in another CRS report.[93]

Declining U.S. Technological and Qualitative Edge

DOD officials have expressed concern that the technological and qualitative edge that U.S. military forces have had relative to the military forces of other countries is being narrowed by improving military capabilities in other countries. China's improving military capabilities are a primary contributor to that concern.[94] Russia's rejuvenated military capabilities are an additional contributor. DOD in recent years has taken a number of actions to arrest and reverse the decline in the U.S. technological and qualitative edge.[95]

China's Naval Modernization Effort

Observers of Chinese and U.S. military forces view China's improving naval capabilities as posing a potential challenge in the Western Pacific to the U.S. Navy's ability to achieve and maintain control of blue-water ocean areas in wartime—the first such challenge the U.S. Navy has faced since the end of the Cold War.[96] More broadly, these observers view China's naval

[93] See CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by Ronald O'Rourke and Michael Moodie.

[94] For more on China's naval modernization effort, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

[95] For additional discussion, see CRS Report R43838, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

[96] The term "blue-water ocean areas" is used here to mean waters that are away from shore, as opposed to near-shore

capabilities as a key element of an emerging broader Chinese military challenge to the long-standing status of the United States as the leading military power in the Western Pacific.

Constraints on Defense Spending

Constraints on defense spending, combined with some of the considerations above, have led to discussions among observers about how to balance competing demands for finite U.S. defense funds, and about whether programs for responding to China's military modernization effort can be adequately funded while also adequately funding other defense-spending priorities, such as initiatives for responding to Russia's actions in Ukraine and elsewhere in Europe and U.S. operations for countering challenges to U.S. interests in the Middle East.

(i.e., littoral) waters. Iran is viewed as posing a challenge to the U.S. Navy's ability to quickly achieve and maintain sea control in littoral waters in and near the Strait of Hormuz.

Appendix B. Earlier Navy Force-Structure Goals Dating Back to 2001

The table below shows earlier Navy force-structure goals dating back to 2001. The 308-ship force-level goal of March 2015, shown in the first column of the table, is the goal that was replaced by the 355-ship force-level goal released in December 2016.

Table B-1. Earlier Navy Force-Structure Goals Dating Back to 2001

Ship type	308-ship goal of March 2015	306-ship goal of January 2013	~310-316 ship goal of March 2012	Revised 313-ship goal of September 2011	Changes to February 2006 313-ship goal announced through mid-2011	February 2006 Navy goal for 313-ship fleet	Early-2005 Navy goal for fleet of 260-325 ships		2002-2004 Navy goal for 375-ship Navy[a]	2001 QDR goal for 310-ship Navy
							260-ships	325-ships		
Ballistic missile submarines (SSBNs)	12[b]	12[b]	12-14[b]	12[b]	12[b]	14	14	14	14	14
Cruise missile submarines (SSGNs)	0[c]	0[c]	0-4[c]	4[c]	0[c]	4	4	4	4	2 or 4[d]
Attack submarines (SSNs)	48	48	~48	48	48	48	37	41	55	55
Aircraft carriers	11[e]	11[e]	11[e]	11[e]	11[e]	11[f]	10	11	12	12
Cruisers and destroyers	88	88	~90	94	94[g]	88	67	92	104	116
Frigates	0	0	0	0	0	0	0	0	0	
Littoral Combat Ships (LCSs)	52	52	~55	55	55	55	63	82	56	0
Amphibious ships	34	33	~32	33	33[h]	31	17	24	37	36
MPF(F) ships[i]	0[i]	0[i]	0[i]	0[i]	0[i]	12[i]	14[i]	20[i]	0[i]	0[i]
Combat logistics (resupply) ships	29	29	~29	30	30	30	24	26	42	34
Dedicated mine warfare ships	0	0	0	0	0	0	0	0	26[k]	16
Joint High Speed Vessels (JHSVs)	10[l]	10[l]	10[l]	10[l]	21[l]	3	0	0	0	0
Other[m]	24	23	~23	16	24[n]	17	10	11	25	25
Total battle force ships	**308**	**306**	**~310-316**	**313**	**328**	**313**	**260**	**325**	**375**	**310 or 312**

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

Notes: QDR is Quadrennial Defense Review. The "~" symbol means approximately.

a. Initial composition. Composition was subsequently modified.

b. The Navy plans to replace the 14 current Ohio-class SSBNs with a new class of 12 next-generation SSBNs. For further discussion, see CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

c. Although the Navy plans to continue operating its four SSGNs until they reach retirement age in the late 2020s, the Navy does not plan to replace these ships when they retire. This situation can be expressed in a table like this one with either a 4 or a 0.

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 be 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-1 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. AFSBs are now called Expeditionary Sea Base ships (ESBs).

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 goal 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-1 class cargo ships, and three Mobile Landing Platform (MLP) ships—that were previously intended for the planned (but now canceled) MPF(F) squadron.

Appendix C. Comparing Past Ship Force Levels to Current or Potential Future 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 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,[97] and as of September 17, 2020, included a total of 296 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 multitheater NATO-Warsaw Pact conflict, while the September 2020 fleet is intended to meet a considerably different set of mission requirements centered on countering China's improving naval capabilities. In addition, the Navy of FY1987 differed substantially from the September 2020 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.[98]

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 296-ship fleet of September 2020 may or may not be capable of performing its stated missions; and a fleet years from now with a certain number of ships may or may not be capable of performing its stated missions. Given changes over time in mission requirements, ship mixes, and technologies, however, these three issues are to a substantial degree independent of one another.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An

[97] 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.

[98] C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.

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 290-ship Navy of September 2019 was appropriately sized for meeting the mission requirements of 2019, even though there were differences of opinion among observers on that question, simply because a figure of 290 ships appears in the historical records for 2019, 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 H-1**.

Previous Navy force structure plans, such as those shown in **Table B-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 goal 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.[99]

[99] Navy force structure plans that predate those shown in **Table B-1** include the Reagan-era 600-ship goal 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
Total ships	~600	~450/416[a]	346	~305/310[b]
Attack submarines	100	80/~55[c]	45-55	50/55[d]
Aircraft carriers	15[e]	12	11+1[f]	11+1[f]
Surface combatants	242/228[g]	~150	~124	116
Amphibious ships	~75[h]	51[i]	41[i]	36[i]

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

a. Commonly referred to as 450-ship goal, but called for decreasing to 416 ships by end of FY1999.

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

Appendix D. Industrial Base and Employment Aspects of Additional Shipbuilding Work

This appendix presents background information on the ability of the industrial base to take on the additional shipbuilding work associated with achieving and maintaining the Navy's 355-ship force-level goal and on the employment impact of additional shipbuilding work.

Industrial Base Ability

The U.S. shipbuilding industrial base has some unused capacity to take on increased Navy shipbuilding work, particularly for certain kinds of surface ships, and its capacity could be increased further over time to support higher Navy shipbuilding rates. Navy shipbuilding rates could not be increased steeply across the board overnight—time (and investment) would be needed to hire and train additional workers and increase production facilities at shipyards and supplier firms, particularly for supporting higher rates of submarine production. Depending on their specialties, newly hired workers could be initially less productive per unit of time worked than more experienced workers.

Some parts of the shipbuilding industrial base, such as the submarine construction industrial base, could face more challenges than others in ramping up to the higher production rates required to build the various parts of the 355-ship fleet. Over a period of a few to several years, with investment and management attention, Navy shipbuilding could ramp up to higher rates for achieving a 355-ship fleet over a period of 20-30 years.

An April 2017 CBO report stated that

> all seven shipyards [currently involved in building the Navy's major ships] would need to increase their workforces and several would need to make improvements to their infrastructure in order to build ships at a faster rate. However, certain sectors face greater obstacles in constructing ships at faster rates than others: Building more submarines to meet the goals of the 2016 force structure assessment would pose the greatest challenge to the shipbuilding industry. Increasing the number of aircraft carriers and surface combatants would pose a small to moderate challenge to builders of those vessels. Finally, building more amphibious ships and combat logistics and support ships would be the least problematic for the shipyards. The workforces across those yards would need to increase by about 40 percent over the next 5 to 10 years. Managing the growth and training of those new workforces while maintaining the current standard of quality and efficiency would represent the most significant industrywide challenge. In addition, industry and Navy sources indicate that as much as $4 billion would need to be invested in the physical infrastructure of the shipyards to achieve the higher production rates required under the [notional] 15-year and 20-year [buildup scenarios examined by CBO]. Less investment would be needed for the [notional] 25-year or 30-year [buildup scenarios examined by CBO].[100]

A January 13, 2017, press report states the following:

> The Navy's production lines are hot and the work to prepare them for the possibility of building out a much larger fleet would be manageable, the service's head of acquisition said Thursday.
>
> From a logistics perspective, building the fleet from its current 274 ships to 355, as recommended in the Navy's newest force structure assessment in December, would be

[100] Congressional Budget Office, *Costs of Building a 355-Ship Navy*, April 2017, pp. 9-10.

> straightforward, Assistant Secretary of the Navy for Research, Development and Acquisition Sean Stackley told reporters at the Surface Navy Association's annual symposium.
>
> "By virtue of maintaining these hot production lines, frankly, over the last eight years, our facilities are in pretty good shape," Stackley said. "In fact, if you talked to industry, they would say we're underutilizing the facilities that we have."
>
> The areas where the Navy would likely have to adjust "tooling" to answer demand for a larger fleet would likely be in Virginia-class attack submarines and large surface combatants, the DDG-51 guided missile destroyers—two ship classes likely to surge if the Navy gets funding to build to 355 ships, he said.
>
> "Industry's going to have to go out and procure special tooling associated with going from current production rates to a higher rate, but I would say that's easily done," he said.
>
> Another key, Stackley said, is maintaining skilled workers—both the builders in the yards and the critical supply-chain vendors who provide major equipment needed for ship construction. And, he suggested, it would help to avoid budget cuts and other events that would force workforce layoffs.
>
> "We're already prepared to ramp up," he said. "In certain cases, that means not laying off the skilled workforce we want to retain."[101]

A January 17, 2017, press report states the following:

> Building stable designs with active production lines is central to the Navy's plan to grow to 355 ships. "if you look at the 355-ship number, and you study the ship classes (desired), the big surge is in attack submarines and large surface combatants, which today are DDG-51 (destroyers)," the Assistant Secretary of the Navy, Sean Stackley, told reporters at last week's Surface Navy Association conference. Those programs have proven themselves reliable performers both at sea and in the shipyards.
>
> From today's fleet of 274 ships, "we're on an irreversible path to 308 by 2021. Those ships are already in construction," said Stackley. "To go from there to 355, virtually all those ships are currently in production, with some exceptions: Ohio Replacement, (we) just got done the Milestone B there (to move from R&D into detailed design); and then upgrades to existing platforms. So we have hot production lines that will take us to that 355-ship Navy."[102]

A January 24, 2017, press report states the following:

> Navy officials say a recently determined plan to increase its fleet size by adding more new submarines, carriers and destroyers is "executable" and that early conceptual work toward this end is already underway....
>
> Although various benchmarks will need to be reached in order for this new plan to come to fruition, such as Congressional budget allocations, Navy officials do tell Scout Warrior that the service is already working—at least in concept—on plans to vastly enlarge the fleet. Findings from this study are expected to inform an upcoming 2018 Navy Shipbuilding Plan, service officials said.[103]

A January 12, 2017, press report states the following:

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[101] Hope Hodge Seck, "Navy Acquisition Chief: Surge to 355 Ships 'Easily Done,'" *DoD Buzz*, January 13, 2017.

[102] Sydney J. Freedberg Jr., "Build More Ships, But Not New Designs: CNO Richardson To McCain," *Breaking Defense*, January 17, 2017.

[103] Kris Osborn, "Navy: Larger 355-Ship Fleet—'Executable,'" *Scout Warrior*, January 24, 2017.

> Brian Cuccias, president of Ingalls Shipbuilding [a shipyard owned by Huntington Ingalls Industries (HII) that builds Navy destroyers and amphibious ships as well as Coast Guard cutters], said Ingalls, which is currently building 10 ships for four Navy and Coast Guard programs at its 800-acre facility in Pascagoula, Miss., could build more because it is using only 70 to 75 percent of its capacity.[104]

A March 2017 press report states the following:

> As the Navy calls for a larger fleet, shipbuilders are looking toward new contracts and ramping up their yards to full capacity....
>
> The Navy is confident that U.S. shipbuilders will be able to meet an increased demand, said Ray Mabus, then-secretary of the Navy, during a speech at the Surface Navy Association's annual conference in Arlington, Virginia.
>
> They have the capacity to "get there because of the ships we are building today," Mabus said. "I don't think we could have seven years ago."
>
> Shipbuilders around the United States have "hot" production lines and are manufacturing vessels on multi-year or block buy contracts, he added. The yards have made investments in infrastructure and in the training of their workers.
>
> "We now have the basis ... [to] get to that much larger fleet," he said....
>
> Shipbuilders have said they are prepared for more work.
>
> At Ingalls Shipbuilding—a subsidiary of Huntington Ingalls Industries—10 ships are under construction at its Pascagoula, Mississippi, yard, but it is under capacity, said Brian Cuccias, the company's president.
>
> The shipbuilder is currently constructing five guided-missile destroyers, the latest San Antonio-class amphibious transport dock ship, and two national security cutters for the Coast Guard.
>
> "Ingalls is a very successful production line right now, but it has the ability to actually produce a lot more in the future," he said during a briefing with reporters in January.
>
> The company's facility is currently operating at 75 percent capacity, he noted....
>
> Austal USA—the builder of the Independence-variant of the littoral combat ship and the expeditionary fast transport vessel—is also ready to increase its capacity should the Navy require it, said Craig Perciavalle, the company's president.
>
> The latest discussions are "certainly something that a shipbuilder wants to hear," he said. "We do have the capability of increasing throughput if the need and demand were to arise, and then we also have the ability with the present workforce and facility to meet a different mix that could arise as well."
>
> Austal could build fewer expeditionary fast transport vessels and more littoral combat ships, or vice versa, he added.
>
> "The key thing for us is to keep the manufacturing lines hot and really leverage the momentum that we've gained on both of the programs," he said.
>
> The company—which has a 164-acre yard in Mobile, Alabama—is focused on the extension of the LCS and expeditionary fast transport ship program, but Perciavalle noted that it could look into manufacturing other types of vessels.

[104] Marc Selinger, "Navy Needs More Aircraft to Match Ship Increase, Secretary [of the Navy] Says," *Defense Daily*, January 12, 2017. See also Lee Hudson, "Ingalls Operating at About 75 Percent Capacity, Provided Info to Trump Team," *Inside the Navy*, January 16, 2017.

> "We do have excess capacity to even build smaller vessels … if that opportunity were to arise and we're pursuing that," he said.
>
> Bryan Clark, a naval analyst at the Center for Strategic and Budgetary Assessments, a Washington, D.C.-based think tank, said shipbuilders are on average running between 70 and 80 percent capacity. While they may be ready to meet an increased demand for ships, it would take time to ramp up their workforces.
>
> However, the bigger challenge is the supplier industrial base, he said.
>
> "Shipyards may be able to build ships but the supplier base that builds the pumps … and the radars and the radios and all those other things, they don't necessarily have that ability to ramp up," he said. "You would need to put some money into building up their capacity."
>
> That has to happen now, he added.
>
> Rear Adm. William Gallinis, program manager for program executive office ships, said what the Navy must be "mindful of is probably our vendor base that support the shipyards."
>
> Smaller companies that supply power electronics and switchboards could be challenged, he said.
>
> "Do we need to re-sequence some of the funding to provide some of the facility improvements for some of the vendors that may be challenged? My sense is that the industrial base will size to the demand signal. We just need to be mindful of how we transition to that increased demand signal," he said.
>
> The acquisition workforce may also see an increased amount of stress, Gallinis noted. "It takes a fair amount of experience and training to get a good contracting officer to the point to be [able to] manage contracts or procure contracts."
>
> "But I don't see anything that is insurmountable," he added.[105]

At a May 24, 2017, hearing before the Seapower subcommittee of the Senate Armed Services Committee on the industrial-base aspects of the Navy's 355-ship goal, John P. Casey, executive vice president–marine systems, General Dynamics Corporation (one of the country's two principal builders of Navy ships) stated the following:

> It is our belief that the Nation's shipbuilding industrial base can scale-up hot production lines for existing ships and mobilize additional resources to accomplish the significant challenge of achieving the 355-ship Navy as quickly as possible....
>
> Supporting a plan to achieve a 355-ship Navy will be the most challenging for the nuclear submarine enterprise. Much of the shipyard and industrial base capacity was eliminated following the steep drop-off in submarine production that occurred with the cancellation of the Seawolf Program in 1992. The entire submarine industrial base at all levels of the supply chain will likely need to recapitalize some portion of its facilities, workforce, and supply chain just to support the current plan to build the Columbia Class SSBN program, while concurrently building Virginia Class SSNs. Additional SSN procurement will require industry to expand its plans and associated investment beyond the level today....
>
> Shipyard labor resources include the skilled trades needed to fabricate, build and outfit major modules, perform assembly, test and launch of submarines, and associated support organizations that include planning, material procurement, inspection, quality assurance, and ship certification. Since there is no commercial equivalency for Naval nuclear submarine shipbuilding, these trade resources cannot be easily acquired in large numbers from other industries. Rather, these shipyard resources must be acquired and developed over time to ensure the unique knowledge and know-how associated with nuclear

[105] Yasmin Tadjdeh, "Navy Shipbuilders Prepared for Proposed Fleet Buildup," *National Defense*, March 2017.

submarine shipbuilding is passed on to the next generation of shipbuilders. The mechanisms of knowledge transfer require sufficient lead time to create the proficient, skilled craftsmen in each key trade including welding, electrical, machining, shipfitting, pipe welding, painting, and carpentry, which are among the largest trades that would need to grow to support increased demand. These trades will need to be hired in the numbers required to support the increased workload. Both shipyards have scalable processes in place to acquire, train, and develop the skilled workforce they need to build nuclear ships. These processes and associated training facilities need to be expanded to support the increased demand. As with the shipyards, the same limiting factors associated with facilities, workforce, and supply chain also limit the submarine unique first tier suppliers and sub-tiers in the industrial base for which there is no commercial equivalency....

The supply base is the third resource that will need to be expanded to meet the increased demand over the next 20 years. During the OHIO, 688 and SEAWOLF construction programs, there were over 17,000 suppliers supporting submarine construction programs. That resource base was "rationalized" during submarine low rate production over the last 20 years. The current submarine industrial base reflects about 5,000 suppliers, of which about 3,000 are currently active (i.e., orders placed within the last 5 years), 80% of which are single or sole source (based on $). It will take roughly 20 years to build the 12 Columbia Class submarines that starts construction in FY21. The shipyards are expanding strategic sourcing of appropriate non-core products (e.g., decks, tanks, etc.) in order to focus on core work at each shipyard facility (e.g., module outfitting and assembly). Strategic sourcing will move demand into the supply base where capacity may exist or where it can be developed more easily. This approach could offer the potential for cost savings by competition or shifting work to lower cost work centers throughout the country. Each shipyard has a process to assess their current supply base capacity and capability and to determine where it would be most advantageous to perform work in the supply base....

Achieving the increased rate of production and reducing the cost of submarines will require the Shipbuilders to rely on the supply base for more non-core products such as structural fabrication, sheet metal, machining, electrical, and standard parts. The supply base must be made ready to execute work with submarine-specific requirements at a rate and volume that they are not currently prepared to perform. Preparing the supply base to execute increased demand requires early non-recurring funding to support cross-program construction readiness and EOQ funding to procure material in a manner that does not hold up existing ship construction schedules should problems arise in supplier qualification programs. This requires longer lead times (estimates of three years to create a new qualified, critical supplier) than the current funding profile supports....

We need to rely on market principles to allow suppliers, the shipyards and GFE material providers to sort through the complicated demand equation across the multiple ship programs. Supplier development funding previously mentioned would support non-recurring efforts which are needed to place increased orders for material in multiple market spaces. Examples would include valves, build-to-print fabrication work, commodities, specialty material, engineering components, etc. We are engaging our marine industry associations to help foster innovative approaches that could reduce costs and gain efficiency for this increased volume....

Supporting the 355-ship Navy will require Industry to add capability and capacity across the entire Navy Shipbuilding value chain. Industry will need to make investment decisions for additional capital spend starting now in order to meet a step change in demand that would begin in FY19 or FY20. For the submarine enterprise, the step change was already envisioned and investment plans that embraced a growth trajectory were already being formulated. Increasing demand by adding additional submarines will require scaling facility and workforce development plans to operate at a higher rate of production. The nuclear shipyards would also look to increase material procurement proportionally to the increased demand. In some cases, the shipyard facilities may be constrained with existing

capacity and may look to source additional work in the supply base where capacity exists or where there are competitive business advantages to be realized. Creating additional capacity in the supply base will require non-recurring investment in supplier qualification, facilities, capital equipment and workforce training and development.

Industry is more likely to increase investment in new capability and capacity if there is certainty that the Navy will proceed with a stable shipbuilding plan. Positive signals of commitment from the Government must go beyond a published 30-year Navy Shipbuilding Plan and line items in the Future Years Defense Plan (FYDP) and should include

- Multi-year contracting for Block procurement which provides stability in the industrial base and encourages investment in facilities and workforce development
- Funding for supplier development to support training, qualification, and facilitization efforts—Electric Boat and Newport News have recommended to the Navy funding of $400M over a three-year period starting in 2018 to support supplier development for the Submarine Industrial Base as part of an Integrated Enterprise Plan Extended Enterprise initiative
- Acceleration of Advance Procurement and/or Economic Order Quantities (EOQ) procurement from FY19 to FY18 for Virginia Block V
- Government incentives for construction readiness and facilities / special tooling for shipyard and supplier facilities, which help cash flow capital investment ahead of construction contract awards
- Procurement of additional production back-up (PBU) material to help ensure a ready supply of material to mitigate construction schedule risk....

So far, this testimony has focused on the Submarine Industrial Base, but the General Dynamics Marine Systems portfolio also includes surface ship construction. Unlike Electric Boat, Bath Iron Works and NASSCO are able to support increased demand without a significant increase in resources.....

Bath Iron Works is well positioned to support the Administration's announced goal of increasing the size of the Navy fleet to 355 ships. For BIW that would mean increasing the total current procurement rate of two DDG 51s per year to as many as four DDGs per year, allocated equally between BIW and HII. This is the same rate that the surface combatant industrial base sustained over the first decade of full rate production of the DDG 51 Class (1989-1999)....

No significant capital investment in new facilities is required to accommodate delivering two DDGs per year. However, additional funding will be required to train future shipbuilders and maintain equipment. Current hiring and training processes support the projected need, and have proven to be successful in the recent past. BIW has invested significantly in its training programs since 2014 with the restart of the DDG 51 program and given these investments and the current market in Maine, there is little concern of meeting the increase in resources required under the projected plans.

A predictable and sustainable Navy workload is essential to justify expanding hiring/training programs. BIW would need the Navy's commitment that the Navy's plan will not change before it would proceed with additional hiring and training to support increased production.

BIW's supply chain is prepared to support a procurement rate increase of up to four DDG 51s per year for the DDG 51 Program. BIW has long-term purchasing agreements in place for all major equipment and material for the DDG 51 Program. These agreements provide for material lead time and pricing, and are not constrained by the number of ships ordered

> in a year. BIW confirmed with all of its critical suppliers that they can support this increased procurement rate....
>
> The Navy's Force Structure Assessment calls for three additional ESBs. Additionally, NASSCO has been asked by the Navy and the Congressional Budget Office (CBO) to evaluate its ability to increase the production rate of T-AOs to two ships per year. NASSCO has the capacity to build three more ESBs at a rate of one ship per year while building two T-AOs per year. The most cost effective funding profile requires funding ESB 6 in FY18 and the following ships in subsequent fiscal years to avoid increased cost resulting from a break in the production line. The most cost effective funding profile to enable a production rate of two T-AO ships per year requires funding an additional long lead time equipment set beginning in FY19 and an additional ship each year beginning in FY20.
>
> NASSCO must now reduce its employment levels due to completion of a series of commercial programs which resulted in the delivery of six ships in 2016. The proposed increase in Navy shipbuilding stabilizes NASSCO's workload and workforce to levels that were readily demonstrated over the last several years.
>
> Some moderate investment in the NASSCO shipyard will be needed to reach this level of production. The recent CBO report on the costs of building a 355-ship Navy accurately summarized NASSCO's ability to reach the above production rate stating, "building more … combat logistics and support ships would be the least problematic for the shipyards."[106]

At the same hearing, Brian Cuccias, president, Ingalls Shipbuilding, Huntington Ingalls Industries (the country's other principal builder of Navy ships) stated the following:

> Qualifying to be a supplier is a difficult process. Depending on the commodity, it may take up to 36 months. That is a big burden on some of these small businesses. This is why creating sufficient volume and exercising early contractual authorization and advance procurement funding is necessary to grow the supplier base, and not just for traditional long-lead time components; that effort needs to expand to critical components and commodities that today are controlling the build rate of submarines and carriers alike. Many of our suppliers are small businesses and can only make decisions to invest in people, plant and tooling when they are awarded a purchase order. We need to consider how we can make commitments to suppliers early enough to ensure material readiness and availability when construction schedules demand it.
>
> With questions about the industry's ability to support an increase in shipbuilding, both Newport News and Ingalls have undertaken an extensive inventory of our suppliers and assessed their ability to ramp up their capacity. We have engaged many of our key suppliers to assess their ability to respond to an increase in production.
>
> The fortunes of related industries also impact our suppliers, and an increase in demand from the oil and gas industry may stretch our supply base. Although some low to moderate risk remains, I am convinced that our suppliers will be able to meet the forecasted Navy demand....
>
> I strongly believe that the fastest results can come from leveraging successful platforms on current hot production lines. We commend the Navy's decision in 2014 to use the existing LPD 17 hull form for the LX(R), which will replace the LSD-class amphibious dock landing ships scheduled to retire in the coming years. However, we also recommend that the concept of commonality be taken even further to best optimize efficiency, affordability and capability. Specifically, rather than continuing with a new design for LX(R) within the "walls" of the LPD hull, we can leverage our hot production line and supply chain and

[106] John P. Casey, Executive Vice President – Marine Systems, General Dynamics Corporation, Testimony before the Senate Armed Services Committee, Subcommittee on Seapower, 115th Congress, Supporting the 355-Ship Navy with Focus on Submarine Industrial Base, Washington, DC, May 24, 2017, pp. 3-18. See also Marjorie Censer, "BWX Technologies Weighs When To Ready for Additional Submarines," *Inside the Navy*, May 29, 2017.

> offer the Navy a variant of the existing LPD design that satisfies the aggressive cost targets of the LX(R) program while delivering more capability and survivability to the fleet at a significantly faster pace than the current program. As much as 10-15 percent material savings can be realized across the LX(R) program by purchasing respective blocks of at least five ships each under a multi-year procurement (MYP) approach. In the aggregate, continuing production with LPD 30 in FY18, coupled with successive MYP contracts for the balance of ships, may yield savings greater than $1 billion across an 11-ship LX(R) program. Additionally, we can deliver five LX(R)s to the Navy and Marine Corps in the same timeframe that the current plan would deliver two, helping to reduce the shortfall in amphibious warships against the stated force requirement of 38 ships.
>
> Multi-ship procurements, whether a formal MYP or a block-buy, are a proven way to reduce the price of ships. The Navy took advantage of these tools on both Virginia-class submarines and Arleigh Burke-class destroyers. In addition to the LX(R) program mentioned above, expanding multi-ship procurements to other ship classes makes sense....
>
> The most efficient approach to lower the cost of the Ford class and meet the goal of an increased CVN fleet size is also to employ a multi-ship procurement strategy and construct these ships at three-year intervals. This approach would maximize the material procurement savings benefit through economic order quantities procurement and provide labor efficiencies to enable rapid acquisition of a 12-ship CVN fleet. This three-ship approach would save at least $1.5 billion, not including additional savings that could be achieved from government-furnished equipment. As part of its Integrated Enterprise Plan, we commend the Navy's efforts to explore the prospect of material economic order quantity purchasing across carrier and submarine programs.[107]

At the same hearing, Matthew O. Paxton, president, Shipbuilders Council of America (SCA)—a trade association representing shipbuilders, suppliers, and associated firms—stated the following:

> To increase the Navy's Fleet to 355 ships, a substantial and sustained investment is required in both procurement and readiness. However, let me be clear: building and sustaining the larger required Fleet is achievable and our industry stands ready to help achieve that important national security objective.
>
> To meet the demand for increased vessel construction while sustaining the vessels we currently have will require U.S. shipyards to expand their work forces and improve their infrastructure in varying degrees depending on ship type and ship mix – a requirement our Nation's shipyards are eager to meet. But first, in order to build these ships in as timely and affordable manner as possible, stable and robust funding is necessary to sustain those industrial capabilities which support Navy shipbuilding and ship maintenance and modernization....
>
> Beyond providing for the building of a 355-ship Navy, there must also be provision to fund the "tail," the maintenance of the current and new ships entering the fleet. Target fleet size cannot be reached if existing ships are not maintained to their full service lives, while building those new ships. Maintenance has been deferred in the last few years because of across-the-board budget cuts....
>
> The domestic shipyard industry certainly has the capability and know-how to build and maintain a 355-ship Navy. The Maritime Administration determined in a recent study on the Economic Benefits of the U.S. Shipyard Industry that there are nearly 110,000 skilled men and women in the Nation's private shipyards building, repairing and maintaining America's military and commercial fleets.1 The report found the U.S. shipbuilding industry supports nearly 400,000 jobs across the country and generates $25.1 billion in income and $37.3 billion worth of goods and services each year. In fact, the MARAD

[107] Statement of Brian Cuccias, President, Ingalls Shipbuilding, Huntington Ingalls Industries, Subcommittee on Seapower, Senate Armed Services Committee, May 24, 2017, pp. 4-11.

> report found that the shipyard industry creates direct and induced employment in every State and Congressional District and each job in the private shipbuilding and repairing industry supports another 2.6 jobs nationally.
>
> This data confirms the significant economic impact of this manufacturing sector, but also that the skilled workforce and industrial base exists domestically to build these ships. Long-term, there needs to be a workforce expansion and some shipyards will need to reconfigure or expand production lines. This can and will be done as required to meet the need if adequate, stable budgets and procurement plans are established and sustained for the long-term. Funding predictability and sustainability will allow industry to invest in facilities and more effectively grow its skilled workforce. The development of that critical workforce will take time and a concerted effort in a partnership between industry and the federal government.
>
> U.S. shipyards pride themselves on implementing state of the art training and apprenticeship programs to develop skilled men and women that can cut, weld, and bend steel and aluminum and who can design, build and maintain the best Navy in the world. However, the shipbuilding industry, like so many other manufacturing sectors, faces an aging workforce. Attracting and retaining the next generation shipyard worker for an industry career is critical. Working together with the Navy, and local and state resources, our association is committed to building a robust training and development pipeline for skilled shipyard workers. In addition to repealing sequestration and stabilizing funding the continued development of a skilled workforce also needs to be included in our national maritime strategy....
>
> In conclusion, the U.S. shipyard industry is certainly up to the task of building a 355-ship Navy and has the expertise, the capability, the critical capacity and the unmatched skilled workforce to build these national assets. Meeting the Navy's goal of a 355-ship fleet and securing America's naval dominance for the decades ahead will require sustained investment by Congress and Navy's partnership with a defense industrial base that can further attract and retain a highly-skilled workforce with critical skill sets. Again, I would like to thank this Subcommittee for inviting me to testify alongside such distinguished witnesses. As a representative of our nation's private shipyards, I can say, with confidence and certainty, that our domestic shipyards and skilled workers are ready, willing and able to build and maintain the Navy's 355-ship Fleet.[108]

Employment Impact

Building the additional ships that would be needed to achieve and maintain the 355-ship fleet could create many additional manufacturing and other jobs at shipyards, associated supplier firms, and elsewhere in the U.S. economy. A 2015 Maritime Administration (MARAD) report states

> Considering the indirect and induced impacts, each direct job in the shipbuilding and repairing industry is associated with another 2.6 jobs in other parts of the US economy; each dollar of direct labor income and GDP in the shipbuilding and repairing industry is associated with another $1.74 in labor income and $2.49 in GDP, respectively, in other parts of the US economy.[109]

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[108] Testimony of Matthew O. Paxton, President, Shipbuilders Council of America, before the United States Senate Committee on Armed Services, Subcommittee on Seapower, [on] Industry Perspectives on Options and Considerations for Achieving a 355-Ship Navy, May 24, 2017, pp. 3-8.

[109] MARAD, *The Economic Importance of the U.S. Shipbuilding and Repairing Industry*, November 2015, pp. E-3, E-4. For another perspective on the issue of the impact of shipbuilding on the broader economy, see Edward G. Keating et al., *The Economic Consequences of Investing in Shipbuilding, Case Studies in the United States and Sweden*, RAND

A March 2017 press report states, "Based on a 2015 economic impact study, the Shipbuilders Council of America [a trade association for U.S. shipbuilders and associated supplier firms] believes that a 355-ship Navy could add more than 50,000 jobs nationwide."[110] The 2015 economic impact study referred to in that quote might be the 2015 MARAD study discussed in the previous paragraph. An estimate of more than 50,000 additional jobs nationwide might be viewed as a higher-end estimate; other estimates might be lower. A June 14, 2017, press report states the following: "The shipbuilding industry will need to add between 18,000 and 25,000 jobs to build to a 350-ship Navy, according to Matthew Paxton, president of the Shipbuilders Council of America, a trade association representing the shipbuilding industrial base. Including indirect jobs like suppliers, the ramp-up may require a boost of 50,000 workers."[111]

Corporation, 2015.

[110] Yasmin Tadjdeh, "Navy Shipbuilders Prepared for Proposed Fleet Buildup," *National Defense*, March 2017. Similarly, another press report states the following: "The Navy envisioned by Trump could create more than 50,000 jobs, the Shipbuilders Council of America, a trade group representing U.S. shipbuilders, repairers and suppliers, told Reuters." (Mike Stone, "Missing from Trump's Grand Navy Plan: Skilled Workers to Build the Fleet," *Reuters*, March 17, 2017.)

[111] Jaqueline Klimas, "Growing Shipbuilding Workforce Seen as Major Challenge for Trump's Navy Buildup," *Politico*, June 14, 2017.

Appendix E. A Summary of Some Acquisition Lessons Learned for Navy Shipbuilding

This appendix presents a general summary of lessons learned in Navy shipbuilding, reflecting comments made repeatedly by various sources over the years. These lessons learned include the following:

- **At the outset, get the operational requirements for the program right.** Properly identify the program's operational requirements at the outset. Manage risk by not trying to do too much in terms of the program's operational requirements, and perhaps seek a so-called 70%-to-80% solution (i.e., a design that is intended to provide 70%-80% of desired or ideal capabilities). Achieve a realistic balance up front between operational requirements, risks, and estimated costs.
- **Impose cost discipline up front.** Use realistic price estimates, and consider not only development and procurement costs, but life-cycle operation and support (O&S) costs.
- **Employ competition** where possible in the awarding of design and construction contracts.
- **Use a contract type that is appropriate for the amount of risk involved**, and structure its terms to align incentives with desired outcomes.
- **Minimize design/construction concurrency** by developing the design to a high level of completion before starting construction and by resisting changes in requirements (and consequent design changes) during construction.
- **Properly supervise construction work.** Maintain an adequate number of properly trained Supervisor of Shipbuilding (SUPSHIP) personnel.
- **Provide stability for industry**, in part by using, where possible, multiyear procurement (MYP) or block buy contracting.
- **Maintain a capable government acquisition workforce** that understands what it is buying, as well as the above points.

Identifying these lessons is arguably not the hard part—most if not all these points have been cited for years. The hard part, arguably, is living up to them without letting circumstances lead program-execution efforts away from these guidelines.

Appendix F. Some Considerations Relating to Warranties in Shipbuilding Contracts

This appendix presents some considerations relating to warranties in shipbuilding contracts and other defense acquisition.

In discussions of Navy (and also Coast Guard) shipbuilding, one question that sometimes arises is whether including a warranty in a shipbuilding contract is preferable to not including one. The question can arise, for example, in connection with a GAO finding that "the Navy structures shipbuilding contracts so that it pays shipbuilders to build ships as part of the construction process and then pays the same shipbuilders a second time to repair the ship when construction defects are discovered."[112]

Including a warranty in a shipbuilding contract (or a contract for building some other kind of defense end item), while potentially valuable, might not always be preferable to not including one—it depends on the circumstances of the acquisition, and it is not necessarily a valid criticism of an acquisition program to state that it is using a contract that does not include a warranty (or a weaker form of a warranty rather than a stronger one).

Including a warranty generally shifts to the contractor the risk of having to pay for fixing problems with earlier work. Although that in itself could be deemed desirable from the government's standpoint, a contractor negotiating a contract that will have a warranty will incorporate that risk into its price, and depending on how much the contractor might charge for doing that, it is possible that the government could wind up paying more in total for acquiring the item (including fixing problems with earlier work on that item) than it would have under a contract without a warranty.

When a warranty is not included in the contract and the government pays later on to fix problems with earlier work, those payments can be very visible, which can invite critical comments from observers. But that does not mean that including a warranty in the contract somehow frees the government from paying to fix problems with earlier work. In a contract that includes a warranty, the government will indeed pay something to fix problems with earlier work—but it will make the payment in the less-visible (but still very real) form of the up-front charge for including the warranty, and that charge might be more than what it would have cost the government, under a contract without a warranty, to pay later on for fixing those problems.

From a cost standpoint, including a warranty in the contract might or might not be preferable, depending on the risk that there will be problems with earlier work that need fixing, the potential cost of fixing such problems, and the cost of including the warranty in the contract. The point is that the goal of avoiding highly visible payments for fixing problems with earlier work and the goal of minimizing the cost to the government of fixing problems with earlier work are separate and different goals, and that pursuing the first goal can sometimes work against achieving the second goal.[113]

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[112] See Government Accountability Office, *Navy Shipbuilding[:] Past Performance Provides Valuable Lessons for Future Investments*, GAO-18-238SP, June 2018, p. 21. A graphic on page 21 shows a GAO finding that the government was financially responsible for shipbuilder deficiencies in 96% of the cases examined by GAO, and that the shipbuilder was financially responsible for shipbuilder deficiencies in 4% of the cases.

[113] It can also be noted that the country's two largest builders of Navy ships—General Dynamics (GD) and Huntington Ingalls Industries (HII)—derive about 60% and 96%, respectively, of their revenues from U.S. government work. (See General Dynamics, *2016 Annual Report*, page 9 of Form 10-K [PDF page 15 of 88]) and Huntington Ingalls Industries,

The Department of Defense's guide on the use of warranties states the following:

> Federal Acquisition Regulation (FAR) 46.7 states that "the use of warranties is not mandatory." However, if the benefits to be derived from the warranty are commensurate with the cost of the warranty, the CO [contracting officer] should consider placing it in the contract. In determining whether a warranty is appropriate for a specific acquisition, FAR Subpart 46.703 requires the CO to consider the nature and use of the supplies and services, the cost, the administration and enforcement, trade practices, and reduced requirements. The rationale for using a warranty should be documented in the contract file....
>
> In determining the value of a warranty, a CBA [cost-benefit analysis] is used to measure the life cycle costs of the system with and without the warranty. A CBA is required to determine if the warranty will be cost beneficial. CBA is an economic analysis, which basically compares the Life Cycle Costs (LCC) of the system with and without the warranty to determine if warranty coverage will improve the LCCs. In general, five key factors will drive the results of the CBA: cost of the warranty + cost of warranty administration + compatibility with total program efforts + cost of overlap with Contractor support + intangible savings. Effective warranties integrate reliability, maintainability, supportability, availability, and life-cycle costs. Decision factors that must be evaluated include the state of the weapon system technology, the size of the warranted population, the likelihood that field performance requirements can be achieved, and the warranty period of performance.[114]

2016 Annual Report, page 5 of Form 10-K [PDF page 19 of 134]). These two shipbuilders operate the only U.S. shipyards currently capable of building several major types of Navy ships, including submarines, aircraft carriers, large surface combatants, and amphibious ships. Thus, even if a warranty in a shipbuilding contract with one of these firms were to somehow mean that the government did not have pay under the terms of that contract—either up front or later on—for fixing problems with earlier work done under that contract, there would still be a question as to whether the government would nevertheless wind up eventually paying much of that cost as part of the price of one or more future contracts the government may have that firm.

[114] Department of Defense, *Department of Defense Warranty Guide*, Version 1.0, September 2009, accessed July 13, 2017, at https://www.acq.osd.mil/dpap/pdi/uid/docs/departmentofdefensewarrantyguide[1].doc.

Appendix G. Avoiding Procurement Cost Growth vs. Minimizing Procurement Costs

This appendix presents some considerations relating to avoiding procurement cost growth vs. minimizing procurement costs in shipbuilding and other defense acquisition.

The affordability challenge posed by the Navy's shipbuilding plans can reinforce the strong oversight focus on preventing or minimizing procurement cost growth in Navy shipbuilding programs, which is one expression of a strong oversight focus on preventing or minimizing cost growth in DOD acquisition programs in general. This oversight focus may reflect in part an assumption that avoiding or minimizing procurement cost growth is always synonymous with minimizing procurement cost. It is important to note, however, that as paradoxical as it may seem, avoiding or minimizing procurement cost growth is not always synonymous with minimizing procurement cost, and that a sustained, singular focus on avoiding or minimizing procurement cost growth might sometimes lead to higher procurement costs for the government.

How could this be? Consider the example of a design for the lead ship of a new class of Navy ships. The construction cost of this new design is uncertain, but is estimated to be likely somewhere between Point A (a minimum possible figure) and Point D (a maximum possible figure). (Point D, in other words, would represent a cost estimate with a 100% confidence factor, meaning there is a 100% chance that the cost would come in at or below that level.) If the Navy wanted to avoid cost growth on this ship, it could simply set the ship's procurement cost at Point D. Industry would likely be happy with this arrangement, and there likely would be no cost growth on the ship.

The alternative strategy open to the Navy is to set the ship's target procurement cost at some figure between Points A and D—call it Point B—and then use that more challenging target cost to place pressure on industry to sharpen its pencils so as to find ways to produce the ship at that lower cost. (Navy officials sometimes refer to this as "pressurizing" industry.) In this example, it might turn out that industry efforts to reduce production costs are not successful enough to build the ship at the Point B cost. As a result, the ship experiences one or more rounds of procurement cost growth, and the ship's procurement cost rises over time from Point B to some higher figure—call it Point C.

Here is the rub: Point C, in spite of incorporating one or more rounds of cost growth, might nevertheless turn out to be lower than Point D, because Point C reflected efforts by the shipbuilder to find ways to reduce production costs that the shipbuilder might have put less energy into pursuing if the Navy had simply set the ship's procurement cost initially at Point D.

Setting the ship's cost at Point D, in other words, may eliminate the risk of cost growth on the ship, but does so at the expense of creating a risk of the government paying more for the ship than was actually necessary. DOD could avoid cost growth on new procurement programs starting tomorrow by simply setting costs for those programs at each program's equivalent of Point D. But as a result of this strategy, DOD could well wind up leaving money on the table in some instances—of not, in other words, minimizing procurement costs.

DOD does not have to set a cost precisely at Point D to create a potential risk in this regard. A risk of leaving money on the table, for example, is a possible downside of requiring DOD to budget for its acquisition programs at something like an 80% confidence factor—an approach that some observers have recommended—because a cost at the 80% confidence factor is a cost that is likely fairly close to Point D.

Procurement cost growth is often embarrassing for DOD and industry, and can damage their credibility in connection with future procurement efforts. Procurement cost growth can also disrupt congressional budgeting by requiring additional appropriations to pay for something Congress thought it had fully funded in a prior year. For this reason, there is a legitimate public policy value to pursuing a goal of having less rather than more procurement cost growth.

Procurement cost growth, however, can sometimes be in part the result of DOD efforts to use lower initial cost targets as a means of pressuring industry to reduce production costs—efforts that, notwithstanding the cost growth, might be partially successful. A sustained, singular focus on avoiding or minimizing cost growth, and of punishing DOD for all instances of cost growth, could discourage DOD from using lower initial cost targets as a means of pressurizing industry, which could deprive DOD of a tool for controlling procurement costs.

The point here is not to excuse away cost growth, because cost growth can occur in a program for reasons other than DOD's attempt to pressurize industry. Nor is the point to abandon the goal of seeking lower rather than higher procurement cost growth, because, as noted above, there is a legitimate public policy value in pursuing this goal. The point, rather, is to recognize that this goal is not always synonymous with minimizing procurement cost, and that a possibility of some amount of cost growth might be expected as part of an optimal government strategy for minimizing procurement cost. Recognizing that the goals of seeking lower rather than higher cost growth and of minimizing procurement cost can sometimes be in tension with one another can lead to an approach that takes both goals into consideration. In contrast, an approach that is instead characterized by a sustained, singular focus on avoiding and minimizing cost growth may appear virtuous, but in the end may wind up costing the government more.

Appendix H. Size of the Navy and Navy Shipbuilding Rate

Size of the Navy

Table H-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.[115] The Navy fell below 300 battle force ships in August 2003 and remained below 300 ships for the next 16 years. The Navy briefly returned to a level of 300 ships in early July 2020, for the first time in almost 17 years, and has since fallen back below 300 ships. As of September 17, 2020, the Navy had 296 battle force ships.

As discussed in **Appendix C**, 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 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.

[115] 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 H-1. Total Number of Ships in Navy Since FY1948

FY[a]	Number	FY[a]	Number	FY[a]	Number	FY[a]	Number
1948	737	1970	769	1992	466	2014	289
1949	690	1971	702	1993	435	2015	271
1950	634	1972	654	1994	391	2016	275
1951	980	1973	584	1995	372	2017	279
1952	1,097	1974	512	1996	356	2018	286
1953	1,122	1975	496	1997	354	2019	290
1954	1,113	1976	476	1998	333	2020	296
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	292		
1961	897	1983	514	2005	281		
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	546	2012	287		
1969	926	1991	526	2013	285		

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 H-2 shows past (FY1982-FY2019) and requested or programmed (FY2020-FY2024) rates of Navy ship procurement.

Table H-2. Battle Force Ships Procured or Requested, FY1982-FY2024

(Procured in FY1982-FY2019; *requested for FY2020, and programmed for FY2021-FY2024*)

82	**83**	**84**	**85**	**86**	**87**	**88**	**89**	**90**	**91**	**92**	**93**	**94**	**95**	**96**	**97**	**98**	**99**	**00**
17	14	16	19	20	17	15	19	15	11	11	7	4	4	5	4	5	5	6
01	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	***18***	***19***
6	6	5	7	8	4	5	3	8	7	10	11	11	8	8	9	9	*9*	*13*
20	***21***	**22**	***23***	***24***	***25***													
13	*7*	*7*	*8*	*11*	*9*													

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 nonbattle force ships that do not count toward the 355-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).

Notes: (1) **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.

(2) **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 FY0212 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.

(3) **The figures shown for FY2019 and FY2020** reflect a Navy decision to show the aircraft carrier CVN-81 as a ship to be procured in FY2020 rather than a ship that was procured in FY2019. Congress, as part of its action on the Navy's proposed FY2019 budget, authorized the procurement of CVN-81 in FY2019.

Appendix I. Procurement Dates of CVN-81, LPD-31, and LHA-9

This appendix presents background information on congressional action regarding the procurement dates of three ships—the aircraft carrier CVN-81, the LPD-17 Flight II amphibious ship LPD-31, and the amphibious assault ship LHA-9. In reviewing the bullet points presented below, it can be noted that procurement funding is funding for a ship that is either being procured in that fiscal year or has been procured in a prior fiscal year, while advance procurement (AP) funding is funding for a ship that is to be procured in a future fiscal year.[116]

CVN-81 Aircraft Carrier

The Navy's FY2020 budget submission presented the aircraft carrier CVN-81 as a ship requested for procurement in FY2020, and the Navy's FY2021 budget submission presents CVN-81 as a ship that Congress procured in FY2020. Consistent with congressional action on the Navy's FY2019 budget regarding the procurement of CVN-81, this CRS report treats CVN-81 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2019. Discussion in this CRS report of the Navy's FY2021 budget submission is adjusted to show CVN-81 as a ship that was procured in FY2019. This CRS report treats CVN-81 as a ship that Congress procured in FY2019 consistent with the following:

- Within Section 121 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (H.R. 5515/P.L. 115-232 of August 13, 2018)—the provision that authorized a two-ship block buy contract for CVN-80 and CVN-81—subsection (a)(1) specifically authorizes a contract for the procurement of CVN-81 "beginning with the fiscal year 2019 program year." The header for subsection (a)(1) is "Procurement Authorized."
- Consistent with Section 121(a)(1), the funding table for the Navy's shipbuilding account in the conference report (H.Rept. 115-874 of July 25, 2018) on H.R. 5515 shows a quantity of "1" in line 002 of the FY2019 SCN (Shipbuilding and Conversion, Navy) appropriation account. Line 002 is the line item for procurement (not advance procurement [AP]) funding for the CVN-78 program. A notation in the table for line 002 states that the procurement funding authorized for this line item is for "Authorize CVN81—One ship."[117] The funding table does not authorize any funding for line 003 of the FY2019 SCN account—the line item for AP funding for the CVN-78 program. (AP funding is funding for the procurement of a ship to be procured in a future fiscal year.)
- Consistent with the two above points, the paragraph in the FY2019 DOD appropriations act (Division A of H.R. 6157/P.L. 115-245 of September 28, 2018) that makes appropriations for the SCN account makes procurement (not AP) appropriations for the CVN-78 program. This paragraph also states that "the funds made available by this Act for the Carrier Replacement Program (CVN-80) may be available to modify or enter into a new contract for the procurement of a

[116] For additional discussion, see CRS Report RL31404, *Defense Procurement: Full Funding Policy—Background, Issues, and Options for Congress*, by Ronald O'Rourke and Stephen Daggett.

[117] H.Rept. 115-874, p. 1164.

Ford-class aircraft carrier designated CVN–81 pursuant to section 121 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019."

- Consistent with this bill language, the funding table for the SCN account in the joint explanatory statement for H.R. 6157 shows that this funding was provided for line 2 of the FY2019 SCN account (CVN-78 program procurement funding), not line 3 of the FY2019 SCN account (CVN-78 program AP funding).[118]
- Consistent with all of the above points, the Navy's FY2020 budget submission shows the $618 million in FY2019 funding for CVN-81 as full funding (meaning funding for a procured ship), rather than AP funding (meaning funding for a ship to be procured in a future fiscal year).[119]
- The House Armed Services Committee's report (H.Rept. 116-120 of June 19, 2019) on H.R. 2500, the FY2020 National Defense Authorization Act, recommended authorizing the procurement of no aircraft carrier in FY2020 due to "CVN–81 previously authorized."[120]
- The Senate Armed Services Committee's report (S.Rept. 116-48 of June 11, 2019) on S. 1790, the FY2020 National Defense Authorization Act, recommended authorizing the procurement of no aircraft carrier in FY2020 due to "CVN-81 authorized in NDAA [FY]2019."[121]
- The conference report (H.Rept. 116-333 of December 9, 2019) on S. 1790/P.L. 116-92 of December 20, 2019, the FY2020 National Defense Authorization Act, authorized the procurement of no aircraft carrier in FY2020 due to "CVN–81 previously authorized."[122]
- The House Appropriations Committee's report (H.Rept. 116-84 of May 23, 2019) on H.R. 2968, the FY2020 DOD Appropriations Act, adjusted the Navy's FY2020 budget submission to show that no aircraft carrier was being requested for procurement in FY2020.[123]
- The Senate Appropriations Committee's report (S.Rept. 116-103 of September 12, 2019) on S. 2474, the FY2020 DOD Appropriations Act, adjusted the Navy's FY2020 budget submission to show that no aircraft carrier was being requested for procurement in FY2020.[124]

LPD-31—an LPD-17 Flight II Amphibious Ship

The Navy's FY2021 budget submission presents LPD-31, an LPD-17 Flight II amphibious ship, as a ship requested for procurement in FY2021. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LPD-31, this CRS report treats LPD-31 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2020. Discussion in this CRS report of the Navy's FY2021 budget submission is adjusted to show LPD-

[118] Joint explanatory statement for H.R. 6157, PDF pages 174 and 176 of 559.

[119] *Department of Defense, Fiscal Year (FY) 2020 President's Budget Estimate Submission, Navy, Justification Book Volume 1 of 1, Shipbuilding and Conversion, Navy*, March 2019, p. 15 (PDF page 51 of 356).

[120] H.Rept. 116-120, p. 378, line 002.

[121] S.Rept. 116-48, p. 432, line 2.

[122] H.Rept. 116-333, p. 1565, line 002.

[123] H.Rept. 116-84, p. 173, line 2.

[124] S.Rept. 116-103, p. 118, line XX.

31 as a ship that was procured in FY2020. This CRS report treats LPD-31 as a ship that Congress procured in FY2020 consistent with the following:

- The House Armed Services Committee's report (H.Rept. 116-120 of June 19, 2019) on H.R. 2500, the FY2020 National Defense Authorization Act, recommended authorizing the procurement of an LPD-17 Flight II ship in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (not just AP) funding for the program.[125]
- The Senate Armed Services Committee's report (S.Rept. 116-48 of June 11, 2019) on S. 1790, the FY2020 National Defense Authorization Act, recommended authorizing the procurement of an LPD-17 Flight II ship in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (rather than AP) funding for the program.[126]
- The conference report (H.Rept. 116-333 of December 9, 2019) on S. 1790/P.L. 116-92 of December 20, 2019, the FY2020 National Defense Authorization Act, authorized the procurement of an LPD-17 Flight II ship in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (rather than AP) funding for the program.[127] Section 129 of S. 1790/P.L. 116-92 authorizes the Navy to enter into a contract, beginning in FY2020, for the procurement of LPD-31, and to use incremental funding to fund the contract.
- The Senate Appropriations Committee's report (S.Rept. 116-103 of September 12, 2019) on S. 2474, the FY2020 DOD Appropriations Act, recommended funding for the procurement of an LPD-17 Flight II ship in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (rather than AP) funding for the program.[128]
- The final version of the FY2020 DOD Appropriations Act (Division A of H.R. 1158/P.L. 116-93 of December 20, 2019) provides procurement (not AP) funding for an LPD-17 Flight II ship. The paragraph in this act that appropriates funding for the Navy's shipbuilding account, including this ship, includes a provision stating "*Provided further*, That an appropriation made under the heading 'Shipbuilding and Conversion, Navy' provided for the purpose of 'Program increase—advance procurement for fiscal year 2020 LPD Flight II and/or multiyear procurement economic order quantity' shall be considered to be for the purpose of 'Program increase—advance procurement of LPD–31'." This provision relates to funding appropriated in the FY2019 DOD Appropriations Act (Division A of H.R. 6157/P.L. 115-245 of September 28, 2018) for the procurement of an LPD-17 Flight II ship in FY2020, as originally characterized in the explanatory statement accompanying that act.[129]

[125] H.Rept. 116-120, p. 379, line 012.

[126] S.Rept. 116-48, p. 433, line 12. See also pp. 23-24 for associated report language.

[127] H.Rept. 116-333, p. 1566, line 012. See also p. 1144 for associated report language.

[128] S.Rept. 116-103, p. 118, line 12. See also p. 122 for associated report language.

[129] See PDF page 176 of 559, line 12, of the explanatory statement for H.R. 6157/P.L. 115-245.

LHA-9 Amphibious Assault Ship

The Navy's FY2021 budget submission presents the amphibious assault ship LHA-9 as a ship projected for procurement in FY2023. Consistent with congressional action on the Navy's FY2020 budget regarding the procurement of LHA-9, this CRS report treats LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement funding for) in FY2020. Discussion in this CRS report of the Navy's FY2021 budget submission is adjusted to show LHA-9 as a ship that was procured in FY2020. This CRS report treats LHA-9 as a ship that Congress procured in FY2020 consistent with the following:

- The Senate Armed Services Committee's report (S.Rept. 116-48 of June 11, 2019) on S. 1790, the FY2020 National Defense Authorization Act, recommended authorizing the procurement of LHA-9 in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (rather than AP) funding for the program.[130]
- The conference report (H.Rept. 116-333 of December 9, 2019) on S. 1790/P.L. 116-92 of December 20, 2019, the FY2020 National Defense Authorization Act, authorized the procurement of LHA-9 in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (rather than AP) funding for the program.[131] Section 127 of S. 1790/P.L. 116-92 authorizes the Navy to enter into a contract for the procurement of LHA-9 and to use incremental funding provided during the period FY2019-FY2025 to fund the contract.
- The Senate Appropriations Committee's report (S.Rept. 116-103 of September 12, 2019) on S. 2474, the FY2020 DOD Appropriations Act, recommended funding for the procurement of an LHA amphibious assault ship in FY2020, showing a quantity increase of one ship above the Navy's request and recommending procurement (rather than AP) funding for the program.[132]
- The final version of the FY2020 DOD Appropriations Act (Division A of H.R. 1158/P.L. 116-93 of December 20, 2019) provides procurement (not AP) funding for an LHA amphibious assault ship. The explanatory statement for Division A of H.R. 1158/P.L. 116-93 states that the funding is for LHA-9.[133]

[130] S.Rept. 116-48, p. 433, line 15.

[131] H.Rept. 116-333, p. 1566, line 015.

[132] S.Rept. 116-103, p. 118, line 15.

[133] Explanatory statement for Division A of H.R. 1158, PDF page 175 of 414, line 15.

Appendix J. Letters from Members of Congress Regarding COVID-19 Impact on Defense Industry and Workforce

This appendix presents the text of March 19 and March 27 letters from Members of Congress from Maine to DOD and the Navy regarding the impacts of the COVID-19 situation on the large private-sector U.S. shipyards that build the Navy's major warships.

March 19, 2020, Letter

On March 19, 2020, Members of Congress from Maine sent a letter to the Secretary of Defense and the then-Acting Secretary of the Navy "about the stability of the defense industrial base as the whole nation combats the current novel coronavirus (COVID-19) outbreak." The text of the letter is as follows:

> We are deeply concerned about the stability of the defense industrial base as the whole nation combats the current novel coronavirus (COVID-19) outbreak. We are equally worried about the health and safety risks to the industrial bases' primary asset—its skilled workforce—as defense companies struggle to support our nation's military while also managing the unique challenge we face today.
>
> In Maine, workers at shipbuilder Bath Iron Works, as well as at other defense suppliers of all sizes, must now contend with significant health concerns at work while also arranging to care for their children who are now staying at home due to school closures. The strain and stress on our skilled workforce today are without recent precedent. Given these challenges, the Department of Defense and the Navy must immediately act to protect our nation's defense industrial base, including our nation's shipyards.
>
> First, we ask that you work to mitigate cash flow and other financial burdens that contractors and subcontractors may face during this time of crisis. This includes providing clear guidance and relief from contract requirements that are uniquely impacted by COVID-19. Additionally, we ask that you take any actions possible to accelerate or advance payments or new contract obligations in order to provide immediate stability to the industrial base. If additional funding or new legal authorities are required to provide such assistance to industry, we stand ready to immediately assist the Department.
>
> Finally, we ask that you clarify your planning and public guidance to ensure a stable industrial base while also ensuring the health and safety of the defense industrial base workforce. The safety of defense industry workers is paramount, and we are mindful that insufficiently mitigating the impact of COVID-19 now could lead to deeper impacts in later months or years if this pandemic continues for an extended period. An outbreak of COVID-19 at one of our nation's shipyards or other large defense contractors could truly be devastating to our national defense. We ask you to work with and support industry to take all necessary protective actions.
>
> Thank you for your attention to the important issue, and we look forward to your quick response.[134]

[134] Letter from Senator Susan M. Collins, Senator Angus S. King, Jr., Representative Chellie Pingree, and Representative Jared Golden to Secretary of Defense Mark Esper and Acting Secretary of the Navy Thomas B. Modly, dated March 19, 2020, accessed on April 1, 2020, at https://www.collins.senate.gov/sites/default/files/2020.03.19%20-%20ME%20Delegation%20letter%20to%20DOD%20and%20Navy%20re%20defense%20industrial%20base.pdf. For

March 27, 2020, Letter

On March 27, 2020, Members of Congress from Maine sent a follow-on letter to the then-Acting Secretary of the Navy expressing their concern about risks posed by the COVID-19 situation to the Navy's shipyard defense industrial base workforce. The text of the letter is as follows:

> We appreciate the steps the Navy has recently taken to ensure the stability of the nation's defense industrial base, as well as your recent phone discussion with Senator Collins on this topic. The Department's many efforts to address the concerns of these vital industry partners will likely help many suppliers remain viable during this challenging time.
>
> As the novel coronavirus (COVID-19) spreads across our nation, however, we continue to be concerned about risks to the workforce that sustains the Navy's shipyard defense industrial base. In many states, such as Maine, Governors have issued orders mandating the closure of all nonessential businesses and placed restrictions on public gatherings due to the current risks to public health and safety of the deadly virus.
>
> In response to this pandemic, the Navy earlier issued direction to each of its four public shipyards intended to limit the potential exposure of shipyard workers to COVID-19 while also maximizing the important national security work accomplished. This included the liberal use of telework, as well as permitting the most vulnerable workers to take paid administrative leave based on Centers for Disease Control (CDC) guidelines, such as older individuals or those who have preexisting health conditions, as well as those who have family members with preexisting health conditions.
>
> We urge you to provide similar guidelines to our nation's large private shipyards, the workers at which face similar health and safety concerns, and to permit necessary contract or deadline flexibility and funding to ensure such guidance would be feasible to implement for these shipyards. We appreciate that it would ordinarily not be appropriate for the Navy to require or recommend particular workforce management policies of its private contractors. However, we are dealing with a highly contagious and deadly pandemic unlike anything our country has faced in over a century, and private shipyards are working to simultaneously maintain contractual obligations while complying with critical state and local public health orders. Therefore, we believe the Navy should take aggressive actions to ensure the health of the shipyard industrial base workforce is not put at undue risk as governments at all levels work to halt the spread of COVID-19.
>
> Again, thank you for your attention to this important issue, and we look forward to your prompt response.[135]

April 10, 2020, Letter

On April 10, 2020, Members of Congress representing districts associated with the four government-owned, government-operated naval shipyards (NSYs) sent a letter to the then-Acting Secretary of the Navy asking that the Navy authorize incentive pay for workers at the NSYs. The text of the letter is as follows:

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press reports about this letter, see Aaron Mehta, "Maine Lawmakers Want Contract Relief, Quicker Payments for Industry to Combat COVID-19 Impact," *Defense News*, March 19, 2020; and Mallory Shelbourne, "Maine Lawmakers Press Esper, Modly to Help Industrial Base Face Effects of Coronavirus," *InsideDefense.com*, March 20, 2020.

[135] Letter from Senator Susan M. Collins, Senator Angus S. King, Jr., Representative Chellie Pingree, and Representative Jared Golden to Acting Secretary of the Navy Thomas B. Modly, dated March 27, 2020, accessed on April 1, 2020, at https://www.collins.senate.gov/sites/default/files/2020.03.27%20-%20follow%20up%20letter%20Maine%20delegation%20letter%20to%20Sec.%20Modly%20final.pdf. For a press report about this letter, see Scott Thistle, "Maine's Congressional Delegation Urges Navy to Ease Pressure on BIW to Keep Operating," *Portland (ME) Press Herald*, March 27, 2020.

At a time when our nation faces an unprecedented public health crisis and the majority of governors have enacted stay at home orders in their states, thousands of federal civilian workers have continued to report for duty each day at the Navy's four public shipyards. These workers perform a critical service to our country and help maintain the aircraft carriers, submarines, and other warships that ensure our national security and protect the American people.

We are proud to represent in Congress these steadfast and dedicated workers. The health of the workers and their families is critical to their ability to meet the needs of the mission and to continue that mission. They know that our Navy and nation's sailors count on them to ensure the readiness of the fleet to respond to national security threats.

Because they have continued to report for duty during this public health emergency, we ask the Navy to authorize incentive pay for these essential workers. Such incentive pay would conform to guidance already promulgated by the Office of Personnel Management to federal agencies and departments that allows for retention incentives of up to a certain percentage of basic pay to a group or category of employees. We ask that the authorization cover the duration of this crisis. We further ask that every effort be made to provide Personal Protective Equipment as soon as possible to those workers at greatest exposure.

There is no doubt that our federal workers are some of this country's greatest assets. The Navy cannot fulfil its mission without these workers. With that in mind, we believe that authorizing incentive pay is one much needed step to show them that the federal government and Navy have their backs when they most deserve and need that support.[136]

[136] Letter from Representatives Derek Kilmer, Elaine Luria, Chellie Pingree, Robert C. "Bobby' Scott, Chris Pappas, and Ed Case, to Acting Secretary of the Navy James E. McPherson, dated April 10, 2020, accessed on April 22, 2020, at https://kilmer.house.gov/imo/media/doc/Kilmer%20Shipyard%20Worker%20Letter.pdf.

Appendix K. DOD and Navy Memoranda and Press Reports Regarding COVID-19 Impact on Shipbuilding Programs

This appendix presents excerpts from DOD and Navy memoranda and from press reports regarding the potential impact of the COVID-19 situation on the execution of Navy (and Coast Guard) shipbuilding programs.

DOD and Navy Memoranda

This section provides information on some DOD and Navy memoranda relating to contracting and execution of acquisition programs during the COVID-19 situation that have been reported in the press. It is not a comprehensive listing of such memoranda. DOD states that as of April 30, 2020, it had issued 22 guidance actions aimed at helping relieve COVID-19 impacts for the contracting community.[137]

March 20 DOD Memo on Defense Contractors as Critical Infrastructure

A March 20, 2020, press report stated

> The U.S. Defense Department has declared that defense contractors are "critical infrastructure" to national security, a designation that comes with an expectation to maintain a consistent, normal work schedule amid the outbreak of the new coronavirus, COVID-19.
>
> In a Friday [March 20] memo to industry, Undersecretary of Defense for Acquisition and Sustainment Ellen Lord made it clear that she wants defense companies to continue to deliver their products and services to the Pentagon on time.
>
> "If you work in a critical infrastructure industry, as designated by the Department of Homeland Security, you have a special responsibility to maintain your normal work schedule," Lord wrote. "We need your support and dedication in these trying times to ensure the security of this Nation. I understand that this national emergency presents a challenge and we are dedicated to working closely with you to ensure the safety of the workforce and accomplishments of the national security mission."
>
> Lord also spelled out large swaths of the industrial base for which this order applies, including the aerospace sector; mechanical and software engineers; manufacturing/ production workers; IT support; security staff; security personnel; intelligence support; aircraft and weapon systems mechanics and maintainers; suppliers of medical suppliers and pharmaceuticals; and critical transportation.
>
> Included in the designation are personnel working for companies as well as subcontractors who perform under contract for the department. Contractors who perform tasks such as providing office supplies, recreational support or lawn care are not considered essential.
>
> By designating the defense industry in such a way, companies involved may be able to get around state-directed shutdowns such as the one in New York right now. Similarly designated workers include, among many others, law enforcement, health care providers,

[137] Source: Ellen M. Lord, Deputy Secretary of Defense for Acquisition and Sustainment, as quoted in Richard R. Burgess, "DoD's Lord: Potential for 3-Month Slowdown in Defense Acquisition," *Seapower*, April 30, 2020.

> water and power authorities, and IT support for emergency services—all of whom are still on duty in the current crisis.
>
> In the memo, Lord noted, companies involved should "follow guidelines from the Centers for Disease Control and Prevention as well as State and local government officials regarding strategies to limit disease spread." Some companies have instituted work-from-home policies where applicable, although in cases such as production of defense equipment or work in secure facilities, that option appears unrealistic.[138]

March 20 DOD Memo on Progress Payments

On March 20, 2020, the Office of the Under Secretary of Defense for Acquisition and Sustainment issued a memorandum to acquisition executives and other officials throughout DOD stating, "Effective immediately, in response to the Coronavirus Disease 2019 (COVID-19) national emergency, the progress payment rates at Defense Federal Acquisition Regulation Supplement (DFARS) 232.501-1 are increased to 90 percent for large business concerns and 95 percent for small business concerns." The memorandum provides detailed instructions on the clauses in acquisition regulations that are to be used in implementing the direction.[139]

March 20 Navy Memo Withholds and Retentions

On March 20, 2020, James Geurts, the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN RDA)—the Navy's acquisition executive—issued a memorandum to the commanders of Navy system commands and Navy Program Executive Officers (PEOs) providing direction to reduce withholds and retentions, meaning the withholding and retention of government payments to contractors. Withholds and retentions are normally used by the government to encourage contractors who are not performing well to meet their contractual obligations. The text of the memorandum is as follows:

> Given the National Security Declaration by the President, it is imperative we keep the Nation's, and the Navy's, defense industrial base from going into extremis during the current COVID-19 crisis. A key element of this is to ensure companies, and in particular the underlying suppliers, remain solvent and available to support the Navy.
>
> The ship, air, weapon, ground, network/IT and associated repair industry, as part of the Defense Industrial Base, are elements of the Nation's Critical Infrastructure as defined by DHS [Department of Homeland Security]. We need them operating now and as we come out of this crisis.
>
> My intent is that we remove barriers to maximize efficient execution of our existing contracts and award of our pending/future contracts. This includes immediate engagement on all activities to positively impact cash flow. As such, I request your teams to:

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[138] Aaron Mehta, "Pentagon Declares Defense Contractors 'Critical Infrastructure,' Must Continue Work," *Defense News*, March 20, 2020. See also Tony Bertuca, "Defense Industrial Base Deemed 'Critical' Amid COVID-19 Shutdowns," *InsideDefense.com*, March 20, 2020. See also Paul McCleary, "COVID-19: Lord Urges Defense Workers To Stay On The Job; Cites White House," *Breaking Defense*, March 20, 2020.

[139] Memorandum from Office of the Under Secretary of Defense, Acquisition and Sustainment, Subject: Class Deviation—Progress Payment Rates, undated but reportedly issued March 20, 2020. A copy of the memorandum was posted on March 20, 2020, at InsideDefense.com. See also Marjorie Censer, "New Pentagon Memo Increases Progress Payment Rates in Response to COVID-19 Outbreak," *InsideDefense.com*, March 20, 2020. See also Anthony Capaccio, "Pentagon Raises Contractor Payments to Keep Cash Flowing," *Bloomberg*, March 22, 2020; Cal Biesecker, "DoD Boosts Progress Payment Rates To Industry; Boeing To Pause Puget Sound Operations," *Defense Daily*, March 23, 2020.

- Immediately reduce retentions/withholds on existing efforts to an absolute minimum.
- Pay all our settled REAs [Requests for Equitable Adjustment][140] immediately, submit requests for obligation of expired funds where required in support of this immediately and resolve all remaining REAs as quickly as possible, including preparing provisional payments where appropriate with reservation of right of recoup any overpayment upon final settlement. I encourage you to set up dedicated teams to do this as max [maximum] pace.
- Ensure retentions/withholds are at minimum allowable level for any new work placed under contract in 2020.
- Ensure all government personnel required to process inspection, acceptance, invoicing and payments and resolve these type business issues are declared mission essential.
- Adjust inspection criteria where needed to enable work execution at a faster rate and/or ensure work performed can be completed provided adequacy of work is ensured.
- Where possible, accelerate negotiations and award for future work including the use of UCAs [Undefinitized Contract Actions][141] as necessary, including contract changes in the pipeline or existing contracts.
- Where UCAs are necessary, maximize obligations and allowable expenditures against those UCAs. Consult with DASN (P) [Deputy Assistant Secretary of the Navy (Procurement)] on additional authorities up to and including obligations up to 100% [of available funding].

We are operating in a National Emergency and so we need to move out accordingly. This is not [a] business as usual situation. As the Navy's acquisition and sustainment leaders, I expect you to be bold in implementing these measures.[142]

March 24 Navy Memo Regarding Research and Development Industrial Base

On March 24, 2020, the Navy acquisition executive issued a memorandum directing the Chief of Naval Research (CNR), Navy system commands, and Navy Program Executive Officers (PEOs) to take various actions (including some similar to those listed above in the Navy's March 20 memorandum) regarding the Navy's research and development industrial base, so as to positively affect cash flow at research and development organizations, ensure that the current workload at these organizations is completed, and bring new partners into the Navy's research and development industrial base.[143]

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[140] REAs are requests that contractors submit to the government for an adjustment to the contract price under a contract clause providing for such an adjustment. For brief online discussions of REAs, see "Requests for Equitable Adjustments ('REAs') and Claims," Seidman & Associates, P.C., undated, accessed March 21, 2020, at https://www.seidmanlaw.com/requests-for-equitable-adjustments-and-claims; and "Definition of Equitable Adjustment FAR [Federal Acquisition Regulation] 52.243 in Government Contracts," Watson & Associates, LLC, accessed March 21, 2020, at https://blog.theodorewatson.com/definition-of-equitable-adjustments-in-government-contracts.

[141] UCAs are contract actions for which the contract terms, specifications, or price are not agreed upon before performance commences. For a brief online discussion of UCAs, see "Undefinitized Contract Actions (UCA)," AcqNotes, updated June 4, 2018, accessed March 21, 2020, at http://acqnotes.com/acqnote/careerfields/undefinitized-contract-actions-uca.

[142] Memorandum from Assistant Secretary of the Navy, Research, Development, and Acquisition (ASN RD&D) [sic: ASN RD&A] to Navy Syscom Commanders and Program Executive Officers, Subject: (Intent and Direction) Withholds and Retentions During COVID-19, March 20, 2020. In the memorandum, some of the bullet points lacked periods at the end; in reprinting the text of the memorandum here, CRS has placed periods at the end of those bullet points.

[143] Memorandum from Assistant Secretary of the Navy, Research, Development, and Acquisition to Chief of Naval

March 31 DOD Memo on Managing Defense-Contract Impacts of COVID-19

On March 30, 2020, the Office of the Under Secretary of Defense for Acquisition and Sustainment issued a memorandum on managing the impacts of the COVID-19 situation on defense contracts. The memorandum stated that "the effects of COVID-19 will affect the cost, schedule, and performance of many DoD contracts." The memorandum stated further

> DoD contracts contain clauses that excuse performance delays, including Federal Acquisition Regulation (FAR) 52.249-14, Excusable Delays; various "Termination" clauses; and FAR 52.212-4 for commercial contracts. Each of these clauses provides that a contractor will not be in default because of a failure to perform the contract if the failure arises beyond the control and without the fault or negligence of the contractor. In the event of such a delay, the contractor is entitled to an equitable adjustment of the contract schedule. Where the contracting officer directs changes in the terms of contract performance, which may include recognition of COVID-19 impacts on performance under that contract, the contractor may also be entitled to an equitable adjustment to contract price using the standard FAR changes clauses (e.g., FAR 52.243-1 or FAR 52.243-2).
>
> Requests for equitable adjustment must be considered on a case-by-case basis, in consideration of the particular circumstances of each contract, impacts realized from COVID-19, applicable law, and regulations, and inclusive of any relief that may be authorized by laws enacted in response to this national emergency. When reviewing requests for equitable adjustment, contracting officers are to take into account, among other factors, whether the requested costs would be allowable, allocable and reasonable to protect the health and safety of contract employees as part of the performance of the contract. Equitable adjustments to the contract or reliance on an excusable delay should not negatively affect contractor performance ratings.
>
> In response to this national emergency, on March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES). Most notable within the act is Section 3610, Federal Contractor Authority, which provides discretion for the agency to modify the terms and conditions of the contract to reimburse paid leave where contractor employees could not access work sites or telework but actions were needed to keep such employees in a ready state (Attachment 1). Section 3610 is included for information only. DPC will provide implementing guidance for this section as soon as practicable.
>
> The Office of Management and Budget, and many senior procurement officials of the Military Departments and Agencies have promulgated guidance similar to that in this memo regarding management of contract performance impacts due to COVID-19, many of which are available at https://www.acq.osd.mil/dpap/pacc/cc/COVID-19.html. They share the common theme that contracting officers are trusted and empowered to make the difficult decisions on appropriate adjustment to each contract. Both during and after the COVID-19 emergency, contracting officers must work closely with our industry partners to ensure continuity of operations and mission effectiveness, while protecting the continuing vitality of the DIB that is so critical to our national security.[144]

Research (CNR), Navy system commands, and Navy Program Executive Officers (PEOs), Subject: (Intent and Direction) Engaging the Research and Development Industrial Base during COVID-19, March 24, 2020. The article was posted at InsideDefense.com on March 26, 2020. For an article discussing this memorandum, see Justin Katz, "Geurts Urges Navy R&D to Push OTAs, Rapid Prototyping During COVID-19 Pandemic," *Inside Defense*, March 26, 2020.

[144] Memorandum from Office of the Under Secretary of Defense, Acquisition and Sustainment, Subject: Managing Defense Contracts Impacts of the Novel Coronavirus, undated but signed on March 30, 2020, by Kim Herrington, Acting Principal Director, Defense Pricing and Contracting.

April 9 DOD Memo on Implementing Section 3610 of CARES Act

On April 9, 2020, the Office of the Under Secretary of Defense for Acquisition and Sustainment issued a memorandum providing guidance for implementing Section 3610 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748/P.L. 116-136 of March 27, 2020).[145] A DOD statement summarizing the memo stated

> The Defense Pricing and Contracting (DPC) office has issued a class deviation to the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS) entitled, "CARES Act Section 3610 Implementation." This deviation addresses section 3610 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act which allows agencies to reimburse contractors for payment to workers who are prevented from working due to COVID-19 facility closures or other restrictions.
>
> The deviation provides a framework for contracting officers to assess any claimed allowable costs associated with the declared public health emergency, recognizing the importance of supporting affected contractors to ensure that, together, we remain a healthy, resilient, and responsive total force. In short order, a forthcoming implementation guidance memo and Frequently Asked Questions (FAQs) document will provide additional information and will be available on the Defense Pricing and Contracting website.
>
> This class deviation is the 17th new COVID-19 guidance the Department of Defense's Pricing and Contracting (DPC) office has provided to help relieve COVID-19 impacts for the Contracting Community.
>
> Deputy Assistant Secretary of Defense (DASD) for Industrial Policy Jennifer Santos, and Acting Principal Director, Defense Pricing and Contracting, Mr. Kim Herrington, have worked extensively with the defense industrial associations, including the small business community, to identify cost, schedule and performance impacts beyond the control of the contractor, and to provide badly needed relief to help defense industry get through this national emergency.[146]

July 21 Letter from Shipbuilders to Congress

A July 21, 2020, letter from the Shipbuilders Council of America (SCA) to congressional leaders stated

> The Shipbuilders Council of America (SCA) is the national trade association representing U.S. shipyards engaged in the repairing and construction of military and other government vessels, commercial vessels, and those companies providing goods and services to the industry. The Council represents 40 companies that own and operate over 80 shipyards, with facilities on all three U.S. coasts, the Great Lakes, the inland waterways system, Alaska and Hawaii. SCA also represents over 110 partner and supplier members that provide goods and services to the shipyard industrial base.
>
> SCA is appreciative of Congress passing the CARES Act earlier this year. Section 3610 of the CARES Act authorized government contractors to be reimbursed for employees who could not work as a result of COVID-related closures. The U.S. shipyard industry was

[145] Memorandum from Office of the Under Secretary of Defense, Acquisition and Sustainment, Subject: Implementation Guidance for Section 3610 of the Coronavirus Aid, Relief, and Economic Security Act, undated but signed on April 9, 2020, by Kim Herrington, Acting Principal Director, Defense Pricing and Contracting. See also Aaron Mehta, "Newest DoD Industry Guidance Clarifies Repayments, Makes Prototyping Easier," *Defense News*, April 9, 2020. See also Vivienne Machi, "DoD to Continue Payments to Contractors Off Work Due to COVID-19," *Defense Daily*, April 10, 2020.

[146] DOD news release, "DOD Allows Payments to Contractors Who Cannot Work Due to COVID-19 Facility Closures or Other Restrictions," April 9, 2020.

> deemed essential from the beginning of the pandemic and shipyards have remained in operation. For these companies, Section 3610 largely has not been applicable.
>
> The scale of the pandemic's impact was not known when the Congress passed the CARES Act legislation. Undersecretary of Defense (Acquisition and Sustainment) Ellen Lord has since testified before the House Armed Services Committee that without additional funds, the Department of Defense would have to use modernization and readiness funds to plug gaps caused by the pandemic. The lack of appropriated funds for these expenses has placed a significant burden on the shipyard industrial base due to the uncertainty of if, when, and how reimbursements will be distributed.
>
> Absorbing these COVID related costs without the necessary appropriated reimbursements could seriously jeopardize the shipyard industrial base which would have a degrading effect on our nation's national security.
>
> On behalf of the entire industry, Shipbuilders Council of America (SCA) strongly requests that Congress include appropriations for the unexpected costs that have burdened the ship repair and shipbuilding industrial base...
>
> We also recommend extending the authority of Section 3610 to include the shipyard industrial base supply chain, which is estimated to support 2.6 jobs for every job in shipyards. Ensuring all suppliers have the flexibility to support their own workforce will allow them to meet contractual demands and limit business disruptions. Minority and women owned firms that make up unique and critical parts of the industrial base can be particularly impacted by having to carry the costs of working through this pandemic.
>
> Stability and predictability in these funding authorizations are critical to protecting the shipyard workforce, which is comprised of more than 110,000 men and women. In a time of high unemployment, it is more important than ever to ensure these men and women's jobs are secure.
>
> We thank you for your consideration of inclusion of the U.S. shipyard industrial base in the next stimulus package. We look forward
>
> to working with you to provide the certainty and stability necessary to support of Nation's security and maritime needs.[147]

Press Reports

The excerpts from recent press reports below are presented in chronological order, with the most recent on top.

A September 16, 2020, press report states

> While capacity at the Navy's shipyards has nearly returned to pre-COVID-19 rates, the service does not expect to have widespread testing available for workers until later this year.
>
> Speaking at a virtual conference hosted by the American Society of Naval Engineers, Naval Sea Systems Commander Vice Adm. Bill Galinis said today that the service has "stabilized" its capacity levels, which are now slightly lower than they were prior to the COVID-19 pandemic.
>
> "Back in the March-April timeframe, we saw clearly a significant drop in the number of folks that we were able to get into the shipyards and we had productively working. I think at this point—I feel like we've stabilized," Galinis said. "We're a little bit below maybe

[147] Letter dated July 21, 2020, from Matthew Paxton, President, Shipbuilders Council of America, to Honorable Mitch McConnell, Honorable Charles Schumer, Honorable Nancy Pelosi, and Honorable Kevin McCarthy, House Minority Leader, posted July 22, 2020, at InsideDefense.com.

what we were back the end of 2019, early 2020, before we went into this situation. On average, the naval shipyards are operating – these are the production numbers now for the production workforce—the naval shipyards are operating at about 89 percent capacity."

Still, asked when the Navy anticipates having widespread testing, Galinis said, "further, the end of this year—we'll see."

Throughout the four public Navy shipyards, the service currently has approximately 550 to 600 people who are under restriction of movement (ROM) guidance in accordance with COVID-19 protocol, Galinis said.

"We try to bring those back as quickly as possible. I know frankly the testing that's available out there—the rapid response test—probably [is] not as accurate as we'd like," Galinis said. "At least within on the naval shipyard side, we haven't been able to be able to test out of a ROM period yet. So we're still kind of working that."

While the Navy has not been able to use rapid testing to move its shipyard workers out from a ROM, Galinis said the private yards, which are working at about 91 to 92 percent capacity, have used rapid testing to bring workers out of quarantine.

"Industry has already progressed in that area, where maybe they give them two or maybe even three tests over a period of a couple of days to get them back to work after a few days as opposed to the traditional 14-day ROM," Galinis said. "I do think we're going to get there with the rapid testing . . . I don't think it's going to be in the next few weeks or month or so, is just my sense, from what I'm seeing."

As the COVID-19 pandemic led to widespread lockdowns and social distancing measures, the Navy in June brought in 1,629 reservists after capacity at the public yards dropped, USNI News previously reported. The reduced capacity at the yards worsened the Navy's maintenance logjam for carriers and submarines.

The Navy currently has 47 chief of naval operations maintenance availabilities throughout the private shipyards, according to Galinis, who noted that three are submarines undergoing maintenance at Newport News Shipbuilding and the rest are scattered throughout various yards across the world.

"About half of those are tracking to the schedule and to the plan that we established for those availabilities," Galinis said. "The other half—quite frankly—are challenged, some more than others, either by schedule pressures, cost pressures, resource loading, or a combination of those. So that's the work going on in the private sector."

One concern Galinis has is the potential for a team performing a "critical path job" having one member become infected, who then spreads COVID-19 to the rest of the team, a scenario that he said could throw the entire maintenance availability schedule out of whack despite only several individuals becoming sick.

Within the four public yards, the service has 11 submarine maintenance availabilities and two carrier availabilities, all of which Galinis said are facing some schedule risk.

"I would tell you at this point probably most of those, if not all, probably have some level of schedule pressure associated with those," the NAVSEA chief said. "The pressures that I talked about—some related to the COVID environment that we're in. Some may be due to other factors as I mentioned."

While the Navy saw a brief drop in shipyard capacity after the Fourth of July holiday, Galinis said the service has not yet seen the same effect from the Labor Day weekend.[148]

[148] Mallory Shelbourne, "Navy Expects Widespread COVID-19 Testing in Shipyards Later This Year," *USNI News*, September 16, 2020.

A September 15, 2020, press report stated

> Despite slowdowns caused by the coronavirus pandemic, the Navy has reduced maintenance delays this year, service officials said Tuesday [September 15].
>
> The Navy has, so far, reduced days of maintenance delay by 80% in fiscal year 2020 compared to FY-19….
>
> Rear Adm. Howard Markle, the Navy's director of industrial operations, said the service lost a total of 269,000 standard work days before June due to the pandemic….
>
> Markle said the Navy has mobilized reservists into the shipyards to allow maintenance to continue during the pandemic if the regular maintenance workers have to quarantine. He said slightly more than 1,000 reservists have been mobilized thus far, a number that is set to rise to 1,300.
>
> Rear Adm. William Greene, the Navy's fleet maintenance officer for U.S. Fleet Forces Command, said COVID-19 has set the Navy's maintenance efforts back "across the board."[149]

A September 14, 2020, press report states

> Despite the coronavirus pandemic taking its toll on submarine construction at Newport News Shipbuilding, as the company president announced last month, the shipyard and the crew of the future Montana (SSN-794) have been working hard to keep the Virginia-class attack sub on track to deliver to the fleet next year.
>
> The Navy christened Montana over the weekend in the first-ever all-virtual christening ceremony at Newport News Shipbuilding, where ship sponsor and former Interior Secretary Sally Jewell was among the only people by the boat when she bashed a bottle of sparkling wine against the hull to christen it.
>
> Montana began construction in April 2015 and is expected to deliver to the Navy late next year. After its christening over the weekend, the boat will be moved into the water in the coming weeks for final construction activities and to eventually conduct testing and trials. Due to delays in SSN construction, this float-off is taking place a few months later than originally planned—though a company official told USNI News they are confident they can keep to the late 2021 planned delivery.
>
> Last month, Mike Petters, the CEO of parent company Huntington Ingalls Industries, told investors that the Virginia-class submarine construction line was bearing a disproportionate amount of the impact of COVID-19-related delays and disruptions at the Virginia shipyard, due to how the Navy asked the yard to prioritize resources.
>
> "What happens is, when you're at less than full attendance, you start moving people from one area to another, and you start trying to make sure that you are focused on getting the right skills onto the right place. And so I think that's unique to Newport News, I think that dealing with commissioned ships and deployable assets is a unique challenge for them in this environment," he said, referencing the fact that Newport News Shipbuilding is also conducting repairs and mid-life overhauls on aircraft carriers and submarines in addition to building new ones.
>
> "At the beginning of this process, working with the Navy to try to make sure we prioritized deployable ships, and then unit deliveries, that starts to move around the priorities in the business a little bit," he said about how resources were being applied to keep some programs on schedule and choose where delays are more acceptable.

[149] Aidan Quigley, "Navy Says Despite COVID-19 Slowdown, Maintenance Delays Reduced in 2020," *Inside Defense*, September 15, 2020.

During a pre-christening media day, Vice President of Virginia-Class Submarine Construction Jason Ward told USNI News that the next SSN behind Montana, the future New Jersey, is where the yard is seeing the effects of COVID and reprioritizing people and materials that may be in short supply due to the pandemic….

"Right behind [Montana], Newport News is working on New Jersey, where the next major milestone is focused on pressure hull complete. And that's where we're focused on making sure we are working within the confines of our new environment with COVID. I'm really pleased to report that the number of shipbuilders that have supported this construction production line has continued to understand their essential working criteria and have adapted very strongly to the new protocols that we've put in place to socially distance and to keep our shipbuilders safe, which is really the first and primary objective when the pandemic came upon us in March."…

During the media event, marine painter Sheniqua Johnson said all employees were required to wear masks and social distance when they could, and that the shipyard had been generous in providing hand sanitizer, cleaning wipes and disinfectant sprays so that everyone could keep their workplaces germ-free.

Richard Mattheisen, a pipefitter foreman, said during the event that COVID "slowed us down, just like it slowed everybody else down; just like always, we found a way to come through it here."

"Submarines are tight quarters, so it's so hard to social distance here. So we started doing things like on top of the masks we also wear a plastic shield over our face, almost like we use double eye protection when we grind. So we started doing that, and hanging curtains between people working together, just because it's such tight quarters on submarines," he said, noting that there were slowdowns in the beginning of the pandemic but that his team has picked up the pace once they found the right workarounds to get the job done while keeping everyone safe and healthy.

Asked what it was like to be caught between the fleet, which always wants more submarines as fast as it can get them, and the shipyard, which is balancing delays at the yard due to suppliers running behind and employees being out on leave due to the pandemic, [Montana Commanding Officer Capt. Michael] Delaney said, "I would be lying to say that we're full-throttle here amidst COVID. I have actually been very impressed [with] how the shipyard and ship's force and the Navy in general has dealt with the COVID pandemic here. We've had to take lots of measures to mitigate that, between temperature checks, we've divided our training times so that we're in smaller groups throughout the day. So while there have been some challenges that we've had to work around, the resiliency of our sailors and our shipyard workers have pretty much weathered the storm and been able to continue to make progress and successfully as close as we can drive towards the schedule of getting this ship ready for sea."[150]

[150] Megan Eckstein, "Attack Sub Montana Christened at Newport News, As Yard Tries Keeping to Schedule Despite COVID," *USNI News*, September 14, 2020. See also Cal Biesecker, "Huntington Ingalls Hits Rough Seas In Second Quarter," *Defense Daily*, August 11, 2020; Marjorie Censer, "Huntington Ingalls CEO Says Attendance Level Is Now 'Sustainable and Manageable,'" *Inside Defense*, August 6, 2020; Megan Eckstein, "Petters: Virginia-Class Subs Facing Most COVID-19 Delays at Newport News Shipbuilding," *USNI News*, August 6, 2020; Justin Katz, "HII Reports $111 Million in Quarterly Charges for Block IV Virginia Subs," *Inside Defense*, August 6, 2020; Huntington Ingalls Industries, "Huntington Ingalls Industries Reports Second Quarter 2020 Results, Provides COVID-19 Update and Updates 2020 Outlook," August 6, 2020; Michael Fabey, "Covid-19: Virus Impacts Force US Navy Schedule Reassessments for Carrier Kennedy and Other Programmes," *Jane's Navy International*, August 13, 2020.

An August 14, 2020, press report states

> In the early days of the pandemic, some employees at Norfolk Naval Shipyard stopped working. They were considered at high risk for complications from COVID-19 and placed on leave, the Navy said.
>
> Thousands of hours of labor were lost and work started to pile up on the aircraft carriers Harry S. Truman and George H.W. Bush, as well as two submarines.
>
> The shipyard needed help.
>
> That's where the Navy's SurgeMain program stepped in, said Capt. Rich Sussman, director of military and reserve programs at Naval Sea Systems Command.
>
> Started 15 years ago as a way to augment the workforce at the Navy's four public shipyards, SurgeMain developed a reserve of more than 2,000 sailors with mechanical skills who were ready to help when needed.
>
> Though the reservists have come to the shipyards over the years to train, the pandemic is the first time they've been fully mobilized. It's an "unprecedented" move for non-humanitarian, domestic purposes….
>
> At Norfolk Naval Shipyard in Portsmouth, 178 reservists have arrived, said Capt. Dan Rossler, the shipyard's deputy commander.
>
> A total of 480 are set to come by September. They're scheduled to stay a year, through next fall.
>
> Some are local, while others are coming from as far as Puerto Rico and staying at Hampton Roads hotels….
>
> In early July, the Navy said up to a quarter of the four shipyards' production workforce had been placed on safety leave since mid-March. Norfolk Naval Shipyard has 10,815 civilian employees and 700 military personnel, spokeswoman Terri Davis said in an email. She said the number of regular employees out has varied during the crisis, so she couldn't say how many the shipyard is currently down.[151]

An August 13, 2020, press report states

> The Navy's top acquisition official said the service is reassessing the timeline for the future aircraft carrier USS John F. Kennedy (CVN-79) due to both the COVID-19 pandemic and the switch from a dual to single-phase delivery plan.
>
> James Geurts told reporters during a phone press roundtable Wednesday that "obviously we are watching with some concern, the workforce levels at all our shipyards, but in particular at Newport News there, given the relatively high number of cases in there."…
>
> Geurts said the Navy is trying to understand the impacts from both COVID and moving to a single-phase delivery for CVN-79 and then "understanding the opportunity that going to a single phase delivery puts together and then leveraging that opportunity to build a more efficient schedule from here on out for that ship."…
>
> Geurts on Wednesday said, "I'm less worried about is it X percent less man hours than [CVN-]78. I'm more worried, focused on outcome base. Are we achieving the outcomes that we want to have, from delivering that ship in the time and phasing that we want more so than just is it 16 percent less man hours than [CVN-]78?"

[151] Katherine Hafner, "Hundreds of Reserve Sailors Are Helping Norfolk Naval Shipyard with Virus-Prompted Maintenance Backlog," *Norfolk Virginian-Pilot*, August 14, 2020.

> "They're obviously related, but as we look to a single-phase delivery and understand what the current workforce dynamics are in COVID I think there's a way we can do that in a smart way that can help mitigate some of the direct impacts of COVID," he continued.[152]

An August 12, 2020, press report stated

> The Navy may have to sacrifice modernization efforts if it does not receive adequate relief funding to cover acquisition costs sustained due to the coronavirus pandemic, according to a top service official.
>
> Navy acquisition chief James Geurts told reporters today that to sustain a ready force, the service would have to make cuts to procurement and modernization if it does not get additional relief money for contractors.
>
> "And so my fear is . . . we are going to have to impact modernization or procurement programs to make up for that inefficiency, which I don't think anybody wants to do," Geurts said. "And that's why we think it's critical to have this discussion and seek to make the adjustment now versus having to make that by sacrificing elements in the future."
>
> Geurts pointed to a memo, first reported by *Inside Defense*, that lays out funding amounts the Defense Department says it needs to pay for acquisition cost growth the Pentagon suffered from mid-March through mid-June due to the coronavirus pandemic.
>
> The document breaks down the money each service would require, with the Navy asking for nearly $4.7 billion in relief funding and the Pentagon requesting approximately $10.8 billion. According to the memo, more than 43,200 Navy jobs have been affected by the pandemic….[153]
>
> Geurts described the $4.7 billion as "a good estimate" for the Navy's slice of the acquisition relief funding and said the service continues to adjust its assessments depending on how the shipyards are operating and how various programs are performing.
>
> In an effort to provide stability to the industrial base during the pandemic, Geurts has described his approach during the last few months as seeking to provide contractors with a consistent flow of work.
>
> The service is also distinguishing between program cost growths brought on by the pandemic and surging costs caused by separate performance issues, Geurts noted.
>
> "This is not a get-out-of-jail-free card, so to speak, in terms of we've been very careful to differentiate what is performance impacts on contracts pre-COVID from COVID-unique impacts and trying to separate those two different elements, where we have programs not meeting their targets," he said. "This is not to make up for non-COVID impacts. There are certainly areas where we have had to adjust our production output due to some of the COVID impacts at the shipyards. And so this essentially—if we can't do that—we're just going to have to eat out of future modernization or production to backfill that inefficiency."…
>
> Geurts also referenced a portion of the Pentagon memo that said one of the private shipyards could potentially close down due to the effects of the pandemic. But the Navy's acquisition executive said the language was not meant to imply that a yard could close for good.

[152] Rich Abott, "Navy Reassessing CVN-79 Schedule Due To Pandemic And Phase Change," *Defense Daily*, August 13, 2020.

[153] Excerpts from this DOD memo are reprinted earlier in this CRS report; see the quoted material ending in footnote 55.

> "At least one of the big seven private shipyards may shutdown," the memo reads. "Recovery from a full shutdown would extend inefficiencies well into next year after restart."
>
> Geurts said the concern was that a coronavirus outbreak in a yard could lead to a short-term closure, a possibility he said the service must still prepare to address in case it occurs.
>
> "COVID is not a place where I think anybody is out of the woods yet, in terms of how it might impact us in the future," he said. "All I can say is we've got really good communication and we're learning from each other and we're doing everything we know how to do to try and mitigate the risk of that occurring. But until we—we as a world—figure out how to get our arms around it, I think we've always got to be hoping for the best and planning for the worst. And so we continue to do that."[154]

A July 31, 2020, press report stated

> As part of the national response to COVID-19, the Defense Department entered into a $31 million agreement with North American Forgemasters under Title III of the Defense Production Act, the Defense Department said in a July 31 release.
>
> This investment will sustain and increase critical industrial base capability for domestic production of ultra-large iron and steel forging in support of the U.S. Navy and Naval Nuclear Propulsion Program.
>
> Using funds authorized and appropriated under the CARES Act, these Title III funds will enable North American Forgemasters to maintain and protect a skilled workforce during the disruption caused by COVID-19 while strengthening a vital domestic industrial capacity to produce ultra-large iron and steel forgings through infrastructure investments and development of specialized tooling….
>
> North American Forgemasters headquarters is in New Castle, Pennsylvania, which is the principal place of performance.[155]

A July 22, 2020, press report stated

> Newport News Shipbuilding is transitioning back to a 3 shift schedule as it evolves to deal with the coroanvirus pandemic.
>
> The shipyard has seen COVID-19 cases surge there recently, with 30 new cases reported on Monday alone. NNS President Jennifer Boykin says she knows shutting down the yard would be the only way to fully stop the virus from spreading, but "with that comes unemployment for 25,000 shipbuilders, a delay in Navy ship production, and the potential loss of future work."
>
> She says she's heard feedback from many workers and local union President Charles Spivey, and decided to move back to the 3 shift schedule. The shipyard moved to 2 shifts back in April in an effort to improve social distancing, but saw many cases linked to the 1st shift.[156]

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[154] Mallory Shelbourne, "Geurts: Navy Modernization At Risk Without COVID-19 Acquisition Relief Funds," *USNI News*, August 12 (updated August 13), 2020. See also Paul McLeary, "Shipyards Not At Risk, Despite DoD Warning It Needs $$ To Save Them," *Breaking Defense*, August 12, 2020; Rich Abott, "Geurts Says Temporary COVID Shipyard Closure Still Possible," *Defense Daily*, August 12, 2020; Justin Katz, "Geurts Says a Shipyard Closure Remains a Possibility," *Inside Defense*, August 12, 2020; Michael Fabey, "Covid-19: Virus Impacts Force US Navy Schedule Reassessments for Carrier Kennedy and Other Programmes," *Jane's Navy International*, August 13, 2020.

[155] Seapower staff, "Pentagon Allocates $31 Million to Shore Up Shipbuilding Industrial Base," *Seapower*, July 31, 2020. See also Marjorie Censer, "Pentagon Strikes Deal with North American Forgemasters," *Inside Defense*, July 31, 2020.

[156] "Newport News Shipbuilding, Dealing with Increase in COVID-19 Cases, Switching Back to 3 Shifts," *WAVY.com*, July 22, 2020.

A July 16, 2020, press report stated

> The U.S. Navy's top procurement official said he seeks to maintain the agility and efficiencies garnered by the Navy's acquisition and repair workforce and procedures long after the COVID-19 pandemic subsides.
>
> The pandemic is a "really good test of resilience and how dynamic your organization is," said James F. Geurts, assistant secretary of the Navy for research, development and acquisition, who spoke on July 15 during a webinar, NatSec 2020: Coronavirus and Beyond, co-sponsored by the Navy League of the United States, the Association of the United States Army and Government Matters.
>
> "What we've been working on for the last couple years of decentralizing, differentializing, digitizing the work and developing talent, in hindsight, is very important," Geurts said in response to questions from the Navy League's executive director, Mike Stevens. "It gave us a really sound foundation to pivot. I've been really impressed how fast we've been able to pivot. The Navy, at least in acquisition channels, has been accelerating through the crisis."
>
> Geurts said the Navy is about 37% ahead in contract awards this year compared with the same period in 2019 and twice what was done by this time in 2018 — having awarded an additional $30 billion to $35 billion in contracts in motion in the middle of the crisis. He said the effort created stability and freed up bandwidth to deal with things that pop up….
>
> Geurts said no shipyards or repair yards — public or private — have been shut down during the pandemic.
>
> "To think that we had 100,000-plus shipyard workers continuously operating through the crisis is a pretty remarkable state of leadership," he said. "We've had some delays, some disruption, some loss of productive work hours — which we're going to have to manage our way through, and we're working our way through that — but we never got to the point where we had to completely shut down."[157]

A June 23, 2020, press report stated

> Last week, the Defense Department announced several Defense Production Act (DPA) Title II actions to help the industrial base deal with disruption due to the COVID-19 pandemic, particularly focusing on shipbuilding and aviation.
>
> "These actions will help to retain critical workforce capabilities throughout the disruption caused by COVID-19 and to restore some jobs lost because of the pandemic," DoD spokesman Air Force Lt. Col. Mike Andrews said when the actions were announced June 19.
>
> The first of this set of DPA agreements is $50 million with Austal USA "to maintain, protect, and expand critical domestic shipbuilding and maintenance capacity."…
>
> The department also announced a $55 million DPA agreement with W International to help the domestic shipbuilding industrial base. The company will receive the funding to "maintain, protect, and expand critical domestic industrial base capability for the U.S. Navy nuclear shipbuilding industry. These investments will have long-term benefits for Navy shipbuilding while accelerating pandemic recovery efforts in the South East region of the United States," the Defense Department said.[158]

[157] Richard R. Burgess, "Geurts: Navy Acquisition Pivoted Rapidly to Face the Pandemic," *Seapower*, July 16, 2020.

[158] Rich Abott, "DoD Directs $187 Million DPA Funds For Shipbuilding and Aviation COVID-19 Actions," *Defense Daily*, June 23, 2020.

A June 22, 2020, press report stated

> As large chunks of the country begin to scale back restrictions caused by COVID-19, the companies of the defense industrial base have largely reopened for business, the Pentagon's top acquisition official said Monday.
>
> Speaking to reporters, Ellen Lord, the undersecretary of defense for acquisition and sustainment, said that only 33 total companies in the industrial base, largely smaller services providers tracked by the Defense Logistics Agency, remain closed for business.
>
> "Out of 10,509 companies [the Defense Contract Management Agency] tracks: we are down to two closed, and 267 companies having closed and reopened," Lord said in her remarks. "Out of 11,413 companies DLA tracks: 31 are closed with 661 having closed and reopened."
>
> That is an improvement from April 30, when Lord said there were 93 defense-related companies tracked by DCMA closed, with 437 of the DLA tracked companies shut down at that time.
>
> "We see an enormous amount of recovery in the defense industrial base. It depends on location and what type of work is being performed, but there is enormous progress coming back," she said. "Obviously, for manufacturing, we need people on the line. So, we're doing things differently in terms of following CDC guidelines and so forth.
>
> "We don't know what that new normal will be on speed, but we see an enormous amount of recovery."
>
> Lord acknowledged that the efforts to stabilize the defense industrial base would be ongoing, noting officials "continue to see the greatest impacts both domestically and internationally in the aviation and shipbuilding supply chains." She added that advanced progress payments to companies has hit over $2 billion, and that all of the prime contractors have "confirmed their detailed plans to work with their supply chains to accelerate payments to identify distressed companies, and small businesses."
>
> The department is still tracking a roughly three-month period of delays that could have repercussions on major defense programs, Lord said, although she declined to give any specific examples.[159]

[159] Aaron Mehta, "Nearly All Defense Companies Have Reopened from COVID-19," *Defense News*, June 22, 2020. See also Connie Lee, "COVID-19 NEWS: Pentagon Program Delays Continue to Persist," *National Defense*, June 22, 2020; Tony Bertuca, "Lord Sees 'Enormous' Recovery in Industrial Base, But Says Need for Supplemental Funding Remains," *Inside Defense*, June 22, 2020.

Appendix L. Potential Impacts of CRs on Navy Shipbuilding Programs

This appendix provides general background information on the potential impacts of continuing resolutions (CRs) on Navy shipbuilding programs.

Potential Impacts of CRs on DOD Acquisition Programs, Including Navy Shipbuilding[160]

No New Starts, Quantity Increases, or Signing of New MYP Contracts

CRs can lead to challenges in the execution of DOD acquisition programs (i.e., research and development programs and procurement programs), including Navy shipbuilding programs, because they typically prohibit the following:

- new program starts ("new starts"), meaning the initiation of new program efforts that did not exist in the prior year—a prohibition that includes not only the initiation of new acquisition programs, but also the shifting of an existing acquisition program from its research and development phase to its procurement phase;
- an increase in procurement quantity for a program compared to that program's procurement quantity in the prior year; and
- the signing of new multiyear procurement (MYP) contracts.[161]

Larger Contracts Broken into Smaller Contracts

Under a CR, DOD financial managers might dole out funding to DOD acquisition program managers, including managers of Navy shipbuilding programs, in an incremental, piecemeal fashion. This can require a program manager to divide an intended single contract into multiple smaller contracts, which can increase the total cost of the effort by reducing economies of scale within each of the smaller contracts and increasing Navy and contractor administrative costs.

R&D Efforts That Support Ongoing Procurement Programs

Ongoing DOD procurement programs, including Navy shipbuilding programs, are frequently supported by ongoing research and development (R&D) work. R&D work on an existing procurement program can, for example, support the development and integration of new systems or components intended to improve the end item's capability, reliability, or maintainability, or reduce its operation and support (O&S) costs.

Under a CR, R&D funding is managed at the account level, giving service officials some flexibility in applying available R&D funding so as to protect high-priority R&D efforts, particularly those that might require more funding in the current fiscal year than they received in the previous fiscal year. Doing that, however, can reduce funding available under the CR for other

[160] For a general discussion of the potential impacts of CRs on DOD, see CRS Report R45870, *Defense Spending Under an Interim Continuing Resolution: In Brief*, coordinated by Pat Towell.

[161] For more on MYP 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.

R&D efforts, including those supporting ongoing procurement programs, such as Navy shipbuilding programs, which can lead to program-execution challenges for those programs.

Additional Potential Impacts of CRs Specific to Navy Shipbuilding Programs

Line-Item Funding Misalignments

Unlike all other DOD acquisition accounts, the Navy's shipbuilding account, known formally as the Shipbuilding and Conversion, Navy (SCN) appropriation account, is funded in the annual DOD appropriations act not just with a total appropriated amount for the entire account, but also with specific appropriated amounts at the line-item level. SCN line items in the DOD appropriations act are not just specific to individual shipbuilding programs—they also distinguish between procurement funding and advance procurement (AP) funding within those programs.

As a consequence, under a CR, SCN funding is managed not at the account level (like funding is under a CR for other DOD acquisition accounts), but at the line-item level. For the SCN account—uniquely among DOD acquisition accounts—this can lead to line-by-line funding misalignments (excesses and shortfalls) for individual shipbuilding programs, compared to the amounts those shipbuilding programs received in the prior year. The shortfalls in particular can lead to program-execution challenges in shipbuilding programs, particularly under an extended or full-year CR. This unique situation of line-by-line funding misalignments is an important distinction between the potential impacts of CRs on shipbuilding programs and the potential impacts of CRs on other DOD acquisition activities.

Cost-to-Complete (CTC) Funding

Cost-to-complete (CTC) funding is funding that the Navy requests as a line item in the SCN account to cover cost growth on the construction of Navy ships that were funded in prior fiscal years. The line item is known more formally as the completion of prior-year (PY) shipbuilding programs line. CTC funding is requested in specific amounts for individual ships that are under construction. CTC work is considered to be a new start and is therefore typically prohibited under a CR,[162] perhaps on the grounds that CTC work is funded through a line item that is used exclusively to fund CTC work, and which is therefore separate from the line items that were used to originally fund the procurement of the ships in question.

The deeming of CTC work as a new start, and therefore prohibited under a CR, could lead to situations under a CR in which ships under construction sit in shipyards without undergoing work needed to complete their construction—something that could not only delay the completion of those ships, but might also increase their total construction costs, because a ship under construction is charged, for each day that it is in its construction shipyard, some of the fixed overhead costs of that shipyard.

[162] Source: Navy FY2018 program briefing to CRS and CBO, September 20, 2017.

Avoiding or Mitigating Potential Impacts of CRs

Anomalies Can Avoid or Mitigate Potential Impacts

The potential impacts described above can be avoided or mitigated if the CR includes special provisions, called anomalies, for exempting individual programs or groups of programs from the general provisions of the CR, or if the CR includes expanded authorities for DOD for reprogramming and transferring funds.

DOD Has Adapted to Likelihood of CRs to Avoid or Mitigate Impacts

The potential impacts described above can also be mitigated if the agency (in this case, the Navy) anticipates that one or more CRs will likely be used to fund DOD for the first few months of the fiscal year, and consequently decides to structure acquisition programs to avoid, during those months, planned contract signings or other actions that would be prohibited by a CR. The military services have observed that in many cases in recent years, CRs have been used to fund DOD for the first few months of the fiscal year. As an apparent adaptation, DOD program managers are now structuring their programs to reduce the potential impacts of DOD being funded during the first few months of the fiscal year by CRs.

For example, in connection with the use of a CR to fund the first part of FY2017, a September 29, 2016, press report stated the following:

> The Navy has planned for and can mitigate the effects of [a CR], as long as Congress passes a proper Fiscal Year 2017 budget by Dec. 9, 2016.
>
> The Navy planned for most of its major acquisition milestones to take place in the second quarter of the fiscal year rather than the first quarter, predicting that the year would likely start off with a continuing resolution, Navy spokeswoman Lt. Kara Yingling told USNI News. Under a continuing resolution, the previous year's funding levels carry over, meaning that new budget items are not funded and programs expecting a significant funding boost would continue to operate at the previous year's lower levels.
>
> "The Navy has many new starts and program increases planned in FY '17. However, a CR through December 9th is manageable because more of the initial contracts are scheduled in Quarter 2 [of the fiscal year] and the Navy can take mitigating action for the first three months of FY '17," Yingling said today....
>
> Though program managers and Navy acquisition officials often note that stable and sufficient funding would help them better keep their programs on track, Yingling said the service would manage the impact of this six-week CR....
>
> "Due to historical CRs, most FY '17 contracts are planned for Q2," Yingling said, and if the second quarter of the fiscal year is also governed by a CR then the Navy would look at potentially awarding smaller contracts to get programs started—a contracting burden that would cost more and potentially slow down programs' progress.[163]

As another example, in connection with the use of a CR to fund the first part of FY2018, a September 11, 2017, press report stated the following:

> Pentagon plans to ramp up production of about two-dozen major weapon systems in fiscal year 2018 would be largely unaffected by the stopgap spending bill President Trump and congressional leaders hope to enact, funding the federal government from Oct. 1 to Dec. 8.

[163] Megan Eckstein, "Navy Can Weather 6-Week Continuing Resolution, But Extension Would Delay Columbia Submarine Class, Other Programs," *USNI News*, September 29, 2016.

> Nearly all of the big-ticket programs that aim to increase procurement rates in FY-18 compared to FY-17—including deals for a new aircraft carrier, more armored vehicles, tank upgrades, precision munitions and aircraft—have set target dates to execute contract awards after that 10-week window, according to a review of Pentagon budget documents.[164]

Similarly, an October 6, 2017, press report about the use of a CR to fund the first part of FY2018 stated the following: "The Navy tends to avoid planning contract actions in the first quarter of the fiscal year, since the last nine years have begun under a continuing resolution."[165]

At a September 19, 2017, hearing before the Senate Armed Services Committee on recent Navy ship collisions, the following exchange occurred (emphasis added):

> SENATOR JEANNE SHAHEEN (continuing):
>
> ... I wonder if you could talk in detail about the impact of continuing resolutions, budget cycle after budget cycle, and how they affect maintenance and training plans for ships. And are forward deployed ships affected more than ships stateside? Can you—is there any correlation there?
>
> ADMIRAL JOHN M. RICHARDSON, CHIEF OF NAVAL OPERATIONS
>
> Ma'am, as I said, we will prioritize our resources to those forces that are forward deployed and that will deploy forward. And so we will not leave those teams short of resources.
>
> Having said that, **the uncertainty that they can—well actually—it's become actually certain. We're certain that we're not going to get a budget in the first quarter [of the fiscal year]. And so...**
>
> (CROSSTALK)
>
> SHAHEEN:
>
> Which is a sad commentary on the budget situation.
>
> RICHARDSON:
>
> **... behaviors have adapted. And so we don't put anything in the important in the first quarter of the [fiscal] year, and we have to compete three out of four quarters of the game.**
>
> And, in addition to just that fact, the—what happens is you have to double your contracting, right? You have to write a tiny little contract for the length of the continuing resolution, and then you have to write another one for the rest of the year. **As you know, nothing new can start, and so we try not to schedule anything new in that first quarter.**
>
> The maintenance and training—those are the hardest things. And so, as those—as the uncertainty, you know, injects itself, it is always—the things on the bubble [i.e., at risk of being affected] are maintenance periods, particularly surface ship maintenance periods.
>
> It is, you know, "How many steaming hours am I going to get? How many flying hours am I going to get? $150 million per month shortfall—how do I manage that?" These are the effects of the continuing resolutions.[166]

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[164] Jason Sherman, "DOD Procurement Plans Largely Safe Under Short-Term FY-18 CR," *Inside the Navy*, September 11, 2017.

[165] Megan Eckstein, "Top Navy Procurement Programs Facing Slow Start In FY 2018 Due to Continuing Resolution," *USNI News*, October 6, 2017.

[166] Source: Transcript of hearing.

A September 28, 2017, press report states the following:

> The Navy has gotten creative in dealing with budget uncertainties and continuing resolutions, developing a new ship maintenance contract structure to keep 11 ship availabilities on track at the beginning of Fiscal Year 2018 that would otherwise face major delays due to the impending CR, the head of surface ship maintenance told USNI News.
>
> Rear Adm. Jim Downey, commander of Navy Regional Maintenance Centers and deputy commander for surface warfare at Naval Sea Systems Command (NAVSEA) told USNI News today that up to a third of the ship maintenance workload can be put at risk when the fiscal year starts with a CR. This year, the Pentagon has already said 11 ship availabilities are at risk....
>
> To avoid these delays, Downey said the Navy is now awarding contracts that are structured differently, to leverage the fact that maintenance work is typically funded with one-year money—use-it-or-lose-it money which must be spent in the year it is appropriated by lawmakers—whereas modernization efforts are typically paid for with three-year money. In essence, the planning and early work for a ship availability can get started as a ship modernization effort, with planning and early activities paid for with three-year money already in the Navy's accounts, and one-year maintenance work can be added in later, once the availability is already underway and Congress eventually gives the Navy its full-year appropriations.
>
> "We've worked very hard on how we structure our funding to get the planning to keep all those ships in play, and to keep them in play to their schedule, expecting that the funding is going to come just in time," Downey said.
>
> "So we do the planning for them. … And then we go ahead and structure that contract to deal with the continuing resolution. So the base work now may be more modernization-related because I have that money, and I'm going to lay the maintenance work in as an option. So I'm going to award you the contract; I may not be 100-percent funded but I am funded for this part. I'm going to award the contract to you—we're currently referring to it as a split-CLIN approach—so that you've got the work and you know that the rest of the work is coming, you're going to be able to bid against it, we're going to exercise those options if we get the budget approved."
>
> Downey told USNI News that he can't change how Congress appropriates money—the Department of Defense has begun every fiscal year since FY 2010 under a continuing resolution, during which time the Navy cannot fund new projects and cannot ramp up spending above the previous year's levels – but he can best set up the Navy to succeed in this kind of new normal. Though the Navy has already largely stopped planning acquisition contract actions during the first quarter of the year, ship maintenance, modernization and repair work must take place throughout the year to maintain even workloads at the yards and to address emergent issues, and therefore required a creative solution to get around the CRs.
>
> "The first issue is, if you don't have all the money, especially with single-year appropriations in maintenance, how do you do that? So we're getting as legally creative as we can. So then you get a repair yard that says, okay, so I'm betting on this other work. Then you go to, historically, when have we not had a budget ultimately? It's going to come through at some point," he said.[167]

[167] Megan Eckstein, "Navy Using 'Legally Creative' Contract Structure to Keep Ship Availabilities On track Despite Continuing Resolutions," *USNI News*, September 28, 2017.

Although structuring acquisition programs to avoid, during the first few months of a fiscal year, planned contract signings or other actions that would be prohibited by CRs can mitigate the potential impacts of CRs on the execution of DOD acquisition programs, it might also lead to a risk, from DOD's perspective, of a creating a so-called "moral hazard"—that is, of taking an action that might be well-intentioned, but which, as a consequence of adapting to an undesired behavior by another party (in this case, Congress's use of CRs to fund DOD at the start of fiscal years), might encourage more of that behavior from the other party in the future.

December 2017 Navy Statement About $4 Billion Impact of CRs Since 2011

In a December 4, 2017, speech at a defense symposium, Secretary of the Navy Richard Spencer stated the following: "Continuing resolutions have cost the Department of the Navy about $4 billion since 2011."[168] Spencer did not state in the speech how that number was calculated. CRS asked the Navy for the source of the $4 billion figure and for details on how it was calculated. In response, the Navy provided CRS with an information paper that stated the following in part

> CRs have averaged 106 days per year in the last decade, or 29% of each year. This means over one quarter of every year is lost or has to be renegotiated for over 100,000 DON [Department of the Navy] contracts (conservative estimate) and billions of dollars. Contractors translate this CR uncertainty into the prices they charge the government.
>
> -- The cost factors at work here are: price uncertainty caused by the CR and reflected in higher rates charged to the government; government time to perform multiple incremental payments or renegotiate; and contractor time to renegotiate or perform unnecessary re-work caused by the CR. These efforts are estimated at approximately 1/7th of a man-year for all stakeholders or $26K [$26,000] per average contract.
>
> -- $26K x 100,000 contracts = $2.6B [$2.6 billion] per year. While the estimate for each contract would be different, it can readily be seen that this is a low but reasonable estimate.[169]

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[168] Secretary of the Navy Richard V. Spencer, [address to] USNI [U.S. Naval Institute]—Defense Forum Washington, Washington, DC, December 4, 2017, remarks as prepared, p. 6.

[169] Navy information paper entitled "Characterizing Costs of the Budget Control Act & Continuing Resolution," undated, received by CRS from Navy Office of legislative Affairs, December 15, 2017. The information paper also includes a discussion of how caps on defense spending under the Budget Control Act (BCA) have increased Navy procurement costs by reducing annual procurement rates for programs such as Navy aircraft procurement programs. Cost increases of this kind, however, are generally a separate matter from cost impacts due to CRs.

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